

MITSUBISHI RAYON

GROUP

Presentation on Consolidated Business Performance for Fiscal 2006 (April 2006 to March 2007)

May 9, 2007
Mitsubishi Rayon Co., Ltd.

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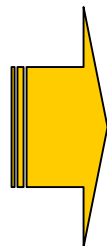
(Amounts are rounded to the nearest first decimal place.)

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 Fiscal 2006

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 ¥8.5 billion.

Outline of Business Performance

(FY2006 results)

Item		Unit	FY2005	FY2006	YoY change	
					Amount	%
Net sales		¥ billion	349.0	417.0	+68.0	+19.5
Operating income	After amortization of difference in actuarial value	¥ billion	38.8	59.7	+20.9	+53.9
	Prior to amortization of difference in actuarial value		39.7	45.5	+5.8	+14.6
Net income	After amortization of difference in actuarial value	¥ billion	24.4	31.3	+6.9	+28.0
	Prior to amortization of difference in actuarial value		25.0	22.8	-2.2	-8.8
Dividend		¥ per share	9.0	10.0	+1.0	
Basic operating conditions						
Exchange rate		¥/US\$	112	116		
Price of domestically refined naphtha		¥/kl	42,500	50,000		

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

(FY2006 results)

Comparison with FY2005

(¥ billion)

Item	Group
Cost of raw materials and fuel	-14.2
Sales cost (*)	+14.0
Sales volume	+2.3
Other	+3.7
Total	+5.8

- Passing on cost Increases to the customer by raising the selling price
- Rising propotion of high-profit-margin products

Operating income (Excluding effect of amortization in question)	39.7 → 45.5
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foreign exchange translation (+2.2)

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

Sales/Operating Income by Business Segment

(FY2006 results)

Overview

(¥ billion)

Item Segment	Net sales			Operating income (Upper Line:After amortization) (Lower Line:Prior to amortization)		
	FY2005	FY2006	YoY change	FY2005	FY2006	YoY change
Chemicals & Plastics	171.0	219.6	+48.6	27.5	41.5	+14.0
				28.0	32.2	+4.2
Fibers	84.8	85.9	+1.1	1.4	1.9	+0.5
				1.6	-1.1	-2.7
Carbon Fibers & Composite Materials, Membranes and Others	93.1	111.5	+18.4	9.9	16.2	+6.3
				10.0	14.4	+4.4
Total	349.0	417.0	+68.0	38.8	59.7	+20.9
				39.7	45.5	+5.8

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 (FY2006 results)

Chemicals & Plastics

(¥ billion)

Item	FY2005	FY2006	YoY change	Remarks
Net Sales	171.0	219.6	+48.6	
Chemicals	(70.1)	(76.3)	+6.2	The MMA monomer sales were good.
Dia-Nitrix Co., Ltd.	—	(31.8)	+31.8	Becoming consolidated subsidiary
Plastics	(50.3)	(58.2)	+7.9	Mitsubishi Rayon Polymer Nantong Co., Ltd. makes first full-term contribution
Coating resins & Modifiers	(34.5)	(36.2)	+1.7	Brisk sales enjoyed for use in paints for vehicles and ships
Information materials	(16.2)	(17.0)	+0.8	
Operating income (Excluding effect of amortization in question)	28.0	32.2	+4.2	Dia-Nitrix Co., Ltd. becomes consolidated subsidiary Full-term contribution by Mitsubishi Rayon Polymer Nantong

Sales/Operating Income by Business Segment (FY2006 results)

Fibers

(¥ billion)

Item	FY2005	FY2006	YoY change	Remarks
Net Sales	84.8	85.9	+1.1	
Acrylic fibers	(37.7)	(41.9)	(+4.2)	Starting up operation of Ningbo Rayon Acrylic Fibers
Textiles	(22.2)	(22.4)	(+0.2)	
Others	(24.9)	(21.6)	(-3.3)	Transfer of carpet business
Operating income (Excluding effect of amortization in question)	1.6	-1.1	-2.7	Increases in raw material costs not sufficiently passed on to the customer

Sales/Operating Income by Business Segment (FY2006 results)

Carbon Fiber & Composite Materials, Membranes and Others

(¥ billion)

Item	FY2005	FY2006	YoY change	Remarks
Net Sales	93.1	111.5	+18.4	
Carbon fibers & composite materials	(29.9)	(36.9)	(+7.0)	Sold well for industrial and sports applications Production equipment investment made in Grafil Inc. of the U.S.
Hollow fiber membrane & others	(63.2)	(74.6)	(+11.4)	Engineering operations record revenue growth
Operating income (Excluding effect of amortization in question)	10.0	14.4	+4.4	Investment made in increased production capacity of carbon fibers and composite materials Profits rose on increased sales volume

