

CONSOLIDATED FINANCIAL RESULTS FOR THE SIX-MONTH PERIOD ENDED SEPTEMBER 30, 2006

(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, 2006

Consolidated Financial Highlights

(Millions of yen, except per share)

	Six months ended		Change	Year ended
	September 30 <u>2006</u>	September 30 <u>2005</u>		March 31 <u>2006</u>
Net sales	198,483	166,683	19.1 %	348,967
Operating income	26,768	18,690	43.2 %	38,766
Net income	15,011	11,311	32.7 %	24,425
Amounts per share (yen):				
Net income:				
Basic	25.03	18.74		40.47
Depreciation	7,893	7,160		15,256
Capital expenditures	18,872	14,814		28,892
R&D expenses	5,486	5,314		10,746

Consolidated Shareholders' Equity, Debts and Total Assets

(Millions of yen, except per share and ratio)

	Six months ended		Year ended
	September 30 <u>2006</u>	September 30 <u>2005</u>	March 31 <u>2006</u>
Total assets	425,330	354,423	381,557
Net assets	206,239	166,572	185,841
Equity ratio (%)	45.8 %	47.0 %	48.7 %
Net Assets per share (yen)	324.87	277.68	309.75

Consolidated Cash Flows

(Millions of yen)

	Six months ended		Year ended
	September 30 <u>2006</u>	September 30 <u>2005</u>	March 31 <u>2006</u>
Net cash provided by operating activities	22,052	18,328	39,764
Net cash used in investing activities	(21,210)	(11,001)	(29,285)
Net cash used in financing activities	178	(8,835)	(9,292)
Cash and cash equivalents at end of year	11,076	7,088	10,113

Number of Group Companies

Consolidated subsidiaries	52	50	51
Unconsolidated subsidiaries applying equity method	1	1	1
Equity method affiliates	17	18	17

Forecast for the year ending March 31, 2007

(Millions of yen)

	Year ending March 31 <u>2007</u>
Net sales	410,000
Operating income	57,000
Net income	33,000
Depreciation	35,000
Capital expenditures	17,000
R&D expenses	11,000

Without recognition of previous years' actuarial gain or losses as Operating expenses

Consolidated Statements of Income

(Millions of yen)

	Six months ended		Year ended
	September 30 2006	September 30 2005	March 31 2006
Net Sales	198,483	166,683	348,967
Cost of Sales	147,276	122,111	258,244
Gross profit	51,207	44,572	90,722
Selling, General and Administrative Expenses	24,438	25,881	51,956
Operating income	26,768	18,690	38,766
Other Income (Expenses):			
Interest and dividend income	389	304	545
Interest expense	(622)	(463)	(957)
Equity in earnings of affiliates	276	1,038	1,566
Foreign currency translation adjustments	323	274	686
Reversal of retirement allowance	-	7,594	7,634
Loss on disposal of fixed assets	(1,059)	-	-
Loss of impairment assets	(40)	(972)	(1,234)
Restructuring charges	(373)	(57)	(1,910)
Gain on sale of investment securities	-	15	245
Loss on valuation of securities and investments	(31)	(191)	(205)
Legal settlement	-	(1,903)	(1,928)
Lump-sum recognition of prior years' unrecognized actuarial losses	-	(4,265)	(4,265)
Other, net	832	626	(286)
	(305)	1,998	(109)
Income before income taxes and minority interests	26,463	20,689	38,656
Income Taxes:			
Current	10,285	7,411	10,519
Deferred	-	-	668
Income before minority interests	16,178	13,277	27,468
Minority Interests	(1,167)	(1,966)	(3,042)
Net income	15,011	11,311	24,425

(Yen)

	Six months ended		Year ended
	September 30 2006	September 30 2005	March 31 2006
Amounts per Share:			
Net income:			
Basic	25.03	18.74	40.47
Cash dividends	5.00	4.00	9.00

