

mitsubishi RAYON

GROUP

Supplementary Financial Information
for the First-Half Period of Fiscal 2006
(April to September 2006)

November 8, 2006

Mitsubishi Rayon Co., Ltd.

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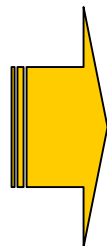
(Amounts are rounded to the nearest first decimal place.)

Impact on the Company's Earnings Performance of Changes in Pension Accounting Procedures

1. Changes in Accounting Procedures

In accordance with changes in regulations affecting pension plans, the Company changed the amortization period for difference in actuarial value and reclassified related expenses as of March 31, 2005.

		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 five years from the year following that in which 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



Impact on the Company's Earnings Performance of Changes in Pension Accounting Procedures

2. Recognition and Amortization of Actuarial Gain

For the term ended March 2006, the Company has recognized actuarial gains on its pension plan resulting from changes in actuarial assumptions in a total amount of ¥15 billion (a ¥1.4 billion decrease in retirement benefit obligations, a ¥5.7 billion increase in plan assets at fair value, and a ¥7.9 billion increase in employees' retirement trust), which the Company will amortize in lump-sum in the current term ending March 2007.

Initial forecast

Estimated retirement benefit obligations as of March 31, 2006: ¥67 billion		
Retirement allowances: ¥31.5 billion	Plan assets: ¥27.2 billion	Employees' retirement benefit trust: ¥8.3 billion

Actual result (recognition of actuarial gains)

Retirement benefit obligations as of March 31, 2006: ¥65.6 billion		actuarial gains: ¥15 billion
Retirement allowances: ¥31.5 billion	Plan assets: ¥32.9 billion	Employees' retirement benefit trust: ¥16.2 billion

3. Impact on Earnings Performance of the Company for the Current Term

In line with the recognition of actuarial gains described above, operating income and recurring profit will increase by ¥14.2 billion and net income by approximately ¥9 billion.

Outline of Business Performance

(First Half of FY2006)

Item		Unit	Previous First Half	Reporting First Half	YoY change	
					Amount	%
Net sales		¥ billion	166.7	198.5	+31.8	(+19.1)
Operating income	After amortization of difference in actuarial value	¥ billion	18.7	26.8	+8.1	(+43.2)
	Prior amortization of difference in actuarial value		19.1	19.7	+0.6	(+2.7)
Net income	After amortization of difference in actuarial value	¥ billion	11.3	15.0	+3.7	(+32.7)
	Prior amortization of difference in actuarial value		11.6	10.8	-0.8	-6.9
Dividend		¥ per share	4.0	5.0	+1.0	+25.0
Basic operating conditions						
Exchange rate		¥/US\$	108	114		
Price of domestically refined naphtha		¥/kl	38,200	51,400		

Note: With effect from the reporting term, differences arising from changes in actuarial assumptions employed in pension accounting have been charged to operating expenses, and therefore, for purposes of comparison, operating income (loss) prior to amortization is also shown on the line above the actual figures.

Breakdown of Factors in Operating Income (First Half of FY2006)

Year-on-year change (from fiscal 2005 first half)

(¥ billion)

Item	Group
Cost of raw materials and fuel	-6.8
Sales cost (*)	+4.5
Sales volume	+1.7
Other	+1.2
Total	+0.6
Operating income	
	19.1 → 19.7

foreign exchange translation (+1.7)

(*)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 (First Half of FY2006)

Overview

(¥ billion)

Item Segment	Net sales			Operating income (Upper Line:After amortization) (Lower Line:Prior to amortization)		
	Previous first half	Reporting first half	YoY change	Previous first half	Reporting first half	YoY change
Chemicals & Plastics	81.2	105.4	+24.2	13.6	18.9	+5.3
				13.9	14.2	+0.3
Fibers	42.7	42.1	-0.6	1.1	0.6	-0.5
				1.2	-1.0	-2.2
Carbon Fibers & Composite Materials, Membranes and Others	42.7	51.0	+8.3	4.0	7.3	+3.3
				4.0	6.4	+2.4
Total	166.7	198.5	+31.8	18.7	26.8	+8.1
				19.1	19.7	+0.6

Note: With effect from the reporting term, differences arising from changes in actuarial assumptions employed in pension accounting have been charged to operating expenses, and therefore, for purposes of comparison, operating income (loss) prior to amortization is also shown on the line above the actual figures.