Sales/Operating Income by Location

(FY2006 results)

(¥ billion)

Location \ Item	Net sales			Operating income		(Upper line: After amortization) (Lower line: Prior to amortization)
	FY2005	FY2006	YoY change	FY2005	FY2006	YoY change
Japan	295.7	338.4	+42.7	29.7	49.7	+20.0
				30.7	35.5	+4.8
Asia	31.5	47.9	+16.4	7.0	5.6	-1.4
U.S.A.	21.8	30.7	+8.9	2.2	4.6	+2.4
Consolidation adjustments				-0.1	-0.2	-0.1
Total	349.0	417.0	+68.0	38.8	59.7	+20.9
				39.7	45.5	+5.8

Overseas Sales

(FY2006 results)

(¥ billion)

Item		Net sales		
		FY2005	FY2006	YoY change
Net sales (consolidated)		349.0	417.0	+68.0
Overseas sales		151.0	187.3	+36.3
Overseas sales ratio (%)		43.2	44.9	+1.7
SEGMENT	Chemicals & Plastics	69.6	90.3	+20.7
	Fibers	48.8	52.3	+3.5
	Carbon Fiber & Composite Materials, Membranes and Others	32.7	44.8	+12.1
LOCATION	Asia	105.5	128.1	+22.6
	North America	25.1	29.8	+4.7
	Europe	11.7	16.3	+4.6
	Others	8.7	13.1	+4.4

Non-Operating Income and Expenses

(FY2006 results)

(¥ billion)

Item	FY2005	FY2006	Change	Remarks
Non-operating income	3.6	3.0	-0.6	
Interest & dividend received	0.5	0.8	+0.3	
Return on investment in equity-method affiliates	1.6	0.5	-1.1	Dia-Nitrix Co., Ltd. converted from equity-method affiliate to consolidated subsidiary
Other	1.5	1.7	+0.2	
Non-operating expenses	3.5	4.2	-0.7	
Interest paid	1.0	1.4	-0.4	
Other	2.6	2.8	-0.2	
Non-operating loss	0.1	-1.2	-1.3	
(Financial account balance)	(-0.4)	(-0.6)	(-0.2)	

Extraordinary Gains/Losses

(FY2006 results)

(¥ billion)

Item	FY2005	FY2006	Change	Remarks
Extraordinary gains	10.8	1.9	-8.9	
Gain on sale of fixed assets	2.3	1.2	-1.1	
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	0.9	0.7	-0.2	
Extraordinary losses	11.0	4.0	+7.0	
Loss on sale and disposal of fixed assets	1.0	2.6	-1.6	
Impairment loss	1.2	0.1	+1.1	
Loss on valuation of investment securities	0.2	0.2	0	
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	2.4	1.2	1.2	
Net extraordinary gain (loss)	-0.2	-2.1	-1.9	

Major Balance Sheet Items

(FY2006 results)

(¥ billion)

Item	FY2005 (as of Mar. 31, 2006)	FY2006 (as of Mar. 31, 2007)	YoY change	Remarks
Total assets	381.6	449.6	+68.0	
Current assets	143.8	175.7	+31.9	Increase in trade receivables (mainly effect of public holiday at term-end)
Tangible fixed assets	147.9	170.1	+22.2	Capital investment: ¥37.1 Depreciation (¥17.0)
Investment securities	71.6	74.5	+2.9	
Other noncurrent assets	18.2	29.3	+11.1	
Total liabilities	184.2	223.9	+39.7	
(Interest-bearing liabilities)	(65.2)	(65.3)	(+0.1)	
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	—	225.7	+225.7	These items are reclassified under a newly established “net assets” category as a result of changes in accounting standards
Shareholders' equity	—	196.4	+196.4	
Gains/losses on valuation & exchange translation	—	16.1	+16.1	
Minority interests	—	13.3	+13.3	
Total liabilities and net assets	—	449.6	+449.6	

Summary of Cash Flows

(FY2006 results)

(¥ billion)

Item	FY2005	FY2006	Remarks
Cash flows from operating activities	39.8	52.2	Income before income taxes: ¥56.4; Depreciation: (¥18.0); Tax payments: (¥14.7); Increase in trade receivables: ¥20.0 ;
Cash flows from investing activities	-29.3	-41.2	Capital investment: (¥32.4) ;
Free cash flows	10.5	11.0	
Cash flows from financing activities	-9.3	-10.2	Amount of dividend payment (¥6.0);
Increase (decrease) of cash and cash equivalents	+1.7	+0.6	

