

**CONSOLIDATED FINANCIAL RESULTS FOR THE SIX-MONTH PERIOD ENDED SEPTEMBER 30, 2005**

(In accordance with Japanese accounting standards)

**FOR IMMEDIATE RELEASE**

Mitsubishi Rayon Company, Limited announces its consolidated financial results for the six-month period ended September 30, 2005

**Consolidated Financial Highlights**

(Millions of yen, except per share)

	Six months ended		Change	Year ended
	September 30 <u>2005</u>	September 30 <u>2004</u>		March 31 <u>2005</u>
Net sales	166,683	161,738	3.1 %	330,106
Operating income	18,690	15,327	21.9 %	30,802
Net income	11,311	7,558	49.6 %	14,438
Amounts per share (yen):				
Net income:				
Basic	18.74	12.36		23.52
Depreciation	7,160	7,454		15,625
Capital expenditures	14,814	11,338		25,691
R&D expenses	5,420	5,016		10,390

**Consolidated Shareholders' Equity, Debts and Total Assets**

(Millions of yen, except per share and ratio)

	Six months ended		Year ended
	September 30 <u>2005</u>	September 30 <u>2004</u>	March 31 <u>2005</u>
Shareholders' equity	166,572	151,481	156,842
Equity ratio	47.0 %	44.0 %	45.3 %
Equity per share (yen)	277.68	247.72	256.46
Total debts	62,185	72,857	61,317
Total assets	354,423	344,308	345,989

**Consolidated Cash Flows**

(Millions of yen)

	Six months ended		Year ended
	September 30 <u>2005</u>	September 30 <u>2004</u>	March 31 <u>2005</u>
Net cash provided by operating activities	18,328	17,717	38,046
Net cash used in investing activities	(11,001)	(8,988)	(23,081)
Net cash used in financing activities	(8,835)	(5,953)	(19,115)
Cash and cash equivalents at end of year	7,088	15,621	8,426

**Number of Group Companies**

Consolidated subsidiaries	50	51	51
Unconsolidated subsidiaries applying equity method	1	-	-
Equity method affiliates	18	23	21

**Forecast for the year ending March 31, 2006**

(Millions of yen)

	Year ending March 31 <u>2006</u>
Net sales	340,000
Operating income	35,000
Net income	21,000
Depreciation	15,500
Capital expenditures	28,000
R&D expenses	11,000

**Consolidated Statements of Income**

(Millions of yen)

	Six months ended		Year ended
	<b>September 30</b> <b>2005</b>	September 30 2004	March 31 2005
<b>Net Sales</b>	166,683	161,738	330,106
<b>Cost of Sales</b>	122,111	120,766	247,633
Gross profit	44,572	40,971	82,472
<b>Selling, General and Administrative Expenses</b>	25,881	25,643	51,670
Operating income	18,690	15,327	30,802
<b>Other Income (Expenses):</b>			
Interest and dividend income	304	231	483
Interest expense	(463)	(590)	(1,106)
Equity in earnings of affiliates	1,038	851	1,653
Foreign currency translation adjustments	274	-	-
Reversal of retirement allowance	7,594	-	-
Loss of impairment assets	(972)	-	-
Restructuring charges	(57)	(237)	(377)
Gain on sale of investment securities	15	38	646
Loss on valuation of securities and investments	(191)	(390)	(411)
Legal settlement	(1,903)	-	(1,775)
Provision for doubtful accounts	-	(7)	(852)
Lump-sum recognition of prior years' unrecognized actuarial losses	(4,265)	-	-
Other, net	626	(2,333)	(4,670)
	1,998	(2,437)	(6,408)
Income before income taxes and minority interests	20,689	12,890	24,393
<b>Income Taxes:</b>			
Current	7,411	4,263	8,301
Deferred	-	-	(435)
Income before minority interests	13,277	8,626	16,527
<b>Minority Interests</b>	(1,966)	(1,068)	(2,088)
Net income	11,311	7,558	14,438