Sales/Operating Income by Business Segment (First Half of FY2006)

Chemicals & Plastics

(¥ billion)

Item	Previous first half	Reporting first half	YoY change	Remarks
Net Sales	81.2	105.4	+24.2	
Chemicals	(33.2)	(50.9)	(+17.7)	Dia-Nitrix Co., Ltd. becomes consolidated subsidiary
Plastics	(23.8)	(27.7)	(+3.9)	Mitsubishi Rayon Polymer Nantong Co., Ltd. makes first full-term contribution
Coating resins & modifiers	(16.6)	(18.0)	(+1.4)	Brisk sales enjoyed for use in paints for vehicles and ships
Information materials	(7.5)	(8.9)	(+1.4)	Growth posted in sales of prism sheets for use in notebook computers
Operating income (Excluding effect of amortization in question)	13.9	14.2	+0.3	Dia-Nitrix Co., Ltd. becomes consolidated subsidiary Full-term contribution by Mitsubishi Rayon Polymer Nantong Price of MMA monomer lowered

Sales/Operating Income by Business Segment (First Half of FY2006)

Fibers

(¥ billion)

Item	Previous first half	Reporting first half	YoY change	Remarks
Net Sales	42.7	42.1	-0.6	
Acrylic fibers	(19.4)	(20.1)	(+0.7)	Starting up operation of Ningbo Rayon Acrylic Fibers
Textiles	(10.7)	(10.7)	(0)	
Others	(12.6)	(11.2)	(-1.4)	
Operating income <small>(Excluding effect of amortization in question)</small>	1.2	-1.0	-2.2	Increases in raw material costs not sufficiently passed on to the customer

Sales/Operating Income by Business Segment (First Half of FY2006)

Carbon Fiber & Composite Materials, Membranes and Others

(¥ billion)

Item	Previous first half	Reporting first half	YoY change	Remarks
Net Sales	42.7	51.0	+8.3	
Carbon fibers & composite materials	(13.8)	(17.0)	(+3.2)	Sold well for industrial and sports applications Production equipment investment made in Grafil Inc. of the U.S.
Hollow fiber membranes & others	(28.9)	(34.0)	(+5.1)	Sales firm for home-use water purifiers Engineering operations record revenue growth
Operating income (Excluding effect of amortization in question)	4.0	6.4	+2.4	Investment made in increased production capacity of carbon fibers and composite materials Profits rose on increased sales volume

Sales/Operating Income by Location

(First Half of FY2006)

(¥ billion)

Location \ Item	Net sales			Operating income (Upper Line: After amortization) (Lower Line: Prior to amortization)		
	Previous first half	Reporting first half	YoY change	Previous first half	Reporting first half	YoY change
Japan	142.4	163.3	+20.9	13.8	22.3	+8.5
				14.2	15.1	+0.9
Asia	14.2	20.8	+6.6	3.8	2.4	-1.4
U.S.A.	10.1	14.4	+4.3	1.0	2.2	+1.2
Consolidation adjustments				0	-0.1	-0.1
Total	166.7	198.5	31.8	18.7	26.8	+8.1
				19.1	19.7	+0.6

Overseas Sales

(First Half of FY2006)

(¥ billion)

Item		Previous first half	Reporting first half	YoY change
Net sales (consolidated)		166.7	198.5	+31.8
Overseas sales		74.0	89.8	+15.8
Overseas sales ratio (%)		44.3	45.2	+0.9
SEGMENT	Chemicals & Plastics	34.5	44.8	+10.3
	Fibers	24.5	24.9	+0.4
	Carbon Fibers & Composite Materials, Membranes and Others	15.0	20.2	+5.2
LOCATION	Asia	53.1	61.7	+8.6
	North America	11.7	14.5	+2.8
	Europe	6.0	7.6	+1.6
	Other	3.2	6.0	+2.8

Non-Operating Income and Expenses

(First Half of FY2006)

(¥ billion)

Item	Previous first half	Reporting first half	YoY change	Remarks
Non-operating income	2.1	1.5	-0.6	
Interest & dividend received	0.3	0.4	+0.1	
Return on investment in equity-method affiliates	1.0	0.3	-0.7	Dia-Nitrix Co., Ltd. converted from equity-method affiliate to consolidated subsidiary
Other	0.7	0.9	+0.2	
Non-operating expenses	1.3	1.5	-0.2	
Interest paid	0.5	0.6	-0.1	
Other	0.9	0.9	0	
Non-operating income	+0.7	+0	-0.7	

