

**CONSOLIDATED FINANCIAL RESULTS FOR THE YEAR ENDED MARCH 31, 2006**

(In accordance with Japanese accounting standards)

**FOR IMMEDIATE RELEASE**

May 10, 2006 -- Mitsubishi Rayon Company, Limited announces its consolidated financial results for the year ended March 31, 2006

**Consolidated Financial Highlights**

	(Millions of yen, except per share)			Six months ended
	<b>Years ended March 31</b>			September 30
	<u>2006</u>	<u>2005</u>	<u>Change</u>	<u>2005</u>
Net sales	¥ 348,967	¥ 330,106	5.7 %	¥ 166,683
Operating income	38,766	30,802	25.9 %	18,690
Net income	24,425	14,438	69.2 %	11,311
Amounts per share (yen):				
Net income				
-- Basic	¥ 40.47	¥ 23.52		¥ 18.74
Depreciation	¥ 15,256	¥ 15,625		¥ 7,160
Capital expenditures	28,892	25,691		14,814
R&D expenses	10,969	10,390		5,420

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

	(Millions of yen, except per share and ratio)			Six months ended
	<b>Years ended March 31</b>			September 30
Shareholders' equity	¥ 185,841	¥ 156,842		¥ 166,572
Equity ratio	48.7 %	45.3 %		47.0 %
Equity per share (yen)	¥ 309.75	¥ 256.46		¥ 277.68
Total debts	65,211	61,317		62,185
Total assets	381,557	345,989		354,423

**Consolidated Cash Flows**

	(Millions of yen)			Six months ended
	<b>Years ended March 31</b>			September 30
Net cash provided by operating activities	¥ 39,764	¥ 38,046		¥ 18,328
Net cash used in investing activities	(29,285)	(23,081)		(11,001)
Net cash used in financing activities	(9,292)	(19,115)		(8,835)
Cash and cash equivalents				
at end of year	10,113	8,426		7,088

**Number of Group Companies**

Consolidated subsidiaries	51	51	50
Unconsolidated subsidiaries applying equity method	1	-	1
Equity method affiliates	17	21	18

**Forecast of Consolidated Results**

	(Millions of yen)		Six months ending
	Year ending	March 31	September 30
		<u>2007</u>	<u>2006</u>
Net sales	¥	400,000	¥ 197,000
Operating income		57,000	27,000
Net income		33,000	15,500
Depreciation	¥	17,000	¥ 8,000
Capital expenditures		34,000	17,000
R&D expenses		11,000	5,500



## Consolidated Statements of Income

	Millions of yen	
	2006	2005
<b>Net Sales</b>	348,967	330,106
<b>Cost of Sales</b>	258,244	247,633
Gross profit	90,722	82,472
<b>Selling, General and Administrative Expenses</b>	51,956	51,670
Operating income	38,766	30,802
<b>Other Income (Expenses):</b>		
Interest and dividend income	545	483
Interest expense	(957)	(1,106)
Equity in earnings of affiliates	1,566	1,653
Foreign currency translation adjustments	686	-
Reversal of retirement allowance	7,634	-
Loss of impairment assets	(1,234)	-
Restructuring charges	(1,910)	(377)
Gain on sale of investment securities	245	646
Loss on valuation of securities and investments	(205)	(411)
Legal settlement	(1,928)	(1,775)
Provision for doubtful accounts	-	(852)
Lump-sum recognition of prior years' unrecognized actuarial losses	(4,265)	-
Other, net	(286)	(4,670)
	(109)	(6,408)
Income before income taxes and minority interests	38,656	24,393
<b>Income Taxes:</b>		
Current	10,519	8,301
Deferred	668	(435)
Income before minority interests	27,468	16,527
<b>Minority Interests</b>	(3,042)	(2,088)
Net income	24,425	14,438

	yen	
	2006	2005
<b>Amounts per Share:</b>		
Net income - Basic	40.47	23.52
Cash dividends	9.00	7.00