Consolidated Balance Sheets

(Millions of yen)

	Six months ended September 30 2006	Year ended March 31 2006	Six months ended September 30 2005
[Assets]			
Current Assets:			
Cash and time deposits	11,086	10,123	7,108
Notes and accounts receivable:			
Notes receivable	9,016	8,360	8,465
Accounts receivable	80,883	68,047	62,912
Less allowance for doubtful accounts	(304)	(649)	(920)
	89,595	75,758	70,458
Inventories	51,304	43,990	42,610
Deferred tax assets	2,923	2,697	2,356
Other current assets	13,401	11,277	11,461
Total current assets	168,312	143,847	133,996
Property, Plant and Equipment:			
Land	27,428	22,303	22,392
Buildings	111,297	107,385	104,866
Machinery and equipment	383,395	355,171	344,037
Construction-in-progress	25,661	19,664	26,449
	547,784	504,524	497,745
Less accumulated depreciation	(386,228)	(356,637)	(356,049)
Property, plant and equipment, net	161,555	147,886	141,695
Investments and Other Assets:			
Investments in and advances to unconsolidated subsidiaries and affiliates	14,581	17,772	17,614
Investment securities	52,083	53,803	39,420
Deferred tax assets	8,250	6,450	11,486
Other assets	20,547	11,796	10,209
Total investments and other assets	95,462	89,823	78,730
Total assets	425,330	381,557	354,423

Consolidated Balance Sheets

(Millions of yen)

	Six months ended September 30 2006	Year ended March 31 2006	Six months ended September 30 2005
[Liabilities]			
Current Liabilities:			
Short-term bank loans	42,260	42,640	44,566
Notes and accounts payable:			
Notes payable	7,378	5,456	5,456
Accounts payable	63,724	48,884	45,192
	71,102	54,341	50,649
Accrued expenses	4,980	4,726	4,493
Accrued income taxes	9,487	6,772	7,366
Deferred tax liabilities	171	350	226
Other current liabilities	29,776	17,913	17,668
Total current liabilities	157,778	126,745	124,971
Long-Term Liabilities:			
Long-term debt	27,799	22,571	17,618
Retirement allowances	30,259	32,129	31,803
Deferred tax liabilities	0	44	277
Other long-term liabilities	3,253	2,745	2,694
Total long-term liabilities	61,312	57,490	52,394
Total liabilities	219,091	184,236	177,365
[Net Assets]			
Shareholders' Equity:			
Common stock	53,229	-	-
Capital surplus	28,790	-	-
Retained earnings	101,438	-	-
Less treasury stock, at cost	(267)	-	-
Total shareholders' equity	183,190	-	-
Valuation and translation adjustments and others:			
Unrealized gain on other securities	13,606	-	-
Deferred losses on hedges	(50)	-	-
Revaluation difference	30	-	-
Foreign currency translation adjustments	(1,977)	-	-
Total valuation and translation adjustments and others	11,609	-	-
Minority Interests in Consolidated Subsidiaries	11,439	-	-
Total net assets	206,239	-	-
Total liabilities and net assets	425,330	-	-
[Minority Interests in Consolidated Subsidiaries]	-	11,479	10,484
[Shareholders' Equity]			
Common stock	-	53,229	53,229
Capital surplus	-	28,786	28,784
Retained earnings	-	89,471	78,756
Revaluation difference	-	30	30
Unrealized gain on other securities	-	16,205	9,588
Foreign currency translation adjustments	-	(1,711)	(3,759)
Less treasury stock, at cost	-	(170)	(57)
Total shareholders' equity	-	185,841	166,572
Total liabilities, minority interests in consolidated subsidiaries and shareholders' equity	-	381,557	354,423

Consolidated Statements of Shareholders' Equity

(Millions of yen)

