

MITSUBISHI RAYON

— GROUP —

Presentation on Consolidated Business Performance for Fiscal 2005 (April 2005 to March 2006)

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Mitsubishi Rayon Co., Ltd.

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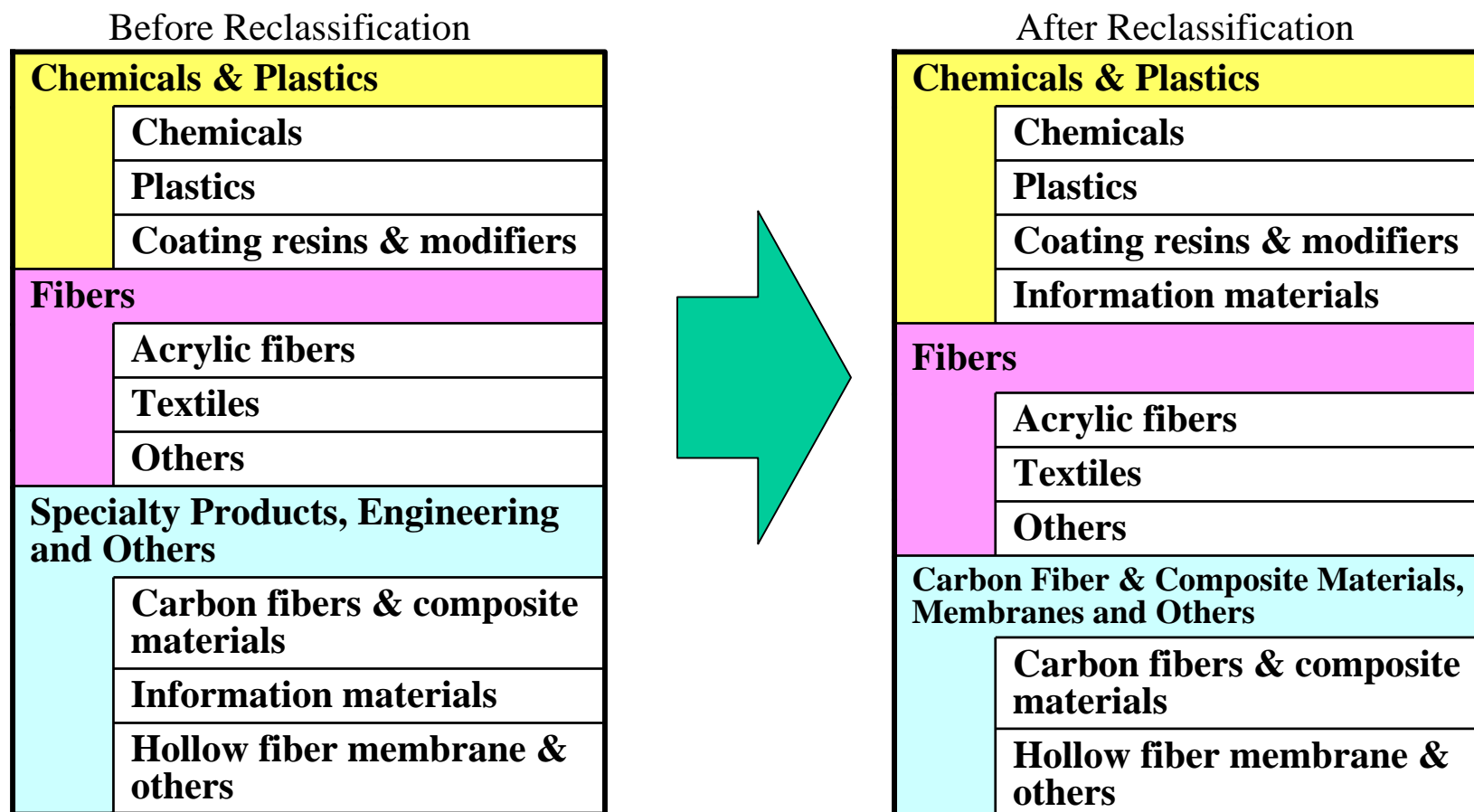
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(Amounts are rounded to the nearest first decimal place.)

Segment Reclassification

Principal Changes

With effect from fiscal 2005, products previously included in Information Materials have been reclassified under “Chemicals and Plastics” and “Specialty Products, Engineering, and Others” has been changed to “Carbon Fiber & Composite Materials, Membranes and Others .” Figures for the first half of fiscal 2004 have been recalculated using the current classification.



