THE KAITEKI COMPANY

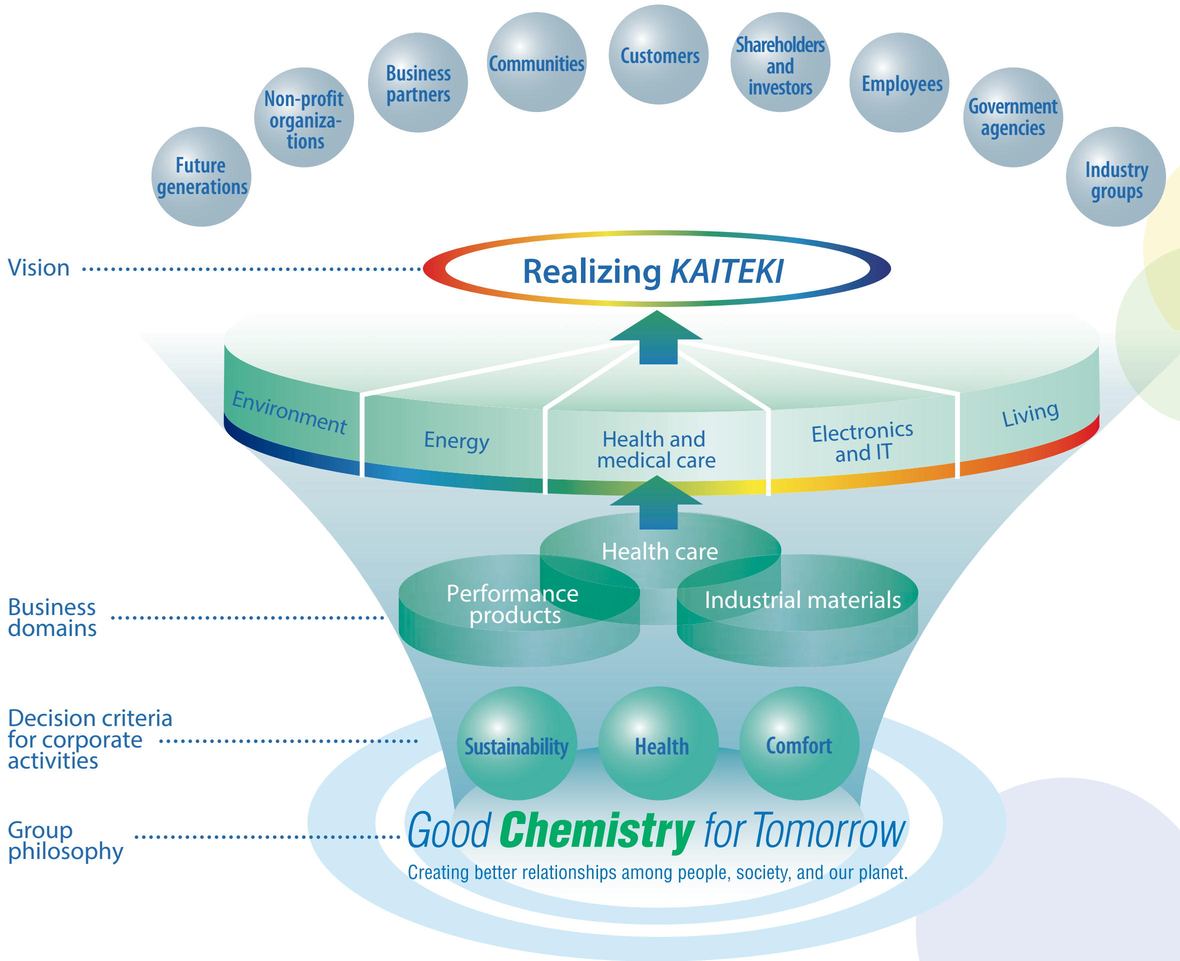
KAITEKI REPORT 2015

Mitsubishi Chemical Holdings Corporation

Profile

MCHC's Aspiration

By contributing to resolving environmental and social issues, ❶
we will build a sustainable society together with stakeholders ❷
toward the realization of *KAITEKI* ❸



Publication of the *KAITEKI* Report 2015

Positioning the realization of *KAITEKI* as its vision, the MCHC Group has promoted *KAITEKI* Management through the pursuit of innovation while working to improve both economic value and sustainability. With a particular focus on our progress and outlook for corporate activities aimed at the realization of *KAITEKI*, the MCHC Group has published the *KAITEKI* Report since fiscal 2013. It includes items to be shared with our stakeholders as well as what we judge to be highly pertinent to our decision criteria for corporate activities. On preparing this report, we referred to the International Integrated Reporting Framework promoted by the International Integrated Reporting Council.

As the third publication, the *KAITEKI* Report 2015 introduces our concepts, strategies and the results of initiatives to enhance corporate value toward the realization of *KAITEKI* from the standpoint of both economic value and social value, while seeking to promote an understanding of the relevance of our efforts through case studies. This report can be perused in conjunction with more detailed information available on MCHC's website. For detailed financial information, please refer to our securities filings with the Financial Services Agency.

■Period Covered by the Report
Fiscal 2014 (April 2014–March 2015). Some information from fiscal 2015 is included.

■Reporting Boundary
This report covers information relating to MCHC and the MCHC Group. For matters with a different reporting scope, we clearly specify the covered reporting scope.
MCHC: Mitsubishi Chemical Holdings Corporation, MCC: Mitsubishi Chemical Corporation, MTPC: Mitsubishi Tanabe Pharma Corporation,
MPI: Mitsubishi Plastics, Inc., MRC: Mitsubishi Rayon Co., Ltd., LSII: Life Science Institute, Inc., TNSC: Taiyo Nippon Sanso Corporation

■Disclaimer
This report contains forward-looking statements based on the Company's current assumptions and beliefs in light of the information currently available to it, and are subject to risks and uncertainties that may be beyond the Company's control. Actual results could differ largely due to numerous factors, including but not limited to the following: Group companies engage in businesses across an extremely wide range of fields, such as information and electronics, performance chemicals, polymer processing products, pharmaceuticals, carbon and inorganic products, industrial gases and petrochemicals, and these businesses are subject to influences such as domestic and global demand, exchange rates, price and procurement volume of crude oil and naphtha, market trends, the speed of technological innovation, medical care trends, product liabilities, lawsuits, and laws and regulations. Product names, brand names, and service names used in this report are denoted in italics and are trademarks or registered trademarks of the MCHC Group in Japan and/or overseas. Other product names, brand names, and service names may also be protected.

❶ Our approach to solving environmental and social issues

The human race has advanced to where it is today as a result of diverse economic activities as well as scientific and technological progress. However, we have fallen out of balance with the global environment, and are confronted by complex problems spanning from climate change to natural resource/energy depletion and an uneven distribution of food and water. While addressing these global issues, we are being asked by society to contribute to the fields of healthcare and medicine, and to explore ways to improve convenience and advance technology in coexistence with the planet. In light of these social needs, the MCHC Group aims to achieve sustainable development through systems that recycle materials derived from natural resources, use natural energy sources, support healthcare beyond the treatment of illnesses, and solutions that satisfy diverse values.

❷ Harmonious relationships with stakeholders

The MCHC Group considers its stakeholders to include all the people who support our corporate activities: our customers, shareholders and investors, communities, employees and business partners, as well as society, and even the Earth, which is the foundation of our lives. To realize sustainable development among people, society and the Earth, working in concert and engaging in dialog with our stakeholders is indispensable to jointly identify issues and set targets for the short, medium and long terms, and gear our corporate activities to their fulfillment. As part of such activities, MCHC declared our commitment to the United Nations Global Compact in May 2006.

❸ What is *KAITEKI*?