Resources Mobilized

(FY2006 results)

Item	Unit	FY2005	FY2006	Change	Remarks
Capital expenditures	(¥ billion)	28.9	37.1	+8.2	
Chemicals & Plastics		17.1	18.5	+1.4	
Fibers		6.8	5.5	-1.3	
Carbon Fiber & Composite Materials, Membranes and Others		4.9	13.1	+8.2	
Depreciation	(¥ billion)	15.3	17.0	+1.7	
Chemicals & Plastics		8.9	9.9	+1.0	
Fibers		3.5	4.0	+0.5	
Carbon Fiber & Composite Materials, Membranes and Others		2.8	3.1	+0.3	
R&D expenses (Prior to amortization)	(¥ billion)	10.7	11.1	+0.4	
Employees	(Person)	7,730	7,809	+79	
Chemicals & Plastics		2,252	2,468	+216	
Fibers		2,007	1,862	-145	
Carbon Fiber & Composite Materials, Membranes and Others		3,471	3,479	+8	

Management Indicators

(FY2006 results)

Item		Unit	FY2005 As of March 2006	FY2006 As of March 2007
ROA	Operating income*/average total assets	%	10.9	10.9
ROE	Net income/average shareholders' equity	%	14.6	11.5
Operating income ratio	Operating income*/sales	%	11.4	10.9
D/E ratio	Term-end interest-bearing liabilities/term-end shareholders' equity		0.35	0.31
Equity ratio	Term-end shareholders' equity/Term-end total assets	%	48.7	47.2
Interest-bearing liabilities		(¥ billion)	65.2	65.3
Term-end total assets		(¥ billion)	381.6	449.6

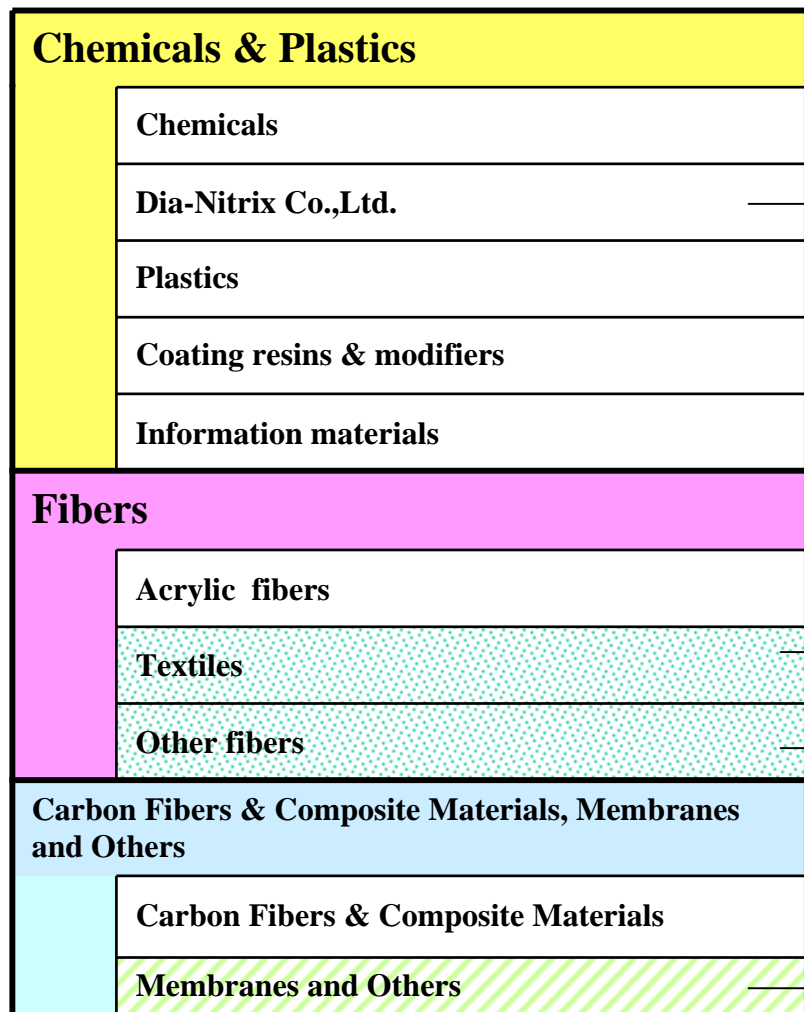
* Amounts posted under operating income here represent amounts prior to amortization of difference in actuarial value

