

CONSOLIDATED FINANCIAL RESULTS FOR THE YEAR ENDED MARCH 31, 2007

(In accordance with Japanese accounting standards)

FOR IMMEDIATE RELEASE

May 9, 2007 -- Mitsubishi Rayon Company, Limited announces its consolidated financial results for the year ended March 31, 2007

Consolidated Financial Highlights

| | (Millions of yen, except per share) | | | Six months ended September 30 |
|--------------------------|-------------------------------------|-------------|---------------|----------------------------------|
| | Years ended March 31 | | | |
| | <u>2007</u> | <u>2006</u> | <u>Change</u> | <u>2006</u> |
| Net sales | ¥ 417,027 | ¥ 348,967 | 19.5 % | ¥ 198,483 |
| Operating income | 59,665 | 38,766 | 53.9 % | 26,768 |
| Net income | 31,273 | 24,425 | 28.0 % | 15,011 |
| Amounts per share (yen): | | | | |
| Net income | | | | |
| -- Basic | ¥ 52.15 | ¥ 40.47 | | ¥ 25.03 |
| Depreciation | ¥ 17,027 | ¥ 15,256 | | ¥ 7,893 |
| Capital expenditures | 37,059 | 28,892 | | 18,872 |
| R&D expenses ※ | 11,085 | 10,746 | | 5,486 |

Consolidated Financial Standing

| | (Millions of yen, except per share and ratio) | | | Six months ended September 30 |
|----------------------------|---|-----------|--|----------------------------------|
| | Years ended March 31 | | | |
| Total assets | ¥ 449,578 | ¥ 381,557 | | ¥ 425,330 |
| Net assets | 225,713 | 185,841 | | 206,239 |
| Equity ratio (%) | 47.2 % | 48.7 % | | 45.8 % |
| Net Assets per share (yen) | ¥ 354.32 | ¥ 309.75 | | ¥ 324.87 |

Consolidated Cash Flows

| | (Millions of yen) | | | Six months ended September 30 |
|---|----------------------|----------|--|----------------------------------|
| | Years ended March 31 | | | |
| Net cash provided by operating activities | ¥ 52,168 | ¥ 39,764 | | ¥ 22,052 |
| Net cash used in investing activities | (41,153) | (29,285) | | (21,210) |
| Net cash used in financing activities | (10,150) | (9,292) | | 178 |
| Cash and cash equivalents at end of year | 10,701 | 10,113 | | 11,076 |

Number of Group Companies

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

Forecast of Consolidated Results

| | (Millions of yen) | |
|----------------------|-----------------------------------|-------------------------|
| | Six months ending September 30 | Year ending March 31 |
| | <u>2007</u> | <u>2008</u> |
| Net sales | ¥ 215,000 | ¥ 435,000 |
| Operating income | 24,000 | 48,000 |
| Net income | 11,500 | 23,500 |
| Depreciation | ¥ 11,000 | ¥ 23,000 |
| Capital expenditures | 24,000 | 39,000 |
| R&D expenses ※ | 6,000 | 12,000 |

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



Consolidated Statements of Income

| | Millions of yen | |
|--|-----------------|---------|
| | 2006 | 2007 |
| Net Sales | 348,967 | 417,027 |
| Cost of Sales | 258,244 | 307,808 |
| Gross profit | 90,722 | 109,219 |
| Selling, General and Administrative Expenses | 51,956 | 49,553 |
| Operating income | 38,766 | 59,665 |
| Other Income (Expenses): | | |
| Interest and dividend income | 545 | 801 |
| Interest expense | (957) | (1,411) |
| Equity in earnings of affiliates | 1,566 | 518 |
| Foreign currency translation adjustments | 686 | 639 |
| Reversal of retirement allowance | 7,634 | - |
| Loss on disposal of fixed assets | - | (2,564) |
| Loss of impairment assets | (1,234) | (61) |
| Restructuring charges | (1,910) | (1,121) |
| Gain on sale of investment securities | 245 | - |
| Loss on valuation of securities and investments | (205) | (179) |
| Legal settlement | (1,928) | - |
| Lump-sum recognition of prior years' unrecognized actuarial losses | (4,265) | - |
| Other, net | (286) | 106 |
| | (109) | (3,273) |
| Income before income taxes and minority interests | 38,656 | 56,392 |
| Income Taxes: | | |
| Current | 10,519 | 19,767 |
| Deferred | 668 | 2,481 |
| Income before minority interests | 27,468 | 34,143 |
| Minority Interests | (3,042) | (2,869) |
| Net income | 24,425 | 31,273 |