KAITEKI means "a sustainable condition which is comfortable for people, society and the Earth, transcending time and generations." It is an original concept of the MCHC Group that proposes a way forward in the sustainable development of society and the planet, in addition to serving as a guide for solving environmental and social issues. To realize this vision, the MCHC Group engages in corporate activities that provide products, technologies and services based on the comprehensive capabilities of the Group in the Performance Products Domain, Health Care Domain and Industrial Materials Domain, with chemistry as the basis of our activities.

Corporate Activities Toward the Realization of *KAITEKI*

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Philosophy Regarding Enhancing Corporate Value

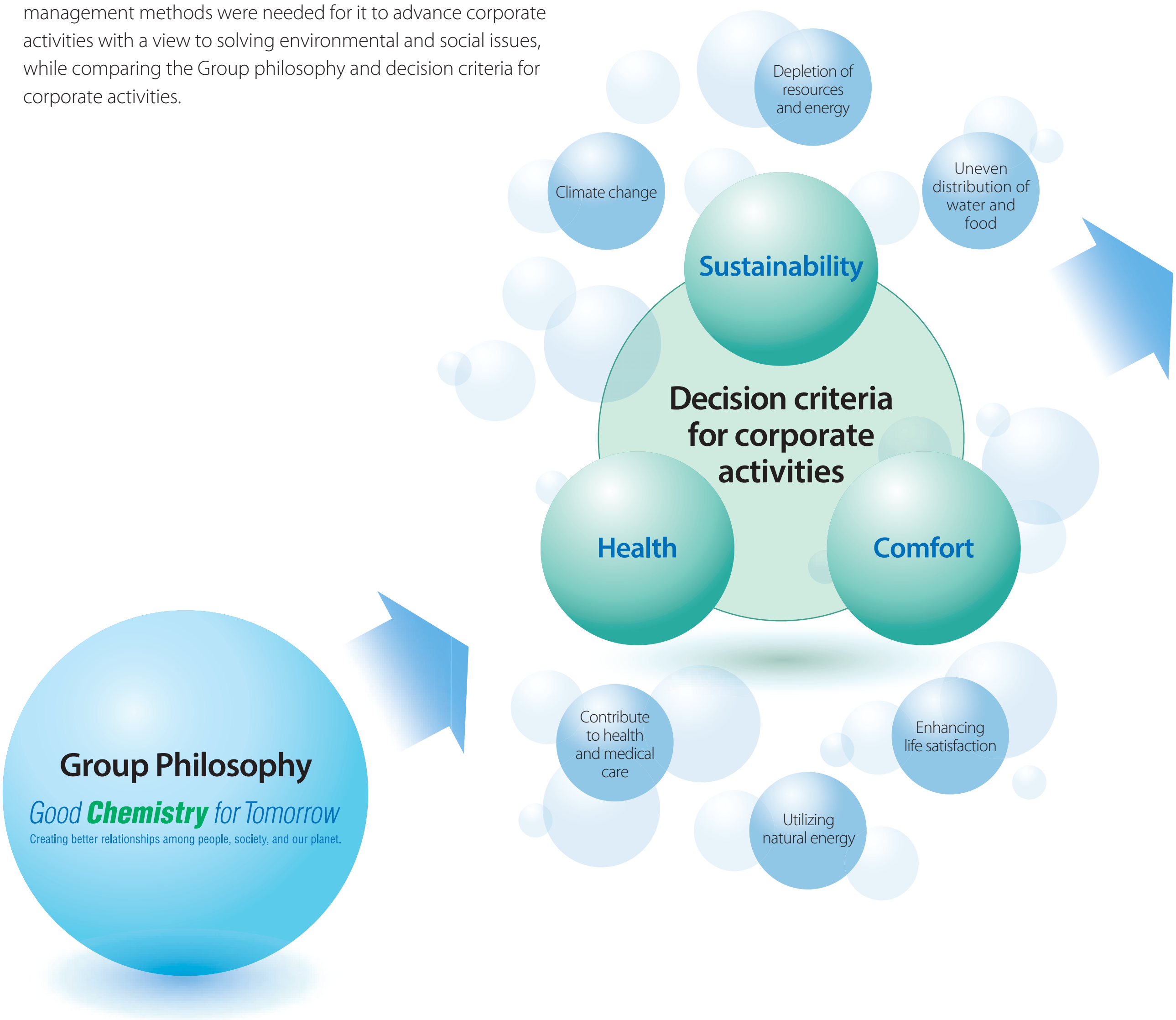
Pursuing enhancement of MCHC's corporate value through *KAITEKI* Management

KAITEKI Management: Management to broadly raise corporate value through realization of *KAITEKI*

The word "chemistry" has a secondary meaning, referring to the compatibilities, relationships and connections between objects, between people and between people and objects. The MCHC Group includes these meanings in **the Group philosophy of Good Chemistry for Tomorrow**, and working for **the realization of *KAITEKI*** promotes corporate activities to create better relationships among people, society, and our planet. Based on this philosophy, the MCHC Group has debated "What is the Good Chemistry that the future requires?" In other words, the MCHC Group discussed what businesses it needs to develop for the future. The MCHC Group therefore set Sustainability, Health and Comfort as three **decision criteria for corporate activities**.

The MCHC Group decided that a different set of values and management methods were needed for it to advance corporate activities with a view to solving environmental and social issues, while comparing the Group philosophy and decision criteria for corporate activities.

As a result, we created our own management method based on three management axes: ❶**Management of Economics, which aims to increase economic value by focusing on capital efficiency,** ❷**Management of Technology, which aims to foster innovation that leads to higher economic and social value,** and ❸**Management of Sustainability, which aims to enhance social value through improvements in sustainability**. ❹ Management along these three axes is implemented systematically with **an awareness of major trends and opportunities throughout time**. ❺***KAITEKI* Management** is the name we have given to this unique management method for **lifting corporate value from a broad-based perspective**.



Corporate Activities and Performance

❸ Management of Sustainability (MOS)

Management aiming to improve sustainability

This management axis aims to create a better future for people, society and the planet by resolving various environmental and social issues. MCHC has created quantitative indicators for sustainability, health and comfort that it uses as decision criteria for corporate activities, and has built its own framework for engaging the PDCA cycle. Every year, we publish results in this report and on the MCHC website.

❹ Time

"Signs of the times"

Time is a factor shared by all three management axes. We must be constantly aware of the major trends in order to perceive the future and continuously create value through our corporate activities.

❶ Management of Economics (MOE)

Management which focuses on capital efficiency

This management axis aims to increase profits and enhance economic value through the efficient allocation of capital, including personnel, assets and funds. At MCHC, we disclose our performance using operating income and capital efficiency and benchmarks. We also disclose our results and outlook at business briefings with shareholders and investors.

❷ Management of Technology (MOT)

Management which strives to create innovations for society

This management axis aims to create innovations that lead to improvements in economic and social value through the development of new technologies and differentiate existing technologies. In addition to in-house development, this style of management emphasizes time-sensitive outcomes by building open and shared business models through alliances with other companies around the world. We publicize our performance data at research conventions and through news releases, and release a summary of all our activities in this report and on the MCHC website.

❺ Provision of *KAITEKI* Value

MCHC Group's Concept of Corporate Value

The MCHC Group defines corporate value as the sum total of value created through the three axes of *KAITEKI* Management, a broader meaning than the traditional definition of corporate value that focuses on economic value. We refer to this as *KAITEKI* Value, and all of the MCHC Group's corporate activities target enhancement of *KAITEKI* Value. We are committed to advancing corporate activities toward the realization of *KAITEKI*, or the creation of a sustainable condition for people, society and the planet.

System for Creating Value

The MCHC Group has a holding company structure that separates business portfolio management functions and individual business management functions. As the holding company in charge of business portfolio management, MCHC oversees the operating companies MCC, MTPC, MPI, and MRC. In April 2014, MCHC established LSII to consolidate its healthcare solutions business throughout the Group. In November 2014, MCHC welcomed TNSC to the Group, bringing the number of operating companies to six. MCHC aims to create value as a Group involved in a broad range of business domains comprising chemicals, pharmaceuticals and industrial gases, by leveraging the strengths of each operating company to their fullest while effectively deploying management resources within the Group.