	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total Shareholders' Equity
Balance at March 31, 2006	53,229	28,786	89,471	(170)	171,316
Changes in interim of year 2006					
Cash dividends paid	-	-	(2,998)	-	(2,998)
Bonuses to directors	-	-	(44)	-	(44)
Net income for six months ended September 30, 2006	-	-	15,011	-	15,011
Purchases of treasury stock	-	-	-	(101)	(101)
Disposal of treasury stock	-	4	-	4	8
Other	-	-	(0)	-	(0)
Total changes in interim of year 2006	-	4	11,967	(97)	11,874
Balance at September 30, 2006	53,229	28,790	101,438	(267)	183,190

	Unrealized gain on other securities	Deferred losses on hedges	Revaluation difference	Foreign currency translation adjustments	Total Valuation and Translation Adjustments and Others	Minority Interests in Consolidated Subsidiaries	Total Net Assets
Balance at March 31, 2006	16,205	-	30	(1,711)	14,525	11,479	197,321
Changes in interim of year 2006							
Cash dividends paid	-	-	-	-	-	-	(2,998)
Bonuses to directors	-	-	-	-	-	-	(44)
Net income for six months ended September 30, 2006	-	-	-	-	-	-	15,011
Purchases of treasury stock	-	-	-	-	-	-	(101)
Disposal of treasury stock	-	-	-	-	-	-	8
Other	-	-	-	-	-	-	(0)
Net changes in items other than those in shareholders' equity	(2,598)	(50)	-	(266)	(2,916)	(40)	(2,956)
Total changes in interim of year 2006	(2,598)	(50)	-	(266)	(2,916)	(40)	8,918
Balance at September 30, 2006	13,606	(50)	30	(1,977)	11,609	11,439	206,239

Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended		Year ended
	September 30 2006	September 30 2005	March 31 2006
Operating Activities:			
Income before income taxes and minority interests	26,463	20,689	38,656
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	7,945	7,370	15,927
Loss of impairment assets	40	972	1,234
Goodwill amortization	379	(1)	66
Decrease in retirement allowances	(1,862)	(3,227)	(3,044)
Decrease in allowance for doubtful accounts	(391)	(398)	(1,923)
Equity in earnings of affiliates	(276)	(1,038)	(1,566)
Interest expense	622	463	957
Loss on valuation of securities and investments	31	191	205
Legal settlement	-	1,903	1,928
(Increase) decrease in trade receivables	(7,141)	6,161	1,633
Increase in inventories	(3,888)	(4,976)	(5,839)
Increase (decrease) in trade payables	14,634	(2,202)	933
Bonuses to directors	(49)	(30)	(30)
Other, net	(6,198)	(362)	2,431
Subtotal	30,307	25,516	51,572
Interest and dividend received	385	303	541
Interest paid	(614)	(463)	(1,002)
Legal settlement paid	-	(3,508)	(3,582)
Income taxes paid	(8,026)	(3,519)	(7,764)
Net cash provided by operating activities	22,052	18,328	39,764
Investing Activities:			
Proceeds from sale of property, plant and equipment	745	2,207	3,152
Purchases of property, plant and equipment	(14,287)	(13,390)	(26,491)
Purchases of investment securities	(2,609)	(212)	(3,803)
Proceeds from sale of investment securities	305	45	577
(Decrease) increase in short-term loans receivable	(291)	103	325
Long-term loans advanced	-	(1)	(9)
Purchases of subsidiaries' shares resulting in changes in the scope of consolidation	(4,156)	-	-
Other, net	(917)	246	(3,037)
Net cash used in investing activities	(21,210)	(11,001)	(29,285)
Financing Activities:			
Proceeds from long-term loans	6,156	4,738	10,971
Increase in short-term bank loans	1,562	7,898	6,104
Repayment of long-term loans	(2,574)	(2,443)	(4,804)
Redemption of debentures	-	(10,000)	(10,000)
Acquisition of treasury stock	(101)	(4,950)	(5,066)
Cash dividends paid	(4,872)	(4,079)	(6,500)
Other, net	8	(0)	3
Net cash used in financing activities	178	(8,835)	(9,292)
Effect of exchange rate changes on cash and cash equivalent	(58)	170	499
Net increase in cash and cash equivalents	963	(1,337)	1,686
Beginning balance of cash and cash equivalents	10,113	8,426	8,426
Cash and cash equivalents at end of year	11,076	7,088	10,113