| | yen | |
|---------------------------|-------|-------|
| | 2006 | 2007 |
| Amounts per Share: | | |
| Net income—Basic | 40.47 | 52.15 |
| Cash dividends | 9.00 | 10.00 |



Consolidated Balance Sheets

| [Assets] | Millions of yen | |
|---|-----------------|----------------|
| | 2006 | 2007 |
| Current Assets: | | |
| Cash and time deposits | 10,123 | 10,711 |
| Notes and accounts receivable: | | |
| Notes receivable | 8,360 | 8,920 |
| Accounts receivable | 68,047 | 87,161 |
| Less allowance for doubtful accounts | (649) | (359) |
| | 75,758 | 95,722 |
| Inventories | 43,990 | 52,678 |
| Deferred tax assets | 2,697 | 3,231 |
| Other current assets | 11,277 | 13,369 |
| Total current assets | 143,847 | 175,713 |
| Property, Plant and Equipment: | | |
| Land | 22,303 | 25,952 |
| Buildings | 107,385 | 110,525 |
| Machinery and equipment | 355,171 | 393,170 |
| Construction-in-progress | 19,664 | 20,075 |
| | 504,524 | 549,723 |
| Less accumulated depreciation | (356,637) | (379,649) |
| Property, plant and equipment, net | 147,886 | 170,074 |
| Investments and Other Assets: | | |
| Investments in and advances to unconsolidated subsidiaries and affiliates | 17,772 | 15,362 |
| Investment securities | 53,803 | 59,151 |
| Deferred tax assets | 6,450 | 3,737 |
| Other assets | 11,796 | 25,538 |
| Total investments and other assets | 89,823 | 103,790 |
| Total assets | 381,557 | 449,578 |

Consolidated Balance Sheets

| | Millions of yen | |
|---|-----------------|---------|
| [Liabilities] | 2006 | 2007 |
| Current Liabilities: | | |
| Short-term bank loans | 42,640 | 37,966 |
| Notes and accounts payable: | | |
| Notes payable | 5,456 | 8,174 |
| Accounts payable | 48,884 | 68,945 |
| | 54,341 | 77,119 |
| Accrued expenses | 4,726 | 5,817 |
| Accrued income taxes | 6,772 | 11,905 |
| Deferred tax liabilities | 350 | 311 |
| Other current liabilities | 17,913 | 30,988 |
| Total current liabilities | 126,745 | 164,109 |
| Long-Term Liabilities: | | |
| Long-term debt | 22,571 | 27,320 |
| Retirement allowances | 32,129 | 29,404 |
| Deferred tax liabilities | 44 | 48 |
| Other long-term liabilities | 2,745 | 2,981 |
| Total long-term liabilities | 57,490 | 59,755 |
| Total liabilities | 184,236 | 223,865 |
| [Minority Interests in Consolidated Subsidiaries] | 11,479 | - |
| [Shareholders' Equity] | | |
| Common stock | 53,229 | - |
| Capital surplus | 28,786 | - |
| Retained earnings | 89,471 | - |
| Revaluation difference | 30 | - |
| Unrealized gain on other securities | 16,205 | - |
| Foreign currency translation adjustments | (1,711) | - |
| Less treasury stock, at cost | (170) | - |
| Total shareholders' equity | 185,841 | - |
| Total liabilities, minority interests in consolidated subsidiaries and shareholders' equity | 381,557 | - |
| [Net Assets] | | |
| Shareholders' Equity: | | |
| Common stock | - | 53,229 |
| Capital surplus | - | 28,793 |
| Retained earnings | - | 114,700 |
| Less treasury stock, at cost | - | (350) |
| Total shareholders' equity | - | 196,372 |
| Valuation and translation adjustments and others: | | |
| Unrealized gain on other securities | - | 16,150 |
| Deferred losses on hedges | - | 0 |
| Revaluation difference | - | 30 |
| Foreign currency translation adjustments | - | (131) |
| Total valuation and translation adjustments and others | - | 16,050 |
| Minority Interests in Consolidated Subsidiaries | - | 13,289 |
| Total net assets | - | 225,713 |
| Total liabilities and net assets | - | 449,578 |