We value the diverse corporate atmospheres and cultures that have taken hold at each company in the MCHC Group that reflect their own transformative experiences. Under the shared corporate brand "THE KAITEKI COMPANY," we will provide comprehensive solutions for the constantly diversifying and challenging needs of markets and society.

Organizational Structure (As of March 31, 2015)

Holding company

Formulation of Group strategies, optimal allocation of management resources, supervision of business management and others

MCHC *1

Paid-in capital	¥50.0 billion
Net sales (consolidated)	¥3,656.2 billion
No. of employees (consolidated)	68,263

Function-sharing companies

Investigation into future societal issues and research for proving solutions to those issues

- 100% The KAITEKI Institute

Regional control companies

Overseas administrative representatives in North America, Europe and China

- 100% Mitsubishi Chemical Holdings America
- 100% Mitsubishi Chemical Holdings (Beijing)
- 100% Mitsubishi Chemical Holdings Europe

Common function companies

General affairs, accounting, financial affairs and auditing

- 100% Mitsubishi Chemical Holdings Corporate Staff

Advance of common platform technologies in R&D

- 100% MCHC R&D Synergy Center

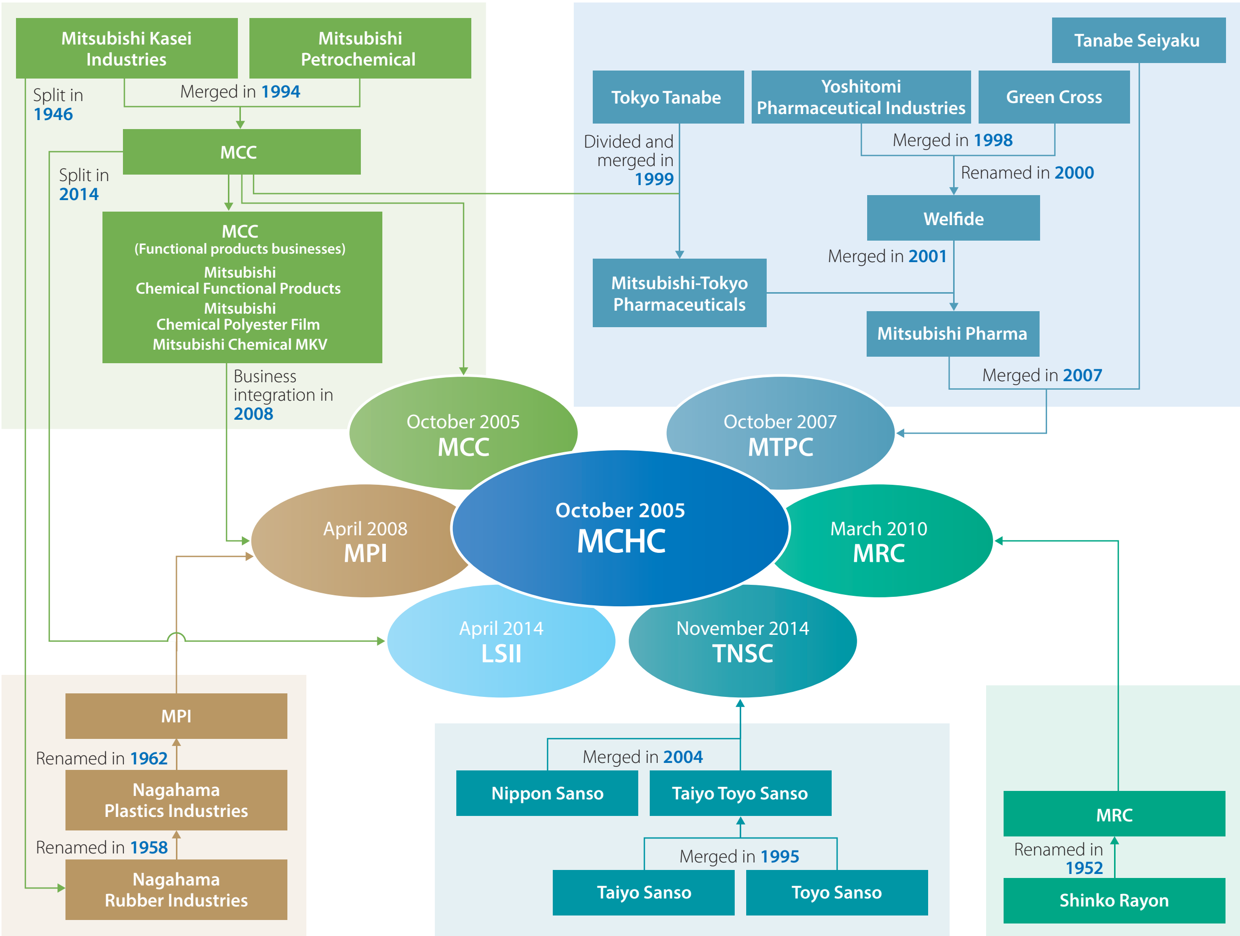
Operating companies

Business operations in the three domains of Performance Products, Health Care and Industrial Materials

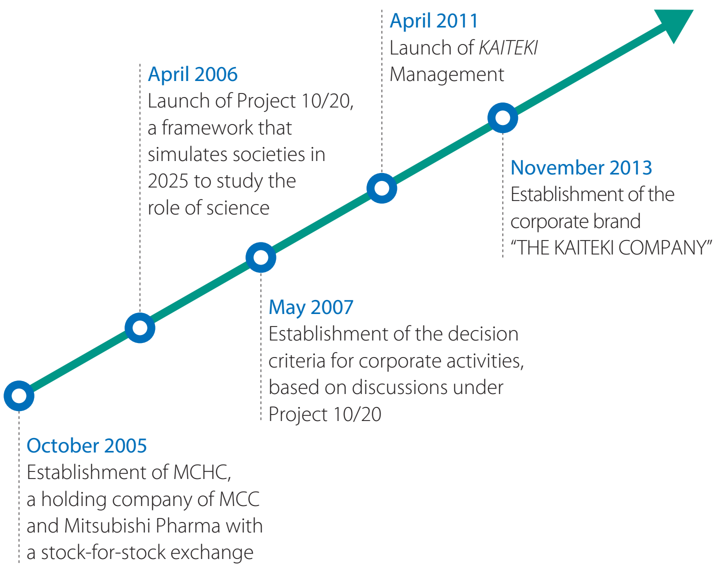
	MCC	MTPC*1	MPI	MRC	LSII	TNSC*1
Stake	100%	56.3%*2	100%	100%	100%	50.5%*2
Paid-in capital	¥50.0 billion	¥50.0 billion	¥21,503 million	¥53,229 million	¥3.0 billion	¥37,344 million
Net sales (consolidated)	¥1,943.0 billion	¥415.1 billion	¥453.7 billion	¥591.3 billion	¥129.3 billion	¥290.5 billion*3
Business lines	Performance products, industrial materials, and others	Pharmaceuticals and others	Plastic products and others	Chemical products, resins, fibers, carbon fiber and composite materials, membrane bioreactors, and others	Healthcare and medical ICT, support for pharmaceutical development and manufacturing, and advanced medication	Industrial gases and related equipment and devices, and others
Business domain(s)	● Performance Products domain ● Industrial Materials domain	● Health Care domain	● Performance Products domain	● Performance Products domain ● Industrial Materials domain	● Health Care domain	● Industrial Materials domain
	Group companies	**Group companies**	**Group companies**	**Group companies**	**Group companies**	**Group companies**

*1 Listed company *2 MCHC Group total stake (%) *3 TNSC was consolidated by MCHC from the second half of fiscal 2014

The MCHC Group's Transition (As of March 31, 2015)



Toward the Realization of *KAITEKI*



Corporate Brand

THE KAITEKI COMPANY

Expressing belief in our corporate brand

"THE KAITEKI COMPANY" defines the MCHC Group as a group in which each and every member thinks and acts toward the realization of *KAITEKI*. To ensure the *KAITEKI* concept is shared by people around the world, every one of us will undertake activities aimed at resolving environmental and social issues and improving the quality of life. "THE KAITEKI COMPANY" embodies this idea and belief.