Business Segment Information

(Millions of yen)

Six months ended September 30, 2006	Carbon Fiber & Composite Materials,				Eliminations or Corporate	Consolidated
	Chemicals and Plastics	Fibers	Membranes and Others	Total		
Sales and operating income						
Sales to third parties	105,449	42,079	50,954	198,483	-	198,483
Intergroup sales and transfers	13,429	412	19,744	33,586	(33,586)	-
Total Sales	118,878	42,492	70,699	232,070	(33,586)	198,483
Operating expenses	99,961	41,923	63,498	205,383	(33,668)	171,715
Operating income	18,917	568	7,200	26,687	81	26,768
(Without recognition of previous years' actuarial gain or losses as Operating expenses)	[14,247]	[(987)]	[6,319]	[19,579]	[81]	[19,660]

Six months ended September 30, 2005	Carbon Fiber & Composite Materials,				Eliminations or Corporate	Consolidated
	Chemicals and Plastics	Fibers	Membranes and Others	Total		
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
(Without recognition of previous years' actuarial gain or losses as Operating expenses)	[13,898]	[1,208]	[3,973]	[19,080]	[56]	[19,137]

Year ended March 31, 2006	Carbon Fiber & Composite Materials,				Eliminations or Corporate	Consolidated
	Chemicals and Plastics	Fibers	Membranes and Others	Total		
Sales and operating income						
Sales to third parties	171,030	84,811	93,125	348,967	-	348,967
Intergroup sales and transfers	9,653	54	32,285	41,992	(41,992)	-
Total Sales	180,684	84,865	125,410	390,960	(41,992)	348,967
Operating expenses	153,213	83,470	115,652	352,336	(42,134)	310,201
Operating income	27,470	1,395	9,757	38,624	142	38,766
(Without recognition of previous years' actuarial gain or losses as Operating expenses)	[28,034]	[1,629]	[9,893]	[39,557]	[142]	[39,699]

Geographical Segment Information

(Millions of yen)

Six months ended			United States		Eliminations	
September 30, 2006	Japan	Asia	of America	Total	or Corporate	Consolidated
Sales and operating income						
Sales to third parties	163,306	20,761	14,416	198,483	-	198,483
Intergroup sales and transfers	8,654	4,438	234	13,328	(13,328)	-
Total Sales	171,960	25,200	14,651	211,812	(13,328)	198,483
Operating expenses	149,704	22,803	12,451	184,959	(13,244)	171,715
Operating income	22,256	2,396	2,199	26,852	(83)	26,768

Six months ended			United States		Eliminations	
September 30, 2005	Japan	Asia	of America	Total	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

Year ended March 31, 2006	Japan	Asia	United States	Total	Eliminations	Consolidated
			of America		or Corporate	
Sales and operating income						
Sales to third parties	295,747	31,469	21,751	348,967	-	348,967
Intergroup sales and transfers	11,829	9,090	1,109	22,028	(22,028)	-
Total Sales	307,576	40,559	22,860	370,996	(22,028)	348,967
Operating expenses	277,837	33,602	20,671	332,111	(21,909)	310,201
Operating income	29,738	6,956	2,189	38,885	(118)	38,766

Sales by Customer's Geographical Location

(Millions of yen)

	Six months ended		Year ended
	September 30	September 30	March 31
	2006	2005	2006
Sales designated for:			
Japan	108,634	92,702	197,968
Asia	61,726	53,088	105,498
Other	28,122	20,892	45,500
Total	198,483	166,683	348,967