Changes in Accounting Procedures

Principal Changes

In accordance with changes in regulations affecting pension plans, the Company changed the amortization period for difference in actuarial value and reclassified related expenses.

		FY2004	FY2005	
Type of pension plan		Qualified retirement pension plan	Cash balance pension plan	
Difference in actuarial value	Amortization period	5 years	1 year	
	Amortization method	Charged to income in an accumulated amount assuming that the Company would amortize difference in actuarial value recognized in fiscal 2000 through fiscal 2003 over the following five years to the year when the difference is recognized.	Lump-sum amortization of difference in actuarial value in an amount recognized in fiscal 2004	
	Classification	Non-operating expenses	Operating expenses	
	Amortization amount	-¥3.2 billion	-¥0.9 billion	
	Additional expenditure		A ¥4.3 billion lump-sum amortization of the remaining portion of difference in actuarial value recognized in fiscal 2003 or before	
Impact on earnings	Operating income	¥30.8 billion (no impact)	After amortization of difference in actuarial value	¥38.8 billion
			Prior to amortization of difference in actuarial value	¥39.7 billion

Outline of Business Performance

(FY2005 results)

Item		Unit	FY2004	FY2005	YoY change	
					Amount	%
Net sales		¥ billion	330.1	349.0	+18.9	(+5.7)
Operating income	After amortization of difference in actuarial value	¥ billion	30.8	38.8	+8.0	(+25.9)
	Prior to amortization of difference in actuarial value	¥ billion		39.7	+8.9	(+28.9)
Net income		¥ billion	14.4	24.4	+10.0	(+69.2)
Dividend		¥ per share	7.0	9.0	+2.0	
Basic operating conditions						
Exchange rate		¥/US\$	107	112		
Price of domestically refined naphtha		¥/kl	32,150	42,500		

Breakdown of Factors in Operating Income (FY2005 results)

Comparison with FY2004

(¥ billion)

Item	Group	
Cost of raw materials and fuel	-13.9	
Sales cost (*)	+16.4	foreign exchange translation (+3.2)
Sales volume	+3.4	
Other	+3.0	
Amortization of difference in actuarial value	-0.9	
Total	+8.0	
Operating income	30.8	38.8

(*) This refers to passing on cost increases to the customer by raising the selling price, and to the rising proportion of high-profit-margin products.

Sales/Operating Income by Business Segment (FY2005 results)

Overview

(¥ billion)

Segment \ Item	Net sales			Operating income (Upper line: After amortization) (Lower line: Prior to amortization)		
	FY2004	FY2005	Change	FY2004	FY2005	Change
Chemicals & Plastics	154.3	171.0	+16.7	22.1	27.5	+5.4
					28.0	+5.9
Fibers	89.3	84.8	-4.5	2.7	1.4	-1.3
					1.6	-1.1
Carbon Fiber & Composite Materials, Membranes and Others	86.5	93.1	+6.6	5.9	9.9	+4.0
					10.0	+4.1
Total	330.1	349.0	+18.9	30.8	38.8	+8.0
					39.7	+8.9

Sales/Operating Income by Business Segment (FY2005 results)

Chemicals & Plastics

(¥ billion)

Item	FY2004	FY2005	Change	Remarks
Net Sales	154.3	171.0	+16.7	
Chemicals	(64.4)	(70.1)	(+5.7)	Brisk demand in East Asian market
Plastics	(45.6)	(50.3)	(+4.7)	In strong demand for use in IT field (notably light-guide panels)
Coating resins & Modifiers	(30.0)	(34.5)	(+4.5)	In strong demand for use in vehicle paints
Information materials	(14.3)	(16.2)	(+1.9)	Demand growing for use in prism sheets for notebook PCs
Operating income (Excluding effect of amortization in question)	22.1	28.0	+5.9	Chemicals and information materials are main profit drivers

Sales/Operating Income by Business Segment (FY2005 results)

Fibers

(¥ billion)

Item	FY2004	FY2005	Change	Remarks
Net Sales	89.3	84.8	-4.5	
Acrylic fibers	(38.7)	(37.7)	(-1.0)	
Textiles	(23.6)	(22.2)	(-1.4)	Decline in exports to the U.S.
Others	(27.0)	(24.9)	(-2.1)	Decline in revenues recorded by Mitsubishi Rayon Carpet Co., Ltd.
Operating income (Excluding effect of amortization in question)	2.7	1.6	-1.1	Increases in raw material costs not sufficiently passed on to the customer