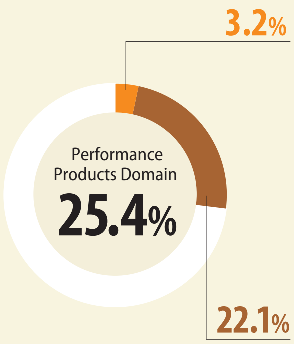
At a Glance

MCHC provides diverse solutions through its three business domains of Performance Products, Health Care, and Industrial Materials.

Performance Products Domain

The Performance Products domain comprises two segments: Electronics Applications and Designed Materials. These segments utilize differentiated technological clusters based on chemistry to provide products and technologies in a wide range of industries. Thus, the domain contributes to the realization of *KAITEKI* by providing diverse solutions ranging from materials to devices, based on the key concepts of greater added value and more advanced performance.

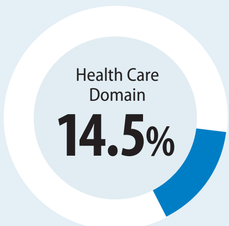
Percentage of Sales by Segment in Fiscal 2014



Segment	Main Businesses, Products and Services
Electronics Applications	LED lighting and materials
	Gallium nitride
	Organic photovoltaic modules and materials
	Organic photo-semiconductors
Designed Materials	Lithium-ion battery materials
	Specialty chemicals
	Organic synthesis
	Polyester film
	Alumina fibers
	Engineering plastic products
	Carbon fiber and composite materials
	Water treatment systems and services
	Food ingredients
	Electronic and industrial films
	Fibers
	Agribusiness solutions

Health Care Domain

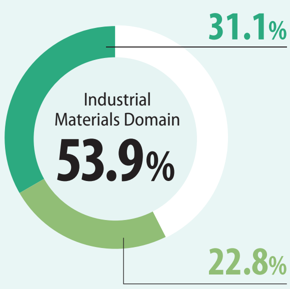
The Health Care domain covers a wide range of healthcare fields including pharmaceuticals, diagnostic reagents and instruments, clinical testing, self-health check services, and others. We will meet the needs of a society that is aging at an ever faster pace and we will go beyond disease treatment (sick care) to provide more integrated and wide-ranging solutions through the creation of value unique to an integrated chemical manufacturer.



Segment	Main Businesses, Products and Services
Health Care	Pharmaceuticals
	Diagnostics and support for new pharmaceutical development
	Active pharmaceutical ingredients and intermediates
	Pharmaceutical formulation materials
	Healthcare solutions

Industrial Materials Domain

The Industrial Materials domain is comprised of two segments: Chemicals, which handles a wide range of basic chemicals and carbon products, and Polymers, which provides synthetic resins that can meet advanced and special needs. The domain's strengths are its unique development and manufacturing technologies and marketing, and its comprehensive capabilities, which cover the entire product chain from raw materials to derivatives and processing products. Further, from a global perspective, it supports the building of bountiful societies.



Segment	Main Businesses, Products and Services
Chemicals	Industrial gases
	Coke
	Basic petrochemicals
	Terephthalic acid
	Phenol and PC chain
Polymers	Performance polymers
	MMA[*9]/PMMA[*10]
	Polyethylene and polypropylene
	Sustainable resources

(Note) In addition to the above five business segments, there is the "Other" segment, which includes engineering, transportation, warehousing and other businesses.

● MCC Group ● MTPC Group ● MPI Group ● MRC Group ● LSII Group ● TNSC Group

Domain		Main Uses	Operating Companies
Performance Products Domain	Phosphors, encapsulant, LED lighting and equipment	Electronics, IT, automobiles, home appliances	MCC, Mitsubishi Kagaku Media
	Gallium nitride (GaN) substrates	Electronics, IT, energy, automobiles	MCC
	Thin-film type organic photovoltaics (OPVs), OPV wall units, OPV modules	Energy, environment, construction materials	MCC
	Organic light emitting diode (OLED) lighting	Home appliances	MCC
	Electrolytes, anode materials, separators	Automobiles, electronics, IT, energy	MCC, MPI
	Environment-friendly o/w emulsions, solvent coating materials, hard coats for LCDs*1, curing agents, coating materials	Electronics, IT, daily necessities, construction materials	MCC, MRC
	Optical PVOH*2 film, EVOH*3	Material for polarizing film, packaging materials	The Nippon Synthetic Chemical Industry
	Polyester film	FPDs*4, electrical and electronic components, industrial materials, packaging materials	MPI
	Support mat	Automobiles, industrial materials	MPI
	Advanced engineering plastics, general engineering plastics	Automobiles, electronics, industrial materials, medical care	Quadrant
	PAN*5-based carbon fiber, pitch-based carbon fiber	Automobiles, aircraft, industrial materials, sporting goods	MRC
	Plant engineering for water treatment, separation and purification process, hollow fiber membrane, ion-exchange resins, household water filters, polymer flocculants	Environment, infrastructure, daily necessities	MRC
	Emulsifier (sugar ester), lactic acid bacteria, enzyme preparations	Processed foods (beverages, confectionery, etc.)	Mitsubishi-Kagaku Foods
	Optical clear adhesive sheet, moisture transmission film	Smartphones, electrical and electronic components, medical, daily necessities	MPI
	Acrylic fiber, acetate fiber	Clothing, industrial materials	MRC
	Fully artificial light-type plant factory, greenhouse plant system with solar light	Agriculture	MCC, MPI
Health Care Domain	Treatment of autoimmune diseases, treatment of diabetes and kidney diseases, treatment of central nervous system diseases, vaccines	Medical care, health	MTPC
	Diagnostic reagents and instruments, clinical testing, support for new pharmaceutical development	Medical care, health	LSI Medience
	Active pharmaceutical ingredients and intermediates	Medical care, health	API Corporation
	Gelatin capsules, HPMC*6 capsules, pharmaceutical equipment	Medical care, health	Qualicaps
	Self-health check services	Health	Healthy Life Compass
Industrial Materials Domain	Separate gas (oxygen, nitrogen, argon), special gas for electronics	Steel, chemicals, electronics, automobiles, food, medical care	TNSC
	Coke, needle coke, pitch coke	Steel raw materials, electrode materials	MCC
	Ethylene, propylene	Polyolefin, basic petrochemical materials	MCC
	Purified terephthalic acid	Polyester fiber, PET*7 PET film	MCC
	Phenol, bisphenol A, polycarbonate	Chemicals for industrial, automobiles, electronics, medical care	MCC
	Thermoplastic elastomers, functional polyolefins, PVC*8 compounds	Automobiles, packaging materials, daily necessities, electronics, medical care	MCC
	Methyl methacrylate monomers, acrylic resins	Automobiles, electronics, daily necessities, construction materials	MRC
	High-density polyethylene, low-density polyethylene, polypropylene	Automobiles, daily necessities, packaging materials, electronics, medical care	Japan Polyethylene, Japan Polypropylene
	Bio-based engineering plastics, biodegradable plastics	Automobiles, electronics, daily necessities, industrials materials	MCC


Zero energy building demonstration facility using OPV wall units (Taisei Corporation)


Household water filters *CLEANSUI*


Sugar ester


Production package (greenhouse plant system with solar light in Australia)


