

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 |
|--|------------------------------------|----------------------|------------------|
| | September 30 2005 | September 30 2004 | March 31 2005 |
| Net Sales | 166,683 | 161,738 | 330,106 |
| Cost of Sales | 122,111 | 120,766 | 247,633 |
| Gross profit | 44,572 | 40,971 | 82,472 |
| Selling, General and Administrative Expenses | 25,881 | 25,643 | 51,670 |
| Operating income | 18,690 | 15,327 | 30,802 |
| Other Income (Expenses): | | | |
| 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 |
| Income Taxes: | | | |
| Current | 7,411 | 4,263 | 8,301 |
| Deferred | - | - | (435) |
| Income before minority interests | 13,277 | 8,626 | 16,527 |
| Minority Interests | (1,966) | (1,068) | (2,088) |
| Net income | 11,311 | 7,558 | 14,438 |

(Yen)

| | Six months ended | | Year ended |
|---------------------------|------------------------------------|----------------------|------------------|
| | September 30 2005 | September 30 2004 | March 31 2005 |
| Amounts per Share: | | | |
| 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 |
|---|--|--------------------------------|--|
| Current Assets: | | | |
| 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 |
| Property, Plant and Equipment: | | | |
| 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 |
| Investments and Other Assets: | | | |
| 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 September 30 2005 | Year ended March 31 2005 | Six months ended September 30 2004 |
|--|--|--------------------------------|--|
| [Liabilities and Shareholders' Equity] | | | |
| Current Liabilities: | | | |
| 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 |
| Total current liabilities | 124,971 | 125,287 | 129,786 |
| Long-Term Liabilities: | | | |
| 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 |
| Total long-term liabilities | 52,394 | 53,677 | 53,653 |
| Minority Interests in Consolidated Subsidiaries | 10,484 | 10,183 | 9,386 |
| Shareholders' Equity: | | | |
| 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) |
| Total shareholders' equity | 166,572 | 156,842 | 151,481 |
| Total liabilities and shareholders' equity | 354,423 | 345,989 | 344,308 |

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) |
| 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) | - | - | - | - |
| 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 |
| Balance at September 30, 2005 | 53,229 | 28,784 | 78,756 | 30 | 9,588 | (3,759) | (57) |
| 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) |
| Balance at September 30, 2004 | 53,229 | 33,955 | 65,004 | 30 | 4,069 | (4,577) | (230) |

Consolidated Statements of Cash Flows

(Millions of yen)

| | Six months ended | | Year ended | |
|---|----------------------|----------------------|------------------|---|
| | September 30 2005 | September 30 2004 | March 31 2005 | |
| Operating Activities: | | | | |
| 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 | |
| Investing Activities: | | | | |
| 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) | |
| Financing Activities: | | | | |
| 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) | - |
| Total Sales | 72,965 | 44,981 | 63,074 | 181,022 | (19,284) | 161,738 |
| Operating expenses | 62,975 | 43,164 | 59,580 | 165,719 | (19,309) | 146,410 |
| Operating income | 9,990 | 1,817 | 3,494 | 15,302 | 25 | 15,327 |

| 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) | - |
| Total Sales | 148,451 | 89,390 | 132,565 | 370,408 | (40,301) | 330,106 |
| Operating expenses | 128,341 | 86,648 | 124,721 | 339,711 | (40,407) | 299,303 |
| Operating income | 20,110 | 2,742 | 7,843 | 30,696 | 105 | 30,802 |

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 |