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 | | | | | |
| Net income | - | - | 31,273 | - | 31,273 |
| Cash dividends paid | - | - | (5,996) | - | (5,996) |
| Purchases of treasury stock | - | - | - | (189) | (189) |
| Disposal of treasury stock | - | 7 | - | 9 | 16 |
| Bonuses to directors | - | - | (44) | - | (44) |
| Other | - | - | (2) | - | (2) |
| Total changes in interim of year 2006 | - | 7 | 25,229 | (180) | 25,056 |
| Balance at March 31, 2007 | 53,229 | 28,793 | 114,700 | (350) | 196,372 |

| | 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 | | | | | | | |
| Net income | - | - | - | - | - | - | 31,273 |
| Cash dividends paid | - | - | - | - | - | - | (5,996) |
| Purchases of treasury stock | - | - | - | - | - | - | (189) |
| Disposal of treasury stock | - | - | - | - | - | - | 16 |
| Bonuses to directors | - | - | - | - | - | - | (44) |
| Other | - | - | - | - | - | - | (2) |
| Net changes in items other than those in shareholders' equity | (55) | 0 | - | 1,579 | 1,525 | 1,810 | 3,335 |
| Total changes in interim of year 2006 | (55) | 0 | - | 1,579 | 1,525 | 1,810 | 28,392 |
| Balance at March 31, 2007 | 16,150 | 0 | 30 | (131) | 16,050 | 13,289 | 225,713 |

Consolidated Statements of Cash Flows

| | Millions of yen | |
|--|-----------------|----------|
| | 2006 | 2007 |
| Operating Activities: | | |
| Income before income taxes and minority interests | 38,656 | 56,392 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 15,927 | 17,977 |
| Loss of impairment assets | 1,234 | 61 |
| Goodwill amortization | 66 | 758 |
| Decrease in retirement allowances | (3,044) | (2,779) |
| Increase in prepaid pension expense | - | (11,908) |
| Decrease in allowance for doubtful accounts | (1,923) | (534) |
| Equity in earnings of affiliates | (1,566) | (518) |
| Interest expense | 957 | 1,411 |
| Loss on valuation of securities and investments | 205 | 179 |
| Legal settlement | 1,928 | - |
| Decrease (increase) in trade receivables | 1,633 | (12,809) |
| Increase in inventories | (5,839) | (4,613) |
| Increase in trade payables | 933 | 20,024 |
| Bonuses to directors | (30) | (49) |
| Other, net | 2,431 | 3,873 |
| Subtotal | 51,572 | 67,465 |
| Interest and dividend received | 541 | 794 |
| Interest paid | (1,002) | (1,391) |
| Legal settlement paid | (3,582) | - |
| Income taxes paid | (7,764) | (14,701) |
| Net cash provided by operating activities | 39,764 | 52,168 |
| Investing Activities: | | |
| Proceeds from sale of property, plant and equipment | 3,152 | 1,904 |
| Purchases of property, plant and equipment | (26,491) | (32,448) |
| Purchases of investment securities | (3,803) | (6,179) |
| Proceeds from sale of investment securities | 577 | 474 |
| (Increase) decrease in short-term loans receivable | 325 | (1,173) |
| Long-term loans advanced | (9) | (1) |
| Purchases of subsidiaries' shares resulting in changes in the scope of consolidation | - | (4,156) |
| Other, net | (3,037) | 426 |
| Net cash used in investing activities | (29,285) | (41,153) |
| Financing Activities: | | |
| Proceeds from long-term loans | 10,971 | 7,126 |
| Increase (decrease) in short-term bank loans | 6,104 | (5,726) |
| Repayment of long-term loans | (4,804) | (1,606) |
| Redemption of debentures | (10,000) | - |
| Acquisition of treasury stock | (5,066) | (189) |
| Cash dividends paid | (6,500) | (9,768) |
| Other, net | 3 | 13 |
| Net cash used in financing activities | (9,292) | (10,150) |
| Effect of exchange rate changes on cash and cash equivalents | 499 | (275) |
| Net increase decrease in cash and cash equivalents | 1,686 | 588 |
| Beginning balance of cash and cash equivalents | 8,426 | 10,113 |
| Cash and cash equivalents at end of year | 10,113 | 10,701 |