Treatment of multiple sclerosis *Imusera*


Doping control laboratory in Japan


Gelatin capsules, HPMC capsules


Bottles for cooking oil, food packaging films

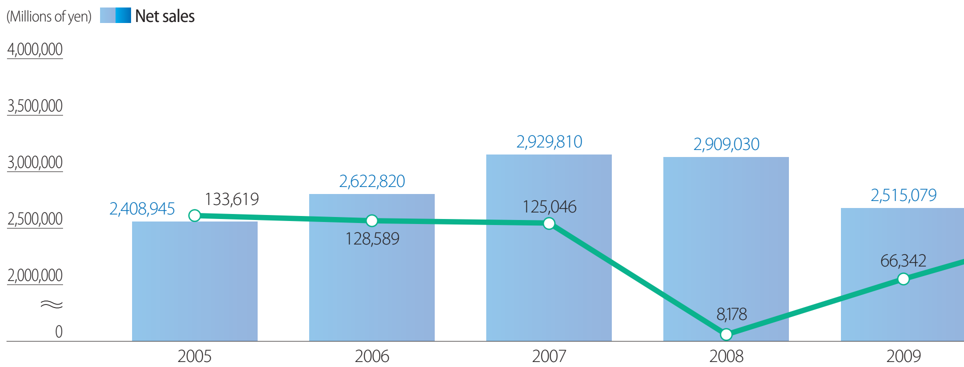

Acrylic sheets


PBS*11-laminated paper cups used at Cafe Amazon

*1 LCD: Liquid crystal display *2 PVOH: Polyvinyl alcohol *3 EVOH: Ethylene-vinyl alcohol copolymer *4 FPD: Flat panel display *5 PAN: Polyacrylonitrile *6 HPMC: Hydroxypropyl methylcellulose
*7 PET: Polyethylene terephthalate *8 PVC: Polyvinyl chloride *9 MMA: Methyl methacrylate monomer *10 PMMA: Polymethyl methacrylate *11 PBS: Polybutylene succinate

Financial Summary

	FY 2005*	FY 2006	FY 2007	FY 2008	FY 2009
For the Year					
Net sales	¥2,408,945	¥2,622,820	¥2,929,810	¥2,909,030	¥2,515,079
Operating income	133,619	128,589	125,046	8,178	66,342
Income (loss) before income taxes and minority interests in consolidated subsidiaries	115,070	137,802	217,791	(44,002)	43,311
Net income (loss)	85,569	100,338	164,064	(67,178)	12,833
Total comprehensive income	—	—	—	—	37,513
Capital expenditures	97,864	130,855	170,051	139,011	119,025
Depreciation and amortization	88,165	83,270	102,172	119,230	129,574
R&D expenditures	89,594	91,177	112,064	127,802	136,863
Net cash provided by operating activities	179,723	63,343	156,173	76,149	116,073
Net cash used in investing activities	(74,365)	(133,434)	(177,985)	(189,233)	(327,006)
Net cash provided by (used in) financing activities	(97,181)	74,492	70,871	179,526	94,437
At Year-end					
Total assets	¥2,126,612	¥2,318,832	¥2,765,837	¥2,740,876	¥3,355,097
Property, plant and equipment	686,680	724,438	852,806	834,046	1,167,073
Short-term and long-term debt	636,669	739,673	822,520	1,033,239	1,454,126
Total net assets	656,060	758,752	1,095,927	940,114	1,032,865
Per Share			Yen		
Net income (loss)—Basic	¥69.51	¥73.25	¥119.51	(¥48.81)	¥9.32
Net assets	478.72	520.05	601.45	486.09	490.99
Cash dividends	14.00	14.00	16.00	12.00	8.00
Ratios					
Return on assets (ROA) (%)	5.6	6.1	8.5	(1.5)	1.4
Return on equity (ROE) (%)	15.5	14.6	21.3	(8.9)	1.9
Shareholders' equity ratio (%)	30.8	30.7	29.9	24.4	20.0
Other					
Number of employees	32,955	33,447	39,305	41,480	53,907



FY 2005–2007

***KAKUSHIN* Plan: Phase 2**

Building a foundation for growth

- Established MCHC
- Active capital and R&D investment
- Merger of pharmaceutical business
- TOB of MPI
- Integrated performance materials business

FY 2008–2010

APTSIS 10

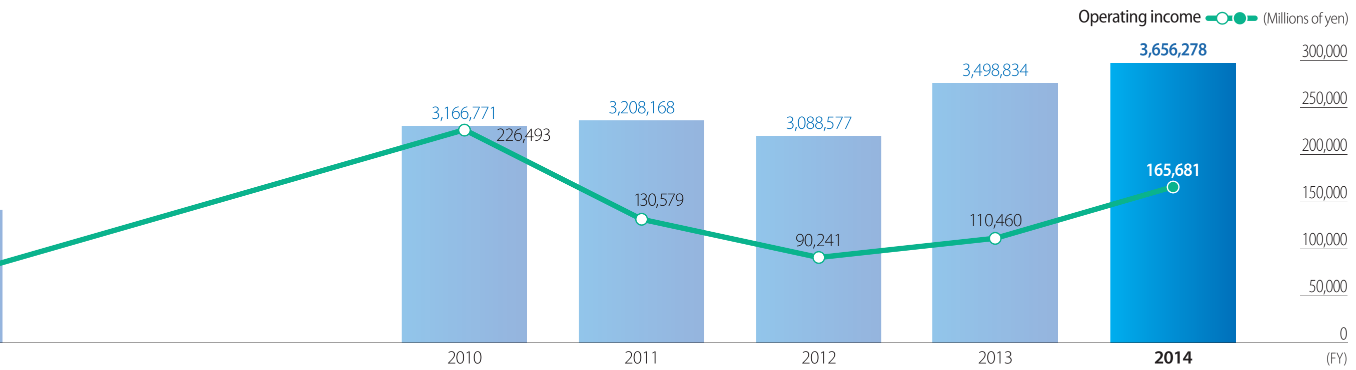
Recovery from economic contraction

- Aimed for structural reforms in the petrochemicals business
- Prioritized investments and use of R&D expenditures
- Integrated MRC

* The data for fiscal 2005 is collated for the MCC consolidation in the first half of the year and for the MCHC consolidation in the second half of the year.

(Note) **1.** In this report, fiscal year refers to the period beginning April 1 and ending March 31. Fiscal 2014 refers to the year ended March 31, 2015.
2. U.S. dollar amounts are converted from yen at the rate of ¥120 = U.S. $1.00.
3. ROA is calculated as income before income taxes and minority interests in consolidated subsidiaries divided by average total assets.
4. ROE is calculated as net income divided by average shareholders' equity.
5. Shareholders' equity, when used in the calculation of ROE and shareholders' equity ratio, represents the sum of total shareholders' equity and total accumulated other comprehensive income.
6. When non-recurring depreciation on non-current assets is recorded, the amount is included in depreciation and amortization.