Reclassification of Segments

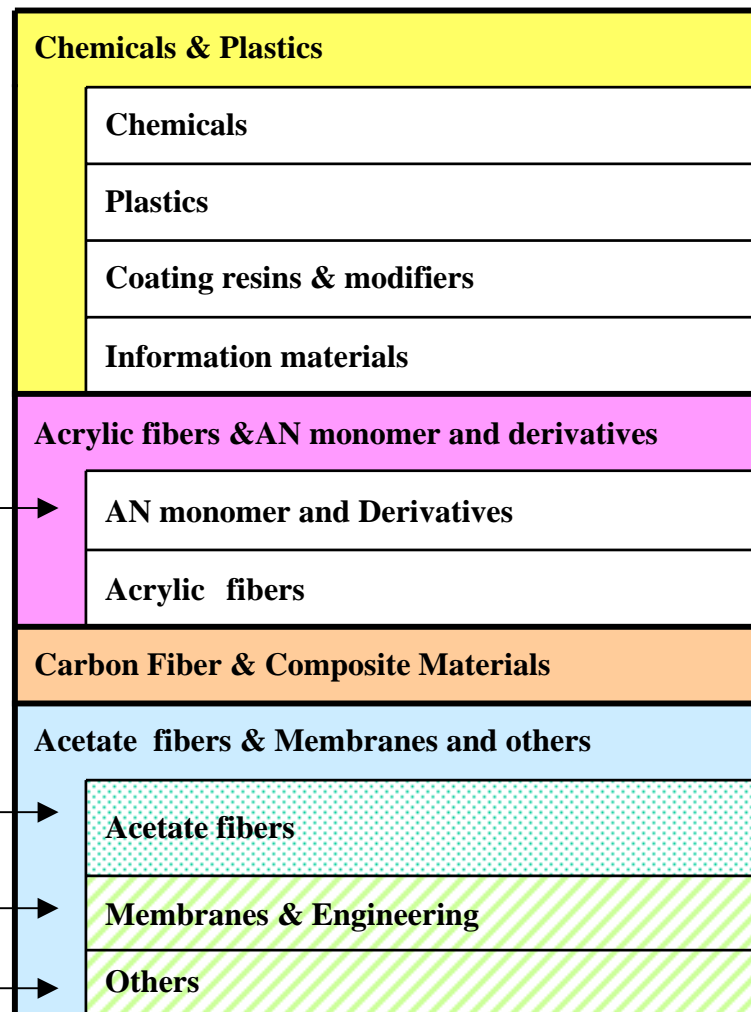
Changes in Segmentation

We have changed our segmentaiton in line with the reorganization of April 2007.

Before



After



Fiscal 2006 Results according to New Segmentation

Changes in Segmentation

(¥ billion)

Item Segment	Net sales			Operating income (Upper line: After amortization) (Lower line: Prior to amortization)		
	FY2006 First half Results	FY2006 Second half results	FY2006 Full term results	FY2006 First half Results	FY2006 Second half results	FY2006 Full term results
Chemicals & Plastics	88.8	96.8	185.6	18.0	20.6	38.7
				13.5	16.1	29.5
Acrylic fibers & AN monomer	35.7	38.1	73.8	0.4	1.8	2.2
				-0.7	0.8	0.2
Carbon Fiber & Composite Materials	18.5	21.4	40.0	5.4	6.8	12.1
				4.5	5.8	10.4
Acetate fibers & Membranes and others	55.4	62.3	117.7	3.0	3.7	6.7
				2.4	3.0	5.4
Total	198.5	218.5	417.0	26.8	32.9	59.7
				19.7	25.8	45.5

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.

Effects of Differences Arising from Changes in Actuarial Assumptions

(FY2007 estimates)

1. Recognition and Amortization of Actuarial Gain in Pension Accounting

For the reporting term ended March 2007, the Company has recognized actuarial losses on its pension plan resulting from changes in actuarial assumptions in a total amount of ¥2.8 billion (a ¥0.7 billion decrease in retirement benefit obligations, a ¥1.0 billion decrease in plan assets at fair value, and a ¥2.5 billion decrease in employees' retirement trust fund), which the Company will amortize in lump-sum for the term ending March 2008.

Initial forecast

Estimated retirement benefit obligations as of March 31, 2007: ¥64.5 billion		Pripaid pension cost : ¥11.9 billion
Retirement allowances: ¥28.7 billion	Plan assets: ¥36.5 billion	Employees' retirement benefit Trust fund: ¥11.2 billion

Actual result (recognition of actuarial losses)

Retirement benefit obligations as of March 31, 2007: ¥ 63.8 billion		Pripaid pension cost : ¥11.9 billion
Retirement allowances: ¥28.7 billion	Plan assets: ¥35.5 billion	Employees' retirement benefit trust fund: ¥8.7 billion

Actuarial losses:
¥-2.8 billion

2. Impact on Earnings Performance of the Company for Fiscal 2007

In line with the recognition of actuarial losses described above, operating income and recurring profit will decrease by ¥2.0 billion and net income by approximately ¥1.2 billion.