(Yen)

	Six months ended		Year ended
	<b>September 30</b> <b>2005</b>	September 30 2004	March 31 2005
<b>Amounts per Share:</b>			
Net income:			
Basic	18.74	12.36	23.52
Cash dividends	4.00	3.50	7.00

**Consolidated Balance Sheets**

(Millions of yen)

[Assets]	Six months ended September 30 2005	Year ended March 31 2005	Six months ended September 30 2004
<b>Current Assets:</b>			
Cash and time deposits	7,108	8,446	15,641
Notes and accounts receivable:			
Notes receivable	8,465	9,954	10,150
Accounts receivable	62,912	67,698	65,156
Less allowance for doubtful accounts	(920)	(993)	(458)
	70,458	76,660	74,848
Inventories	42,610	37,685	39,000
Deferred tax assets	2,356	2,383	2,559
Other current assets	11,461	11,591	10,676
Total current assets	133,996	136,767	142,725
<b>Property, Plant and Equipment:</b>			
Land	22,392	22,548	22,859
Buildings	104,866	106,480	106,989
Machinery and equipment	344,037	341,707	338,376
Construction-in-progress	26,449	17,918	11,166
	497,745	488,654	479,393
Less accumulated depreciation	(356,049)	(353,516)	(349,276)
Property, plant and equipment, net	141,695	135,137	130,116
<b>Investments and Other Assets:</b>			
Investments in and advances to unconsolidated subsidiaries and affiliates	17,614	16,914	16,907
Investment securities	39,420	32,727	29,620
Deferred tax assets	11,486	14,490	15,006
Other assets	10,209	9,952	9,931
Total investments and other assets	78,730	74,084	71,466
Total assets	354,423	345,989	344,308

**Consolidated Balance Sheets**

(Millions of yen)

	Six months ended <b>September 30</b> <b>2005</b>	Year ended March 31 2005	Six months ended September 30 2004
<b>[Liabilities and Shareholders' Equity]</b>			
<b>Current Liabilities:</b>			
Short-term bank loans	44,566	35,634	36,809
Current portion of long term debt	-	10,000	20,000
Notes and accounts payable:			
Notes payable	5,456	6,462	7,292
Accounts payable	45,192	46,324	41,351
	50,649	52,786	48,644
Accrued expenses	4,493	6,406	4,224
Accrued income taxes	7,366	3,882	4,322
Deferred tax liabilities	226	227	166
Other current liabilities	17,668	16,350	15,618
<b>Total current liabilities</b>	<b>124,971</b>	<b>125,287</b>	<b>129,786</b>
<b>Long-Term Liabilities:</b>			
Long-term debt	17,618	15,683	16,047
Retirement allowances	31,803	35,102	34,654
Deferred tax liabilities	277	283	279
Other long-term liabilities	2,694	2,607	2,671
<b>Total long-term liabilities</b>	<b>52,394</b>	<b>53,677</b>	<b>53,653</b>
<b>Minority Interests in Consolidated Subsidiaries</b>	10,484	10,183	9,386
<b>Shareholders' Equity:</b>			
Common stock	53,229	53,229	53,229
Capital surplus	28,784	33,956	33,955
Retained earnings	78,756	69,709	65,004
Revaluation difference	30	30	30
Unrealized gain on other securities	9,588	5,496	4,069
Foreign currency translation adjustments	(3,759)	(5,298)	(4,577)
Less treasury stock, at cost	(57)	(281)	(230)
<b>Total shareholders' equity</b>	<b>166,572</b>	<b>156,842</b>	<b>151,481</b>
<b>Total liabilities and shareholders' equity</b>	<b>354,423</b>	<b>345,989</b>	<b>344,308</b>

**Consolidated Statements of Shareholders' Equity**

(Millions of yen)