FY 2010	FY 2011	FY 2012	FY 2013	FY 2014 (Millions of yen)	Change (Year on year)	FY 2014 (Thousands of U.S. dollars)
¥3,166,771	¥3,208,168	¥3,088,577	¥3,498,834	**¥3,656,278**	4.4%	**$30,468,983**
226,493	130,579	90,241	110,460	**165,681**	49.9%	**1,380,675**
169,552	127,474	82,900	116,594	**165,621**	42.0%	**1,380,175**
83,581	35,486	18,596	32,248	**60,859**	88.7%	**507,158**
86,742	64,199	94,900	134,016	**173,692**	29.6%	**1,447,433**
117,806	116,145	132,221	133,339	**165,057**	23.7%	**1,375,475**
148,697	145,695	129,549	131,571	**151,253**	14.9%	**1,260,442**
130,825	138,545	134,723	134,260	**132,217**	(1.5%)	**1,101,808**
288,853	217,954	206,504	177,027	**329,776**	86.2%	**2,748,133**
(101,064)	(63,404)	(169,758)	(159,789)	**(277,223)**	73.4%	**(2,310,192)**
(149,493)	(164,146)	(26,250)	(8,307)	**(2,061)**	(75.1%)	**(17,175)**
¥3,294,014	¥3,173,970	¥3,307,758	¥3,479,359	**¥4,323,038**	24.2%	**$36,025,317**
1,088,369	1,032,738	1,061,551	1,118,050	**1,498,146**	33.9%	**12,484,550**
1,304,589	1,164,128	1,198,799	1,258,186	**1,603,595**	27.4%	**13,363,292**
1,114,003	1,144,954	1,203,316	1,314,870	**1,588,601**	20.8%	**13,238,342**
				Yen		U.S. dollars
¥58.72	¥24.06	¥12.61	¥21.89	**¥41.40**	89.1%	**$0.35**
514.30	522.77	553.54	611.95	**669.77**	9.4%	**5.58**
10.00	10.00	12.00	12.00	**13.00**	8.3%	**0.11**
5.1	3.9	2.6	3.4	**4.2**	23.5%	—
11.6	4.6	2.3	3.7	**6.4**	72.9%	—
23.0	24.2	24.6	25.8	**22.6**	(12.4%)	—
53,882	53,979	55,131	56,031	**68,263**	21.8%	—



FY 2011–2012

***APTSIS 15* Step 1**

FY 2013–2015

***APTSIS 15* Step 2**

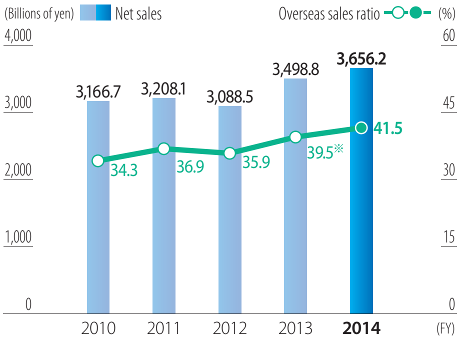
Grow, innovate and leap ahead by orchestrating the Group strengths

Step 1
- Orchestrated Group strengths: Realized synergies
- Strengthened footholds: Improved financial position
- Toward growth: Reformed existing business models

Step 2
- Made progress on portfolio transformation
- Integrated TNSC, established LSII
- Prioritized investments and use of R&D expenditures

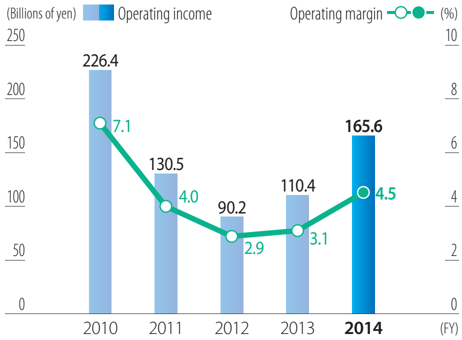
Financial / Non-financial Highlights

Net Sales and Overseas Sales Ratio

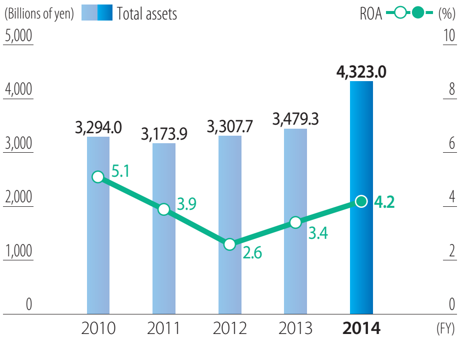


* Excluding impact of ¥145.6 billion as a result of unifying accounts

Operating Income and Operating Margin

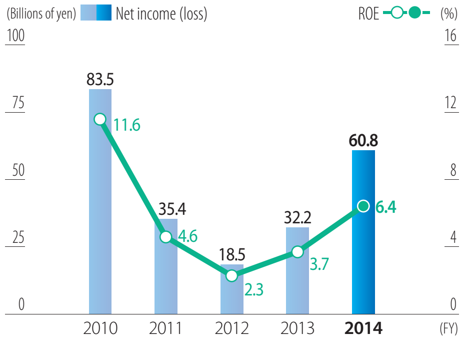


Total Assets and ROA*

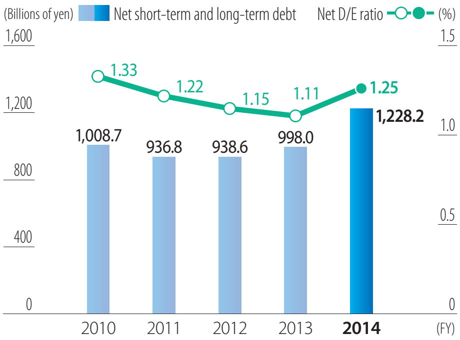


* ROA = Income before income taxes / total assets

Net Income (Loss) and ROE

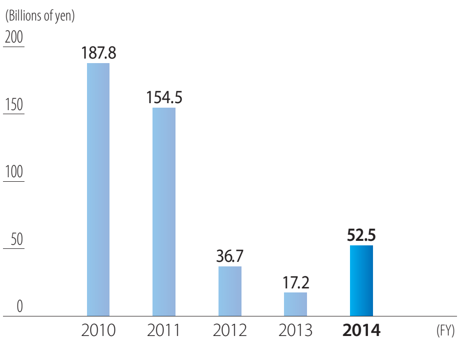


Net Short-term and Long-term Debt and Net D/E Ratio

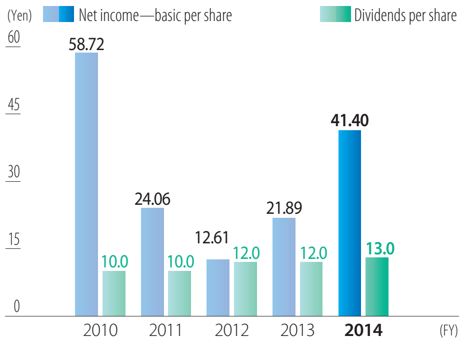


Shareholders' Equity Ratio

Free Cash Flows



Net Income—Basic Per Share and Dividends Per Share



Profit and Loss Situation in the Period under Review

Net sales increased 4.4% from the previous fiscal year, reflecting robust demand for mainly touch panel films and other products in the Performance Products domain. Operating income rose 49.9%, owing to a wider gap between raw material costs and prices for some products in the Industrial Materials domain, and growth in royalty income in the Health Care domain. Net income grew 88.7% due to gains on step acquisitions brought by the conversion of TNSC into a consolidated subsidiary.

Analysis of Financial Position

Total assets and liabilities at the end of the period under review increased compared with the end of the previous period, owing to TNSC becoming a consolidated subsidiary (it had previously been an equity-method affiliate), and an increase in the yen-denominated value of assets at overseas consolidated subsidiaries due to yen depreciation. The shareholders' equity ratio declined by 3.2% and the net D/E ratio increased by 0.14 points compared with the end of the previous fiscal year.

Status of Free Cash Flows and Dividends

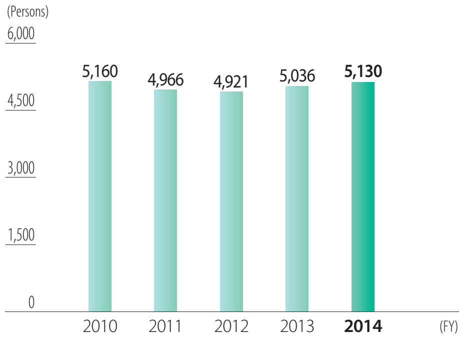
Net cash provided by operating activities totaled ¥329.7 billion. Net cash used in investing activities came to ¥277.2 billion, reflecting capital expenditures and the stock acquisitions related to the conversion of TNSC into a consolidated subsidiary, among other factors. As a result, free cash flow was ¥52.5 billion.