Sales/Operating Income by Business Segment (FY2005 results)

Carbon Fiber & Composite Materials, Membranes and Others

(¥ billion)

Item	FY2004	FY2005	Change	Remarks
Net Sales	86.5	93.1	+6.6	
Carbon fibers & composite materials	(24.4)	(29.9)	(+5.5)	Sold well for industrial and sports applications
Hollow fiber membrane & others	(62.1)	(63.2)	(+1.1)	Sales firm for home-use water purifiers
Operating income (Excluding effect of amortization in question)	5.9	10.0	+4.1	Increased sales of carbon fibers and compound materials; profits up thanks to cost-cutting

Sales/Operating Income by Location

(FY2005 results)

(¥ billion)

Location \ Item	Net sales			Operating income (Upper line: After amortization) (Lower line: Prior to amortization)		
	FY2004	FY2005	Change	FY2004	FY2005	Change
Japan	290.0	295.7	+5.7	25.9	29.7 30.7	+3.8 +4.8
Asia	23.1	31.5	+8.4	4.1	7.0	+2.9
U.S.A.	17.0	21.8	+4.8	1.0	2.2	+1.2
Consolidation adjustments				-0.3	-0.1	+0.2
Total	330.1	349.0	+18.9	30.8	38.8 39.7	+8.0 +8.9

Overseas Sales

(FY2005 results)

(¥ billion)

Item		Net sales		
		FY04	FY05	Change
Net sales (consolidated)		330.1	349.0	+18.9
Overseas sales		130.3	151.0	+20.7
Overseas sales ratio (%)		39.4	43.2	+3.8
By product category	Chemicals & Plastics	54.4	69.6	+15.2
	Fibers	47.0	48.8	+1.8
	Carbon Fiber & Composite Materials, Membranes and Others	28.8	32.7	+3.9
By geographical market	Asia	88.8	105.5	+16.7
	North America	22.1	25.1	+3.0
	Europe	9.7	11.7	+2.0
	Others	9.7	8.7	-1.0

Non-Operating Income and Expenses

(FY2005 results)

(¥ billion)

Item	FY2004	FY2005	Change	Remarks
Non-operating income	2.9	3.6	+0.7	
Interest & dividend received	0.5	0.5	0	
Return on investment in equity-method affiliates	1.7	1.6	-0.1	
Other	0.8	1.5	+0.7	
Non-operating expenses	5.9	3.5	+2.4	
Interest paid	1.1	1.0	+0.1	
Amortization expenses for actuarial loss on retirement benefit obligations	3.2	-	+3.2	Change in accounting standards: Amortization over five years changed to lump-sum amortization
Other	1.6	2.6	-1.0	
Non-operating loss	-3.0	0.1	+3.1	
(Financial account balance)	(-0.6)	(-0.4)	(+0.2)	

Extraordinary Gains/Losses

(FY2005 results)

(¥ billion)

Item	FY2004	FY2005	Change	Remarks
Extraordinary gains	2.0	10.8	+8.8	
Gain on sale of fixed assets	0.3	2.3	+2.0	
Gain on reversal of reserve for retirement benefits	0.6	7.6	+7.0	Resulting from revision of system for lump-sum retirement payments
Other	1.1	0.9	-0.2	
Extraordinary losses	5.4	11.0	-5.6	
Loss on sale and disposal of fixed assets	1.2	1.0	+0.2	
Impairment loss	-	1.2	-1.2	Idle assets, others
Loss on valuation of investment securities	0.4	0.2	+0.2	
Out-of-court settlements	1.8	1.9	-0.1	U.S. carbon fiber business
Lump-sum amortization of unrecognized actuarial loss for the prior term	-	4.3	-4.3	Change in accounting standards (from amortization over 5 years to one-time lump-sum amortization)
Other	2.1	2.4	-0.3	
Net extraordinary gain (loss)	-3.4	-0.2	+3.2	

Major Balance Sheet Items

(FY2005 results)

(¥ billion)