**Consolidated Balance Sheets**

<b>[Assets]</b>	Millions of yen	
	<b>2006</b>	<b>2005</b>
<b>Current Assets:</b>		
Cash and time deposits	10,123	8,446
Notes and accounts receivable:		
Notes receivable	8,360	9,954
Accounts receivable	68,047	67,698
Less allowance for doubtful accounts	(649)	(993)
	<u>75,758</u>	<u>76,660</u>
Inventories	43,990	37,685
Deferred tax assets	2,697	2,383
Other current assets	11,277	11,591
<b>Total current assets</b>	<u>143,847</u>	<u>136,767</u>
<b>Property, Plant and Equipment:</b>		
Land	22,303	22,548
Buildings	107,385	106,480
Machinery and equipment	355,171	341,707
Construction-in-progress	19,664	17,918
	<u>504,524</u>	<u>488,654</u>
Less accumulated depreciation	(356,637)	(353,516)
<b>Property, plant and equipment, net</b>	<u>147,886</u>	<u>135,137</u>
<b>Investments and Other Assets:</b>		
Investments in and advances to unconsolidated subsidiaries and affiliates	17,772	16,914
Investment securities	53,803	32,727
Deferred tax assets	6,450	14,490
Other assets	11,796	9,952
<b>Total investments and other assets</b>	<u>89,823</u>	<u>74,084</u>
<b>Total assets</b>	<u>381,557</u>	<u>345,989</u>

**Consolidated Balance Sheets**

<b>[Liabilities and Shareholders' Equity]</b>	Millions of yen	
	<b>2006</b>	<b>2005</b>
<b>Current Liabilities:</b>		
Short-term bank loans	42,640	35,634
Current portion of long term debt	-	10,000
Notes and accounts payable:		
Notes payable	5,456	6,462
Accounts payable	48,884	46,324
	54,341	52,786
Accrued expenses	4,726	6,406
Accrued income taxes	6,772	3,882
Deferred tax liabilities	350	227
Other current liabilities	17,913	16,350
<b>Total current liabilities</b>	<b>126,745</b>	<b>125,287</b>
<b>Long-Term Liabilities:</b>		
Long-term debt	22,571	15,683
Retirement allowances	32,129	35,102
Deferred tax liabilities	44	283
Other long-term liabilities	2,745	2,607
<b>Total long-term liabilities</b>	<b>57,490</b>	<b>53,677</b>
<b>Minority Interests in Consolidated Subsidiaries</b>	<b>11,479</b>	<b>10,183</b>
<b>Shareholders' Equity:</b>		
Common stock	53,229	53,229
Capital surplus	28,786	33,956
Retained earnings	89,471	69,709
Revaluation difference	30	30
Unrealized gain on other securities	16,205	5,496
Foreign currency translation adjustments	(1,711)	(5,298)
Less treasury stock, at cost	(170)	(281)
<b>Total shareholders' equity</b>	<b>185,841</b>	<b>156,842</b>
<b>Total liabilities and shareholders' equity</b>	<b>381,557</b>	<b>345,989</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)	-	-	-	-
Effect of decrease in equity method affiliates	-	-	(34)	-	-	-	-
Staff and workers bonuses 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)
Balance at March 31, 2005	53,229	33,956	69,709	30	5,496	(5,298)	(281)
Decrease in retained earnings due to decrease in consolidated subsidiaries	-	-	(92)	-	-	-	-
Bonuses to directors	-	-	(30)	-	-	-	-
Effect of decrease in equity method affiliates	-	-	-	-	-	-	-
Staff and workers bonuses and welfare fund	-	-	(1)	-	-	-	-
Cash dividends paid	-	-	(4,539)	-	-	-	-
Profit on sale of treasury stock	-	1	-	-	-	-	-
Retirement of treasury stock	-	(5,172)	-	-	-	-	-
Net income for the year ended March 31, 2006	-	-	24,425	-	-	-	-
Unrealized holding gain on securities	-	-	-	-	10,708	-	-
Foreign currency translation adjustments	-	-	-	-	-	3,587	-
Net change in treasury stock	-	-	-	-	-	-	110
Balance at March 31, 2006	53,229	28,786	89,471	30	16,205	(1,711)	(170)