MCHC paid an annual dividend of ¥13 per share, an increase of ¥1 per share compared with the previous year, after comprehensively taking into consideration its aim for a consolidated payout ratio of at least 30% of net income over the medium term, the desire for stable dividends, and need for internal reserves for business development going forward, and other factors.

R&D Expenditures*

* Including corporate R&D expenditures

Number of R&D Personnel*



* Including corporate R&D personnel

Status of R&D

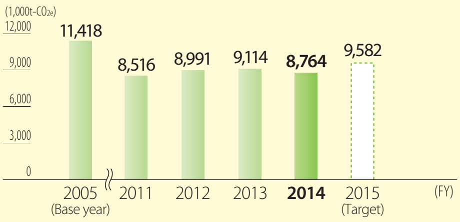
Over the past five years, we have maintained R&D expenditures of around ¥130.0 billion to ¥140.0 billion. Each company pursues its own R&D projects, while we also aim to strengthen collaboration among Group companies. We proactively engage in joint R&D projects with companies outside the Group. Through these initiatives, we are keen to develop new technologies and improve existing technologies.

Highlights of the MOS Indices

Please refer to p. 32 and p. 52 for the details and results of the MOS indices.

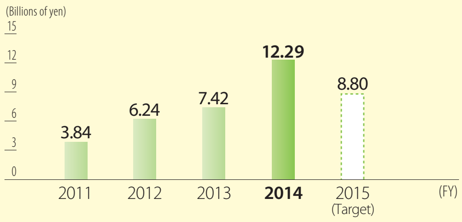
Sustainability [Green] Index

S-1-1 GHG Emissions*



* Figures from domestic operations of the five operating companies (MCC, MTPC, MPI, MRC, and LSII) and their group companies

S-2-3 Energy-saving Impacts*



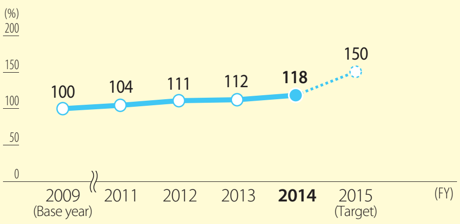
* Targeted are only domestic projects with effects of ¥100 million or more from the four operating companies (MCC, MTPC, MPI, and MRC)

Trends for the Sustainability [Green] Index Overall

Progress has been slow on some indices related to the provision of products and services. However, steady results are visible in some indices for resource and energy conservation. We expect to achieve our targets for fiscal 2015.

Health Index

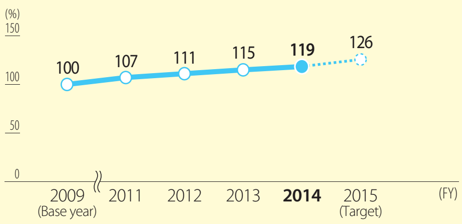
H-1 Contribution to Medical Treatment*1



*1 Contribution to medical treatment = The degree of difficulty to treat diseases multiplied by the number of administered patients.

*2 Regarding the base year as 100%

H-3-2 Trends in the Number of People Taking Diagnostic Tests*



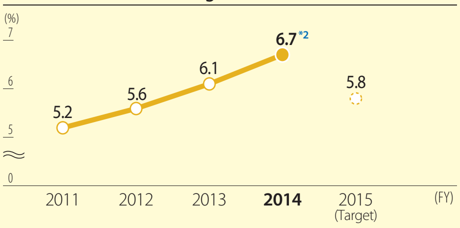
* Regarding the base year as 100%

Trends for the Health Index Overall

The index has been affected by growth in generic drugs in the market, but we have also achieved some of our targets for fiscal 2015 one year earlier than planned.

Comfort Index

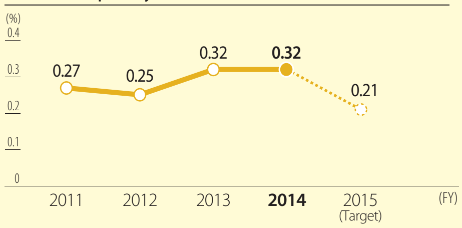
C-2-2 Percentage of Female Employees to Employees at Assistant Manager Level and Above*1



*1 Figures are indexed for the four operating companies (MCC, MTPC, MPI, and MRC)

*2 In fiscal 2014, as we did in fiscal 2013, we achieved the fiscal 2015 target early but we will continue to take a range of measures.

C-3 Lost-time Injuries Frequency Rate (LTIFR)*1, *2



*1 Figures for the domestic operations of the four operating companies (MCC, MTPC, MPI, and MRC)

*2 The LTIFR is the number of lost-time injuries per million hours worked, calculated using the following equation: (Number of lost-time injuries x 1 million / (Total hours worked in accounting period)

Trends for the Comfort Index Overall

Some indices related to the provision of products and services have improved since fiscal 2013 on the back of better economic conditions in Japan and around the world. However, we have not made much progress on some targets for fiscal 2015. We are on track to meeting our targets for reducing product claims and accidents. We aim to achieve our targets for fiscal 2015 by promoting measures to lower the LTIFR.

To Our Stakeholders

Message from the Chairperson

Transitioning to a New Management Structure on Firmer Footing for Sustained Growth

Yoshimitsu Kobayashi
Chairperson

After being appointed President in April 2007, I steered the Company under the medium-term management plans *APTSIS 10* and *APTSIS 15*. During the time span of these plans, the MCHC Group faced severely difficult circumstances, including an accident involving a fire at a plant, a violation of antimonopoly laws, a hepatitis C lawsuit, quality control problems in pharmaceuticals, the economic downturn triggered by the collapse of Lehman Brothers, and suspended plant operations after the Great East Japan Earthquake. Since then, however, Group businesses have undergone a transformation, as we have withdrawn from unprofitable businesses and started up new businesses through the management integration of MRC consolidation of TNSC and others. Although the earnings structure still needs work, the MCHC Group has grown into a formidable band of companies able to compete on the world stage.

Our original *KAITEKI* concept expresses a sustainable condition which is comfortable for people, society and the Earth, transcending time and generations. To realize *KAITEKI*, we promote *KAITEKI* Management with the objective of increasing corporate value based on our three core management policies of improving capital efficiency, creating innovative technologies, and enhancing sustainability for people, society and the planet with an emphasis on time.

In fiscal 2015, the fifth and final year of *APTSIS 15*, we are finalizing our performance under the plan and setting out to formulate the next management plan. I decided to pass the baton to Mr. Hitoshi Ochi on the belief that the next medium-term management plan would be better served by a new leader from the conceptual stage.

Mr. Ochi, the new President, was the general manager of the Corporate Strategy Office from 2008 to 2010, and took the lead in the formulation of the current medium-term management plan, *APTSIS 15*. Together, we came up with the *KAITEKI* concept for the entire Group. He has steadily built a track record as President of MRC, having strengthened its world-leading MMA operations and integrated its Carbon Fiber and Composite Materials Business with MPI. Even as competition intensifies globally, I am confident that Mr. Ochi is the best person to lead the Group to firmer footing and toward sustainable growth while addressing management issues that include launching and steadily increasing the profitability of next-generation businesses, globalizing all corporate activities, further improving capital efficiency, and contributing to sustainability.

In June 2015, MCHC transitioned to a company with a nominating committee, etc. to reinforce corporate governance in a way that increases corporate value over the medium- to long-term. Alongside the proliferation of ICT*, people, goods, capital and information are moving freely across borders, and the business environment for MCHC has been changing at an unprecedented pace while becoming more complex, making it more of a challenge to forecast conditions. In this environment, MCHC must also progress to take advantage of increasing business opportunities around the world and grow. By moving to this new organizational structure, MCHC aims to enhance management transparency and fairness, strengthen its oversight functions, and improve its maneuverability through faster decision-making. At the same time, MCHC will strive to realize *KAITEKI* and solidify a foundation for improving earnings potential. In line with these changes, I will serve as chairperson and focus on supervising management, while the execution of business will be in the capable hands of President Hitoshi Ochi.