(Financial account balance)

(-0.2)

(-0.2)

Extraordinary Gains/Losses

(First Half of FY2006)

(¥ billion)

Item	Previous first half	Reporting first half	YoY change	Remarks
Extraordinary gains	9.6	1.2	-8.4	
Gain on sale of fixed assets	1.7	0.7	-1.0	
Gain on reversal of reserve for retirement benefits	7.6	—	-7.6	(Previous first half) Resulting from revisions in the retirement allowance payment system
Other	0.3	0.5	+0.2	
Extraordinary losses	8.3	1.5	+6.8	
Loss on sale and disposal of fixed assets	0.5	1.1	-0.6	
Impairment loss	1.0	0	+1.0	
Loss on valuation of investment securities	0.2	0	+0.2	
Out-of-court settlements	1.9	—	+1.9	(Previous first half) Lawsuit over alleged carbon fiber cartel in U.S.
Lump-sum amortization of unrecognized actuarial loss for the prior term	4.3	—	+4.3	(Previous first half) Change in accounting standards: Amortization over five years changed to lump-sum amortization
Other	0.5	0.4	+0.1	
Net extraordinary gain (loss)	+1.3	-0.3	-1.6	

Major Balance Sheet Items

(As of the End of First Half of FY2006)

(¥ billion)

Item	Previous first half	Reporting first half	YoY change	Remarks
Total assets	381.6	425.3	+43.7	
Current assets	143.8	168.3	+24.5	Increase in trade receivables (mainly effect of public holiday at term-end)
Tangible fixed assets	147.9	161.6	+13.7	Capital investment: ¥18.9; Depreciation (¥7.9)
Investment securities	71.6	66.7	-4.9	
Other noncurrent assets	18.2	28.8	+10.6	
Total liabilities	184.2	219.1	+34.9	
(Interest-bearing liabilities)	(65.2)	(70.1)	(+4.9)	
Minority interests	11.5	—	-11.5	
Total shareholders' equity	185.8	—	-185.8	
Total liabilities, minority interests and shareholders' equity	381.6	—	-381.6	
Total net assets	—	206.2	206.2	These items are reclassified under a newly established "net assets" category as a result of changes in accounting standards
Shareholders' equity	—	183.2	183.2	
Gains/losses on valuation & exchange translation	—	11.6	11.6	
Minority interests	—	11.4	11.4	
Total liabilities and net assets	—	425.3	425.3	

Summary of Cash Flows

(First Half of FY2006)

(¥ billion)

Item	Previous first half	Reporting first half	Remarks
Cash flows from operating activities	18.3	22.1	Income before income taxes: ¥26.5; Depreciation: ¥7.9; Tax payments: (¥8.0); Increase in trade receivables: (¥7.1)
Cash flows from investing activities	-11.0	-21.2	Investment in China Investment in carbon fiber production facilities
Free cash flows	7.3	0.8	
Cash flows from financing activities	-8.8	0.2	
Increase (decrease) of cash and cash equivalents	-1.3	1.0	

Resources Mobilized

(First Half of FY2006)

Item	Unit	Previous first half	Reporting first half	YoY change	Remarks
Capital expenditures	(¥ billion)	14.8	18.9	+4.1	
Chemicals & Plastics		9.1	10.1	+1.0	
Fibers		4.1	3.2	-0.9	
Carbon Fibers & Composite Materials, Membranes and Others		1.6	5.7	+4.1	
Depreciation	(¥ billion)	7.2	7.9	+0.7	
Chemicals & Plastics		4.1	4.6	+0.5	
Fibers		1.7	1.9	+0.2	
Carbon Fibers & Composite Materials, Membranes and Others		1.3	1.4	+0.1	
R&D expenses	(¥ billion)	5.3	5.5	+0.2	
Employees		8,610	7,983	-627	
Chemicals & Plastics		2,232	2,466	+234	
Fibers		2,901	2,014	-887	
Carbon Fibers & Composite Materials, Membranes and Others		3,477	3,503	+26	

Management Indicators

(First Half of FY2006)