	Common stock	Capital surplus	Retained earnings	Revaluation difference	Unrealized gain on other securities	Foreign currency translation adjustments	Treasury stock
Balance at March 31, 2004	53,229	33,952	59,227	30	4,893	(4,648)	(209)
Increase in retained earnings due to decrease in equity method affiliates	-	-	74	-	-	-	-
Bonuses to directors	-	-	(20)	-	-	-	-
Decrease in retained earnings due to decrease in equity method affiliates	-	-	(34)	-	-	-	-
Staff and workers bonus and welfare fund	-	-	(1)	-	-	-	-
Cash dividends paid	-	-	(3,974)	-	-	-	-
Profit on sale of treasury stock	-	4	-	-	-	-	-
Net income for the year ended March 31, 2005	-	-	14,438	-	-	-	-
Unrealized holding gain on securities	-	-	-	-	602	-	-
Foreign currency translation adjustments	-	-	-	-	-	(650)	-
Net change in treasury stock	-	-	-	-	-	-	(72)
<b>Balance at March 31, 2005</b>	<b>53,229</b>	<b>33,956</b>	<b>69,709</b>	<b>30</b>	<b>5,496</b>	<b>(5,298)</b>	<b>(281)</b>
Decrease in retained earnings due to decrease in consolidated subsidiaries	-	-	(92)	-	-	-	-
Bonuses to directors	-	-	(30)	-	-	-	-
Staff and workers bonus and welfare fund	-	-	(1)	-	-	-	-
Cash dividends paid	-	-	(2,139)	-	-	-	-
Profit on sale of treasury stock	-	0	-	-	-	-	-
Retirement of treasury stock	-	(5,172)	-	-	-	-	-
Net income for six months ended September 30, 2005	-	-	11,311	-	-	-	-
Unrealized holding gain on securities	-	-	-	-	4,091	-	-
Foreign currency translation adjustments	-	-	-	-	-	1,539	-
Net change in treasury stock	-	-	-	-	-	-	224
<b>Balance at September 30, 2005</b>	<b>53,229</b>	<b>28,784</b>	<b>78,756</b>	<b>30</b>	<b>9,588</b>	<b>(3,759)</b>	<b>(57)</b>
Balance at March 31, 2004	53,229	33,952	59,227	30	4,893	(4,648)	(209)
Increase in retained earnings due to decrease in equity method affiliates	-	-	74	-	-	-	-
Bonuses to directors	-	-	(20)	-	-	-	-
Staff and workers bonus and welfare fund	-	-	(1)	-	-	-	-
Cash dividends paid	-	-	(1,834)	-	-	-	-
Profit on sale of treasury stock	-	3	-	-	-	-	-
Net income for six months ended September 30, 2004	-	-	7,558	-	-	-	-
Unrealized holding loss on securities	-	-	-	-	(824)	-	-
Foreign currency translation adjustments	-	-	-	-	-	71	-
Net change in treasury stock	-	-	-	-	-	-	(21)
<b>Balance at September 30, 2004</b>	<b>53,229</b>	<b>33,955</b>	<b>65,004</b>	<b>30</b>	<b>4,069</b>	<b>(4,577)</b>	<b>(230)</b>

**Consolidated Statements of Cash Flows**

(Millions of yen)