Item	FY2004 (as of Mar. 31, 2005)	FY2005 (as of Mar. 31, 2006)	Change	Remarks
Total assets	346.0	381.6	+35.6	
Current assets	136.8	143.8	+7.0	Increase in inventories
Tangible fixed assets	135.1	147.9	+12.8	Capital investment: ¥28.9; Depreciation: (¥15.3); Impairment and disposal losses: (¥0.8)
Investment securities	49.6	71.6	+22.0	Rise in market prices of equity holdings
Other noncurrent assets	24.4	18.2	-6.2	
Total liabilities	179.0	184.2	+5.2	
(Interest-bearing liabilities)	(61.3)	(65.2)	(+3.9)	
Minority interests	10.2	11.5	+1.3	
Total shareholders' equity	156.8	185.8	+29.0	Retained earnings: ¥24.4; Treasury share cancellation: (¥5.2); Stock valuation gains: ¥10.7
Total liabilities, minority interests and shareholders' equity	346.0	381.6	+35.6	

Summary of Cash Flows

(FY2005 results)

(¥ billion)

Item	FY2004	FY2005	Remarks
Cash flows from operating activities	38.0	39.8	Income before income taxes: ¥38.7; Depreciation: ¥15.9; Tax payment: (¥7.8); Decline in the retirement benefits allowance: (¥3.0)
Cash flows from investing activities	-23.1	-29.3	Investment in China
Free cash flows	15.0	10.5	
Cash flows from financing activities	-19.1	-9.3	Acquisition on own shares: (¥5.1); Payment of dividends: (¥4.5)
Increase (decrease) of cash and cash equivalents	-4.4	+1.7	

Resources Mobilized

(FY2005 results)

Item	Unit	FY2004	FY2005	Change	Remarks
Capital expenditures	(¥ billion)	25.7	28.9	+3.2	
Chemicals & Plastics		16.6	17.1	+0.5	
Fibers		6.9	6.8	-0.1	
Carbon Fiber & Composite Materials, Membranes and Others		2.2	4.9	+2.7	
Depreciation	(¥ billion)	15.6	15.3	-0.3	
Chemicals & Plastics		8.5	8.9	+0.4	
Fibers		4.1	3.5	-0.6	
Carbon Fiber & Composite Materials, Membranes and Others		3.0	2.8	-0.2	
R&D expenses	(¥ billion)	10.4	11.0	+0.6	
Employees	(Person)	8,551	7,730	-821	
Chemicals & Plastics		2,276	2,252	-24	
Fibers		2,790	2,007	-783	
Carbon Fiber & Composite Materials, Membranes and Others		3,485	3,471	-14	

Management Indicators

(FY2005 results)

Item		Unit	FY2004 As of March 2005	FY2005 As of March 2006
ROA	Operating income*/average total assets	%	9.0	10.9
ROE	Net income/average shareholders' equity	%	9.5	14.3
Operating income ratio	Operating income*/sales	%	9.3	11.4
D/E ratio	Term-end interest-bearing liabilities/term-end shareholders' equity		0.39	0.35
Equity ratio	Term-end shareholders' equity/Term-end total assets	%	45.3	48.7
Interest-bearing liabilities		(¥ billion)	61.3	65.2
Term-end total assets		(¥ billion)	346.0	381.6

* Amounts posted under operating income here represent amounts prior to amortization of difference in actuarial value

Performance Estimates for FY2006

(FY2006 estimates)

Item		Unit	FY2005 results	FY2006 estimates		
				First half	Second half	Full term
Net sales		¥ billion	349.0	197.0	203.0	400.0
Operating income	After amortization of difference in actuarial value	¥ billion	38.8	27.0	30.0	57.0
	Prior to amortization of difference in actuarial value		39.7	19.5	22.5	42.0
Net income	After amortization of difference in actuarial value	¥ billion	24.4	15.5	17.5	33.0
	Prior to amortization of difference in actuarial value		25.0	11.0	13.0	24.0
Dividend		Yen/share	9.0	5.0	5.0	10.0
Capital expenditures		¥ billion	28.9	17.0	17.0	34.0
Depreciation		¥ billion	15.3	8.0	9.0	17.0
R&D expenses		¥ billion	11.0	5.5	5.5	11.0
Conditions						
Exchange rate		¥/US\$	112	110	110	110
Price of domestically refined naphtha		¥/kl	42,500	48,000	48,000	48,000

Performance Estimates by Segment

(FY2006 estimates)

(¥ billion)