Item		Unit	Previous first half As of Sept. 2005	Reporting first half As of Sept. 2006
ROA	Operating income*/average total assets	%	10.7	9.7
ROE	Net income/average shareholders' equity	%	14.0	15.8
Operating income ratio	Operating income*/sales	%	11.2	9.9
D/E ratio	Term-end interest-bearing liabilities/term-end shareholders' equity		0.37	0.36
Equity ratio	Term-end shareholders' equity/Term-end total assets	%	47.0	45.8
Interest-bearing liabilities		(¥ billion)	62.2	70.1
Term-end total assets		(¥ billion)	354.4	425.3

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

Management Indicators

(FY2006 estimates)

Item		Unit	FY2005 results	FY2006 estimates		
				First half (results)	Second half	Full term
Net sales		¥ billion	349.0	198.5	211.5	410.0
Operating income	After amortization of difference in actuarial value	¥ billion	38.8	26.8	30.2	57.0
	Prior amortization of difference in actuarial value		39.7	19.7	22.3	42.0
Net income	After amortization of difference in actuarial value	¥ billion	24.4	15.0	18.0	33.0
	Prior amortization of difference in actuarial value		25.0	10.8	13.2	24.0
Dividend		¥/share	9.0	5.0	5.0	10.0
Capital expenditures		¥ billion	28.9	18.9	16.1	35.0
Depreciation		¥ billion	15.3	7.9	9.1	17.0
R&D expenses (Prior amortization of difference in actuarial value)		¥ billion	10.7	5.5	5.5	11.0
Conditions						
Exchange rate		¥/US\$	112	114	115	—
Price of domestically refined naphtha		¥/kl	42,500	51,400	50,000	—

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 (results)	Second half	Full term		First half (results)	Second half	Full term
Chemicals & Plastics	171.0	105.4	112.6	218.0	27.5	18.9	22.6	41.5
					28.0	14.2	17.8	32.0
Fibers	84.8	42.1	42.9	85.0	1.4	0.6	0.4	1.0
					1.6	-1.0	-1.0	-2.0
Carbon Fibers & Composite Materials, Membranes and Others	93.1	51.0	56.0	107.0	9.9	7.3	7.2	14.5
					10.0	6.4	5.6	12.0
Total	349.0	198.5	211.5	410.0	38.8	26.8	30.2	57.0
					39.7	19.7	22.3	42.0

Business Structure

(Appendix)

Segment		MMA Business Complex	AN Business Complex	Non-Acrylic Business Group
Chemicals & Plastics	Chemicals	MMA monomers, higher esters	Hydrogen cyanide 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 Fibers & Composite Materials, Membranes and Others			Carbon fibers and composite materials	Water purifiers, water treatment equipment and systems, plant engineering, etc.

Investment Projects in FY2006

(Appendix)

Situation	Startup	Products	Production capacity	Company	Location	Investment (US\$ million)
Operation started	Dec 2004	MMA monomers	70,000→90,000 tons/year	Thai MMA	Thailand	
	Jun 2005	Coating resin	3,500 tons/year	Mitsubishi Rayon Polymer Nantong	Nantong, China	30
	Jul 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.	
	Jun 2006	Prism sheets	30 million sheets→ 45 million sheets/year		Japan	
Under construction	4Q 2006	Carbon fibers	500~750 tons/year	SGL Technic	U.K.	Production outsourced
	4Q 2006	MMA monomers	90,000 tons/year	Huizhou MMA	Huizhou, China	100
	2Q 2007	Carbon fibers	3,200→5,400 tons/year	Mitsubishi Rayon	Japan	7 billion yen
Investment planned for next term	2Q 2008	Acrylic resin pellets	40,000 tons/year	Daesan MMA (Joint venture Honam 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 FY2007 Business Performance

(Appendix)

Impact	Startup	Products	Location	Company	Capacity
Full-term contribution in FY2007	Dec 2005	Acrylic fibers	Ningbo, China	Ningbo Rayon Acrylic Fibers	50,000 tons/year
	Jun 2006	Prism sheets	Japan		30 million sheets→ 45 million sheets/year
	4Q 2006	Carbon fibers	U.K.	SGL Technic	(Production outsourced) 500~750 tons/year
	4Q 2006	MMA monomers	Huizhou, China	Huizhou MMA	90,000 tons/year
Start of operations in FY2007	2Q 2007	Carbon fibers	Japan	Mitsubishi Rayon	3,200→5,400 tons/year

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.