	Six months ended		Year ended	
	September 30 2005	September 30 2004	March 31 2005	
<b>Operating Activities:</b>				
Income before income taxes and minority interests	20,689	12,890	24,393	
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	7,370	7,523	15,762	
Loss of impairment assets	972	?	才	才
Goodwill amortization	(1)	70	140	
(Decrease) increase in retirement allowances	(3,227)	806	1,189	
Decrease in allowance for doubtful accounts	(398)	(95)	(760)	
Equity in earnings of affiliates	(1,038)	(851)	(1,653)	
Interest expense	463	590	1,106	
Loss on valuation of securities and investments	191	390	411	
Legal settlement	1,903	?	才	才
Decrease (increase) in trade receivables	6,161	1,937	(570)	
(Increase) decrease in inventories	(4,976)	(316)	834	
(Decrease) increase in trade payables	(2,202)	110	4,389	
Bonuses to directors	(30)	(21)	(21)	
Other, net	(362)	(252)	3,009	
Subtotal	25,516	22,780	48,230	
Interest and dividend received	303	229	479	
Interest paid	(463)	(590)	(1,105)	
Payments of legal settlement	(3,508)	?	才	才
Income taxes paid	(3,519)	(4,700)	(9,557)	
Net cash provided by operating activities	18,328	17,717	38,046	
<b>Investing Activities:</b>				
Proceeds from sale of property, plant and equipment	2,207	1,670	2,232	
Purchases of property, plant and equipment	(13,390)	(10,742)	(25,831)	
Purchases of investment securities	(212)	(23)	(653)	
Proceeds from sale of investment securities	45	259	1,029	
Increase (decrease) in short-term loans receivable	103	(3)	(123)	
Long-term loans advanced	(1)	才	(2)	
Other, net	246	(149)	269	
Net cash used in investing activities	(11,001)	(8,988)	(23,081)	
<b>Financing Activities:</b>				
Proceeds from long-term loans	4,738	863	2,912	
Increase (decrease) in short-term bank loans	7,898	(2,753)	(4,696)	
Repayment of long-term loans	(2,443)	(1,017)	(2,068)	
Redemption of debentures	(10,000)	才	(10,000)	
Acquisition of treasury stock	(4,950)	(32)	(90)	
Cash dividends paid	(4,079)	(3,964)	(6,129)	
Proceeds from issue of shares to minority shareholders	才	938	938	
Other, net	(0)	11	18	
Net cash used in financing activities	(8,835)	(5,953)	(19,115)	
Effect of exchange rate changes on cash and cash equivalents	170	61	(207)	
Net increase in cash and cash equivalents	(1,337)	2,837	(4,356)	
Beginning balance of cash and cash equivalents	8,426	12,783	12,783	
Cash and cash equivalents at end of year	7,088	15,621	8,426	

**Business Segment Information**

(Millions of yen)

Six months ended September 30, 2005	Chemicals and Plastics	Carbon Fiber& Composite Materials, Membranes and Others			Total	Eliminations or corporate	Consolidated
		Fibers					
Sales and operating income							
Sales to third parties	81,209	42,727	42,746	166,683	-	166,683	
Intergroup sales and transfers	4,440	22	15,184	19,647	(19,647)	-	
Total Sales	85,650	42,750	57,930	186,331	(19,647)	166,683	
Operating expenses	72,020	41,657	54,020	167,697	(19,704)	147,993	
Operating income	13,630	1,093	3,910	18,633	56	18,690	

Six months ended September 30, 2004	Chemicals and Plastics	Carbon Fiber& Composite Materials, Membranes and Others			Total	Eliminations or corporate	Consolidated
		Fibers					
Sales and operating income							
Sales to third parties	75,479	44,931	41,326	161,738	-	161,738	
Intergroup sales and transfers	4,100	49	15,133	19,284	(19,284)	-	
Total Sales	79,580	44,981	56,460	181,022	(19,284)	161,738	
Operating expenses	68,825	43,164	53,729	165,719	(19,309)	146,410	
Operating income	10,754	1,817	2,730	15,302	25	15,327	

Year ended March 31, 2005	Chemicals and Plastics	Carbon Fiber& Composite Materials, Membranes and Others			Total	Eliminations or corporate	Consolidated
		Fibers					
Sales and operating income							
Sales to third parties	154,345	89,295	86,466	330,106	-	330,106	
Intergroup sales and transfers	8,479	95	31,726	40,301	(40,301)	-	
Total Sales	162,824	89,390	118,192	370,408	(40,301)	330,106	
Operating expenses	140,692	86,648	112,370	339,711	(40,407)	299,303	
Operating income	22,132	2,742	5,822	30,696	105	30,802	

**Note:**

From the interim of year 2005, the Information Materials (such as, Plastic Optical Fibers, Plastic Rod Lenses, and Image Display Materials), which previously belonged to the "Specialty Products, Engineering and Others segment", are included in the "Chemicals and Plastics segment". Also, the "Specialty Products, Engineering and Others segment" is changed its name to the "Carbon Fiber & Composite Materials, Membranes and Others segment".