Item Segment	Net sales				Operating income (Upper line: After amortization) (Lower line: Prior to amortization)			
	FY2005 results	FY2006 estimates			FY2005 results	FY2006 estimates		
		First half	Second half	Full term		First half	Second half	Full term
Chemicals & Plastics	171.0	106.0	107.0	213.0	27.5	19.5	19.5	39.0
					28.0	14.5	14.5	29.0
Fibers	84.8	41.0	44.0	85.0	1.4	2.0	3.0	5.0
					1.6	0.5	1.5	2.0
Carbon Fiber & Composite Materials, Membranes and Others	93.1	50.0	52.0	102.0	9.9	5.5	7.5	13.0
					10.0	4.5	6.5	11.0
Total	349.0	197.0	203.0	400.0	38.8	27.0	30.0	57.0
					39.7	19.5	22.5	42.0

Business Structure

(Appendix)

Segment		MMA Business Complex	AN Business Complex	Non-Acrylic Business Group
Chemicals & Plastics	Chemicals	MMA monomers, higher esters	Hydrogencyanide derivatives (chelate compounds, others) AN monomers, flocculants, etc.	Dimethylformamide
	Plastics	Acrylic sheets, acrylic resin pellets		Polyester resins
	Coating resins & modifiers	Coating resins, plastic modifiers		
	Information materials	Prism sheets, plastic optical fibers, plastic rod lenses		
Fibers			Acrylic fibers	Textiles, etc.
Carbon Fiber & Composite Materials, Membranes and Others			Carbon fibers and composite materials	Water purifiers, water treatment equipment and systems, plant engineering, etc.

Investment Projects in FY2005

(Appendix)

Situation in FY2005	Startup	Products	Capacity	Company	Location	Investment (US\$ million)
Operation started	Dec 2004	MMA monomers	70,000 90,000 tons/year	Thai MMA	Thailand	
	Jan 2005	BMA	10,000 tons/year			
	June 2005	Coating resin	3,500 tons/year	Mitsubishi Rayon Polymer Nantong	Nandong, China	30
	July 2005	Acrylic sheets	20,000 tons/year			
	Dec 2005	Acrylic fibers	50,000 tons/year	Ningbo Rayon Acrylic Fibers	Ningbo, China	100
	Jan 2006	Carbon fibers	1,500 2,000 tons/year	Grafil	U.S.A.	
Under construction	2Q 2006	MMA monomers	90,000 tons/year	Huizhou MMA	Huizhou, China	100
	2Q 2006	Carbon fibers	500 to 750 tons/year	SGL Technic	U.K.	Production outsourced
	2Q 2007	Carbon fibers	3,200 5,400 tons/year	Mitsubishi Rayon	Japan	¥ 7billion
Investment planned for next term	2Q 2008	Acrylic resin pellets	40,000 tons/year	Daesan MMA (joint venture Honan Petro-chem.	Korea	50:50 equity stakes
	4Q 2008	MMA monomers	90,000 tons/year			
	2008	MMA monomers	(production sharing with Mitsubishi) 120,000 tons/year	Lucite	Singapore	
	2010	MMA monomers	(production sharing with Lucite) 140,000 tons/year	Mitsubishi Rayon	U.S.A.	200

New Equipment Projected to Contribute to FY2006 Business Performance

(Appendix)

Impact	Startup	Products	Location	Company	Capacity
Full-term contribution in FY2006	June 2005	Coating resin	Nandong, China	Mitsubishi Rayon Polymer Nantong	3,500 tons/year
	July 2005	Acrylic sheets			20,000 tons/year
	Dec 2005	Acrylic fibers	Ningbo, China	Ningbo Rayon Acrylic Fibers	50,000 tons/year
	Jan 2006	Carbon fibers	U.S.A.	Grafil	1,500 2,000 tons/year
Start of operations in FY2006	2Q 2006	Prism sheets	Japan		30 million sheets 45 million sheets/year
	2Q 2006	MMA monomers	Huizhou MMA	Huizhou, China	90,000 tons/year
	2Q 2006	Carbon fibers	U.K.	SGL Technic	Production outsourced 500 to 750 tons

Note: Q = calendar year quarters

Please Note

The business performance forecasts and targets included in business plans contained in this presentation are based on information known to the Company's management as of the day of presentation. Please be aware that the content of such forward-looking statements may differ significantly from actual results, owing to a number of unforeseeable factors.