| Year ended March 31, 2006 | Chemicals and Plastics | Fibers | Carbon Fiber & Composite Materials, Membranes and Others | Total | Eliminations or corporate | Consolidated |
|---|---------------------------|---------------|---|----------------|------------------------------|----------------|
| 1. 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] |
| 2. Assets, depreciation and capital expenditures | | | | | | |
| 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 |

| Year ended March 31, 2007 | Chemicals and Plastics | Fibers | Carbon Fiber & Composite Materials, Membranes and Others | Total | Eliminations or corporate | Consolidated |
|---|---------------------------|---------------|---|----------------|------------------------------|----------------|
| 1. Sales and operating income | | | | | | |
| Sales to third parties | 219,622 | 85,882 | 111,522 | 417,027 | - | 417,027 |
| Intergroup sales and transfers | 26,251 | 777 | 42,774 | 69,802 | (69,802) | - |
| Total Sales | 245,873 | 86,659 | 154,296 | 486,830 | (69,802) | 417,027 |
| Operating expenses | 204,357 | 84,737 | 138,170 | 427,265 | (69,903) | 357,362 |
| Operating income | 41,516 | 1,922 | 16,126 | 59,564 | 100 | 59,665 |
| (Without recognition of previous years' actuarial gain or losses as Operating expenses) | [32,196] | [(1,132)] | [14,290] | [45,355] | [100] | [45,455] |
| 2. Assets, depreciation and capital expenditures | | | | | | |
| Total assets | 204,935 | 83,820 | 112,047 | 400,804 | 48,773 | 449,578 |
| Depreciation | 9,943 | 4,008 | 3,076 | 17,027 | - | 17,027 |
| Capital expenditures | 18,487 | 5,487 | 13,084 | 37,059 | - | 37,059 |

Geographical Segment Information

(Millions of yen)

| Year ended March 31, 2006 | 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 |

| Year ended March 31, 2007 | Japan | Asia | United States of America | Total | Eliminations or Corporate | Consolidated |
|----------------------------------|---------|--------|-----------------------------|---------|------------------------------|--------------|
| 1. Sales and operating income | | | | | | |
| Sales to third parties | 338,405 | 47,911 | 30,711 | 417,027 | - | 417,027 |
| Intergroup sales and transfers | 18,929 | 10,066 | 809 | 29,805 | (29,805) | - |
| Total Sales | 357,334 | 57,978 | 31,520 | 446,833 | (29,805) | 417,027 |
| Operating expenses | 307,669 | 52,394 | 26,873 | 386,938 | (29,576) | 357,362 |
| Operating income | 49,664 | 5,583 | 4,646 | 59,894 | (229) | 59,665 |
| 2. Total assets | 304,331 | 70,806 | 14,915 | 390,053 | 59,525 | 449,578 |

Sales by Customer's Geographical Location

(Millions of yen)

| | Year ended | |
|-----------------------|------------------|------------------|
| | March 31 2006 | March 31 2007 |
| Sales designated for: | | |
| Japan | 197,968 | 229,712 |
| Asia | 105,498 | 128,130 |
| Other | 45,500 | 59,184 |
| Total | 348,967 | 417,027 |