The data by the segments of the prior periods listed above reflects the changes have been made.

**Business Segment Information**

(Millions of yen)

The following data is based on the segments used up to the last annual report.

Six months ended September 30, 2004	Chemicals and Plastics	Fibers	Specialty Products, Engineering and Others	Total	Eliminations or corporate	Consolidated
Sales and operating income						
Sales to third parties	68,864	44,931	47,941	161,738	-	161,738
Intergroup sales and transfers	4,100	49	15,133	19,284	(19,284)	-
<b>Total Sales</b>	<b>72,965</b>	<b>44,981</b>	<b>63,074</b>	<b>181,022</b>	<b>(19,284)</b>	<b>161,738</b>
Operating expenses	62,975	43,164	59,580	165,719	(19,309)	146,410
<b>Operating income</b>	<b>9,990</b>	<b>1,817</b>	<b>3,494</b>	<b>15,302</b>	<b>25</b>	<b>15,327</b>

Year ended March 31,2005	Chemicals and Plastics	Fibers	Specialty Products, Engineering and Others	Total	Eliminations or corporate	Consolidated
Sales and operating income						
Sales to third parties	139,972	89,295	100,839	330,106	-	330,106
Intergroup sales and transfers	8,479	95	31,726	40,301	(40,301)	-
<b>Total Sales</b>	<b>148,451</b>	<b>89,390</b>	<b>132,565</b>	<b>370,408</b>	<b>(40,301)</b>	<b>330,106</b>
Operating expenses	128,341	86,648	124,721	339,711	(40,407)	299,303
<b>Operating income</b>	<b>20,110</b>	<b>2,742</b>	<b>7,843</b>	<b>30,696</b>	<b>105</b>	<b>30,802</b>



**Geographical Segment Information**

(Millions of yen)

Six months ended September 30, 2005	Japan	Asia	United States of America	Total	Eliminations or corporate	Consolidated
Sales and operating income						
Sales to third parties	142,392	14,183	10,108	166,683	-	166,683
Intergroup sales and transfers	4,744	3,694	161	8,601	(8,601)	-
Total Sales	147,137	17,877	10,269	175,284	(8,601)	166,683
Operating expenses	133,287	14,082	9,234	156,604	(8,611)	147,993
Operating income	13,849	3,795	1,034	18,680	10	18,690

Six months ended September 30, 2004	Japan	Asia	United States of America	Total	Eliminations or corporate	Consolidated
Sales and operating income						
Sales to third parties	141,616	11,206	8,914	161,738	-	161,738
Intergroup sales and transfers	3,840	2,870	476	7,186	(7,186)	-
Total Sales	145,456	14,077	9,390	168,925	(7,186)	161,738
Operating expenses	132,490	12,034	8,883	153,407	(6,997)	146,410
Operating income	12,966	2,043	507	15,517	(189)	15,327

Year ended March 31, 2005	Japan	Asia	United States of America	Total	Eliminations or corporate	Consolidated
Sales and operating income						
Sales to third parties	290,039	23,073	16,992	330,106	-	330,106
Intergroup sales and transfers	9,387	5,270	1,270	15,929	(15,929)	-
Total Sales	299,427	28,344	18,263	346,035	(15,929)	330,106
Operating expenses	273,488	24,250	17,213	314,952	(15,648)	299,303
Operating income	25,938	4,094	1,049	31,082	(280)	30,802

**Sales by Customer's Geographical Location**

(Millions of yen)

	Six months ended		Year ended
	September 30 2005	September 30 2004	March 31 2005
Sales designated for:			
Japan	92,702	96,221	199,852
Asia	53,088	44,143	88,780
Other	20,892	21,373	41,473
Total	166,683	161,738	330,106