Performance Estimates for FY2007

(FY2007 estimates)

Item		Unit	FY2006 results	FY2007 estimates		
				First half	Second half	Full term
Net sales		¥ billion	417.0	215.0	220.0	435.0
Operating income	After amortization of difference in actuarial value	¥ billion	59.7	24.0	24.0	48.0
	Prior to amortization of difference in actuarial value		45.5	24.5	25.5	50.0
Net income	After amortization of difference in actuarial value	¥ billion	31.3	11.5	12.0	23.5
	Prior to amortization of difference in actuarial value		22.8	11.8	12.9	24.7
Dividend		¥ per share	10.0	5.5	5.5	11.0
Capital expenditures		¥ billion	37.1	24.0	15.0	39.0
Depreciation		¥ billion	17.0	11.0	12.0	23.0
R&D expenses		¥ billion	11.1	6.0	6.0	12.0
Conditions						
Exchange rate		¥/US\$	116	115	115	115
Price of domestically refined naphtha		¥/kl	50,000	55,000	55,000	55,000

Includes an increase in operating income of FY2007 estimates 2.0 billion yen (-1.0 billion yen in 1st and 2nd half each) due to partial revisions to depreciation methods.

Performance Estimates by Segment

(FY2007 estimates)

(¥ billion)

Item Segment	Net sales				Operating income (Upper line: After amortization) (Lower line: Prior to amortization)			
	FY2006 results	FY2007 estimates			FY2006 results	FY2007 estimates		
		First half	Second half	Full term		First half	Second half	Full term
Chemicals & Plastics	185.6	100.0	101.0	201.0	38.7	15.5	15.5	31.0
					29.5	16.0	16.5	32.5
Acrylic fibers & AN monomer	73.8	38.0	38.0	76.0	2.2	0.5	0.3	0.8
					0.2	0.5	0.5	1.0
Carbon Fiber & Composite Materials	40.0	22.0	23.0	45.0	12.1	6.0	5.8	11.8
					10.4	6.0	6.0	12.0
Acetate fibers & Membranes and others	117.7	55.0	58.0	113.0	6.7	2.0	2.4	4.4
					5.4	2.0	2.5	4.5
Total	417.0	215.0	220.0	435.0	59.7	24.0	24.0	48.0
					45.5	24.5	25.5	50.0

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.

Business Structure

(Appendix)

Segment		MMA Business Complex	AN(Acrylonitrile) Business Complex	Non-Acrylic Business Group
Chemicals & Plastics	Chemicals	MMA monomers, Functional monomers		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		
Acrylic fibers & AN monomer and Derivatives	AN monomer		AN (Acrylonitrile) monomer, Flocculants, etc	
	Acrylic fibers		Acrylic fibers	
Carbon Fiber & Composite Materials			Carbon Fiber, Prepreg, Processed products	
Acetate fibers & Membranes and others	Acetate fibers			Textiles
	Membranes & Engineering			Water purifiers, Water treatment equipment and systems, Plant Engineering
	Others			Ryoko Co., Ltd. Others

Investment Projects

(Appendix)

Situation	Startup	Products	Capacity	Company	Location	Investment (US\$ million)
Operation started	Jun 2005	Coating resin	3,500 tons/year	Mitsubishi Rayon Polymer Nantong	Nandong, 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	Mitsubishi Rayon	Japan	
	Dec 2006	MMA monomers	90,000 tons/year	Huizhou MMA	Huizhou, China	100
	Jan 2007	Carbon fibers	500 to 750 tons/year	SGL Technic	U.K.	Production outsourced
	May 2007	Carbon fibers	3,200 → 5,400 tons/year	Mitsubishi Rayon	Japan	¥ 7billion
Under construction	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	
Investment Planned for next term	4Q 2009	Acrylic sheets	20,000 tons/year	Thai MMA	Thailand	250
	2Q 2010	MMA monomers	90,000→180,000 tons/year			
	2010~2011	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	Jun 2006	Prism sheets	Japan	Mitsubishi Rayon	30 million sheets → 45 million sheets/year
	Dec 2006	MMA monomers	Huizhou MMA	Huizhou, China	90,000 tons/year (at first 70,000tons/yesr)
Start of operations in FY2007	Jan 2007	Carbon fibers	U.K.	SGL Technic	500 to 750 tons/year
	May 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.