**Consolidated Statements of Cash Flows**

	Millions of yen	
	2006	2005
<b>Operating Activities:</b>		
Income before income taxes and minority interests	38,656	24,393
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	15,927	15,762
Loss of impairment assets	1,234	-
Goodwill amortization	66	140
(Decrease) increase in retirement allowances	(3,044)	1,189
(Decrease) in allowance for doubtful accounts	(1,923)	(760)
Equity in earnings of affiliates	(1,566)	(1,653)
Interest expense	957	1,106
Loss on valuation of securities and investments	205	411
Legal settlement	1,928	-
Decrease (increase) in trade receivables	1,633	(570)
(Increase) decrease in inventories	(5,839)	834
Increase in trade payables	933	4,389
Bonuses to directors	(30)	(21)
Other, net	2,431	3,009
Subtotal	51,572	48,230
Interest and dividend received	541	479
Interest paid	(1,002)	(1,105)
Legal settlement paid	(3,582)	-
Income taxes paid	(7,764)	(9,557)
Net cash provided by operating activities	39,764	38,046
<b>Investing Activities:</b>		
Proceeds from sale of property, plant and equipment	3,152	2,232
Purchases of property, plant and equipment	(26,491)	(25,831)
Purchases of investment securities	(3,803)	(653)
Proceeds from sale of investment securities	577	1,029
Decrease (increase) in short-term loans receivable	325	(123)
Long-term loans advanced	(9)	(2)
Other, net	(3,037)	269
Net cash used in investing activities	(29,285)	(23,081)
<b>Financing Activities:</b>		
Proceeds from long-term loans	10,971	2,912
Increase (decrease) in short-term bank loans	6,104	(4,696)
Repayment of long-term loans	(4,804)	(2,068)
Redemption of debentures	(10,000)	(10,000)
Acquisition of treasury stock	(5,066)	(90)
Cash dividends paid	(6,500)	(6,129)
Proceeds from issue of shares to minority shareholders	-	938
Other, net	3	18
Net cash used in financing activities	(9,292)	(19,115)
Effect of exchange rate changes on cash and cash equivalents	499	(207)
Net increase (decrease) in cash and cash equivalents	1,686	(4,356)
Beginning balance of cash and cash equivalents	8,426	12,783
Cash and cash equivalents at end of year	10,113	8,426

<b>Year ended March 31, 2006</b>	Chemicals and Plastics	Fibers	Carbon Fiber & Composite Materials, Membranes and Others	Total	Eliminations or corporate	Consolidated
<b>1. Sales and operating income</b>						
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)	-
<b>Total Sales</b>	<b>180,684</b>	<b>84,865</b>	<b>125,410</b>	<b>390,960</b>	<b>(41,992)</b>	<b>348,967</b>
Operating expenses	153,213	83,470	115,652	352,336	(42,134)	310,201
<b>Operating income</b>	<b>27,470</b>	<b>1,395</b>	<b>9,757</b>	<b>38,624</b>	<b>142</b>	<b>38,766</b>
<b>2. Assets, depreciation and capital expenditures</b>						
Total assets	160,980	86,688	94,238	341,906	39,650	381,557
Depreciation	8,908	3,525	2,822	15,256	-	15,256
Capital expenditures	17,143	6,848	4,899	28,892	-	28,892

<b>Year ended March 31, 2005</b>	Chemicals and Plastics	Fibers	Carbon Fiber & Composite Materials, Membranes and Others	Total	Eliminations or corporate	Consolidated
<b>1. Sales and operating income</b>						
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)	-
<b>Total Sales</b>	<b>162,824</b>	<b>89,390</b>	<b>118,192</b>	<b>370,408</b>	<b>(40,301)</b>	<b>330,106</b>
Operating expenses	140,692	86,648	112,370	339,711	(40,407)	299,303
<b>Operating income</b>	<b>22,132</b>	<b>2,742</b>	<b>5,822</b>	<b>30,696</b>	<b>105</b>	<b>30,802</b>
<b>2. Assets, depreciation and capital expenditures</b>						
Total assets	142,670	85,333	88,239	316,243	29,745	345,989
Depreciation	8,547	4,101	2,976	15,625	-	15,625
Capital expenditures	16,590	6,887	2,213	25,691	-	25,691

**Note:**

From the annual 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.

**Geographical Segment Information**

(Millions of yen)

<b>Year ended March 31, 2006</b>	Japan	Asia	United States of America	Total	Eliminations or corporate	Consolidated
1. 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
2. Total assets	269,699	61,731	12,730	344,161	37,396	381,557

<b>Year ended March 31, 2005</b>	Japan	Asia	United States of America	Total	Eliminations or corporate	Consolidated
1. 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
2. Total assets	263,988	41,604	9,845	315,438	30,551	345,989

**Sales by Customer's Geographical Location**

(Millions of yen)

	Year ended	
	March 31 2006	March 31 2005
Sales designated for:		
Japan	197,968	199,852
Asia	105,498	88,780
Other	45,500	41,473
Total	348,967	330,106