* ICT: Information and communications technology

Under this new management structure, the MCHC Group will bring to bear all of its strengths to address management issues and strive to create value that contributes to a future of abundance for people, society and the planet. While doing so, we will undertake to meet the expectations of our stakeholders, and ask for your continued support.

Member of the Board, Chairperson

Message from the President

Hitoshi Ochi
Representative Corporate Executive Officer,
President and CEO

Under the vision of the realization of *KAITEKI**, the MCHC Group provides solutions for people, society, and the Earth through its business activities and seeks to be THE KAITEKI COMPANY on a truly global level with sustainable growth. Through the promotion of business structural reforms and a shift ("transformation") based on the medium-term management plan, today we have grown into a corporate group that consists of six operating companies with approximately ¥4 trillion in sales and about 68,000 employees worldwide.

Since assuming the office of president in April 2015, my mission has been to promote growth and more efficient use of capital while raising profitability, thereby ensuring our path toward the realization of *KAITEKI*. I believe these goals are attainable through further globalization balanced on Group synergies utilizing our abundant business resources, which include our business and technological foundations and human capital.

* *KAITEKI* is a concept proposed by MCHC that signifies "a sustainable condition which is comfortable for people, society and the Earth, transcending time and generations."

Fiscal 2014 Results

Continuous Transformation Resulted in a Second Consecutive Fiscal Year of Higher Sales and Profits

The MCHC Group's consolidated financial results for fiscal 2014 were net sales of ¥3,656.2 billion, an increase of ¥157.4 billion (4.4%) from the previous fiscal year. Operating income was ¥165.2 billion, an increase of ¥55.2 billion (49.9%) and ordinary income came to ¥163.0 billion, an increase of ¥59.9 billion (58.1%), marking the second consecutive year of higher sales and profits.

Contributing factors behind the increased profits when viewed by business domain were as follows. In the Performance Products domain, strong sales of various optical films and engineering plastic products in the Designed Materials segment resulted in a year-on-year profit increase of ¥11.3 billion. In the Health Care domain, increases in sales of new pharmaceuticals, royalty revenues and Qualicaps revenues exceeded the impact of National Health Insurance (NHI) price revisions implemented in 2014 in Japan and the spread and promotion of using generic pharmaceuticals, resulting in a profit increase of ¥9.7 billion. In the Industrial Materials domain, despite an inventory valuation loss following sharply declining raw material prices, primarily in the Chemicals segment, the earnings of TNSC, which became a consolidated subsidiary of MCHC in November 2014, have been included in our results since the third quarter, resulting in a ¥8.4 billion profit increase. In addition, in the Polymers Segment, profit increased by ¥24.4 billion due to a differential improvement between raw material costs and product prices for polyolefins and MMA monomers.

Most of these sales and profit increases are the result of the fulfillment of individual business strategies and the result of revitalization due to portfolio transformation based on the four-quadrant model.

Innovation (MOT) and Sustainability (MOS) Progress

The *KAITEKI* Value Approach has Spread and Contributed to Increased Corporate Value

Efforts to raise corporate value not merely in terms of improving profitability, but also in terms of Management of Technology (MOT) and Management of Sustainability (MOS) are the cornerstones of *KAITEKI* Management.

In MOT, the open shared business (*OSB*) approach that places the highest priority on swiftly producing results has spread and progress can be expected in the future at various stages. Some examples of this were concluding a patent cross-licensing agreement with Nichia Corporation concerning red-emitting phosphors for white LEDs, participation in global clinical trials for diabetic nephropathy conducted by Janssen Pharmaceuticals, Inc. (USA), the licensee of the type 2 diabetes therapeutic agent "*Canaglu*"; and co-development with Mazda Motor Corporation of components for automobile exteriors that utilize bio-based engineering plastics.

In MOS, which contributes to sustainability, a wide range of activities that help improve social and global environmental sustainability have advanced including resource- and energy-saving practices based on more efficient manufacturing processes and the construction of chemical product safety management systems. In addition, the development of policies and guidelines concerning corporate behavior aimed at global expansion has also progressed. Several examples of specific initiatives and results are presented in this report.

Current Business Challenges

Aware we are Generating Results but Profit Levels Need Improving

Although portfolio transformation was partially successful, unfortunately, we do not expect to achieve our target for the final year of the medium-term management plan *APTSIS 15* Step 2 of operating income of ¥280.0 billion.

There are three main factors behind this. The first is challenges we face in the Industrial Materials domain. The Chemicals Segment carried out structural reforms in line with shrinking demand and changes in the market structure, but due to a deteriorating supply and demand balance for some petrochemical products, additional structural reforms are necessary. The second is the greater-than-expected effects of NHI price revisions in Japan and the spread and promotion of using generic pharmaceuticals, resulting in an increasing gap from the initial target in the pharmaceuticals business. The third is the business group responsible for next-generation products such as lithium-ion battery materials—an increasing focus of development as a business driver for future growth—has not demonstrated sufficient potential.

Initiatives and Earnings Forecast for Fiscal 2015

Increase Profits by Mobilizing Our Collective Strength and Enacting Bold Structural Reforms

In fiscal 2015, we will steadily and swiftly implement a number of measures based on the aforementioned challenges and make every effort to increase profits.

In the Performance Products domain, we will expand profits of carbon fiber, polyester film and other products, and work toward the early profitability of the business group responsible for next-generation products such as lithium-ion battery materials. In the Health Care domain, we will develop new pharmaceuticals and strengthen our business foundation in overseas markets. In the Industrial Materials domain, we will build an optimal global supply structure in the MMA business and maintain and reinforce our superiority while carrying out structural reforms in the petrochemical business. Moreover, the entire Company will continue cost-cutting and actively engage in structural reform and conversion of the business.

The consolidated earnings forecast for fiscal 2015 is net sales of ¥4 trillion, an increase of ¥343.7 billion from the previous fiscal year, operating income of ¥227.0 billion, an increase of ¥61.3 billion, ordinary income of ¥214.0 billion, an increase of ¥50.9 billion, and net income of ¥65.0 billion, an increase of ¥4.1 billion.

Toward Sustainable Growth

In fiscal 2015, we will do our utmost to increase profits as mentioned above while defining business strategies and policies from a medium- to long-term view. We will then formulate our next medium-term management plan incorporating these.

The Performance Products domain, with environment and energy, and food and water as priority areas, has set its sights on raising the MCHC Group's presence in growth markets such as China, ASEAN, and India, as well as market expansion for high performance products in the European and U.S. markets. Next-generation Growth Businesses is reconstructing a variety of strategies for resource allocation while assessing its advantages. On the other hand, our policy is to facilitate growth through proactive investment by carefully selecting the businesses that need improvement. Therefore, when there are technologies and processes in which we are deficient, we will use mergers and acquisitions, partnerships and other methods to offset the deficiency.

In the Health Care domain, we will continue to strive for higher profitability for the following two major pillars of our business. In Pharmaceuticals, the business environment is becoming increasingly difficult with NHI price revisions, the spread of measures to promote generic drug use, and increasingly higher hurdles for new drug creation and approval. However, we will pursue stable earnings by developing new pharmaceuticals that meet unmet medical needs and forming wide-ranging partnerships in the areas of technology development and sales. In healthcare solutions, to tackle the challenge in Japan of increasing medical expenses of ¥1 trillion annually in the wake of a progressively aging population, we will expand next-generation healthcare services that leverage ICT* and create new businesses in fields such as regenerative medicine, with LSII playing a central role.

In the Industrial Materials domain, striving for earnings stability in businesses that leverage our underlying technological capabilities, we will re-examine the direction of further business restructuring. Moreover, with the addition to the MCHC Group of TNSC, which is expanding its industrial gas business globally, we can now create synergies, such as the mutual use of each other's business facilities and supply chains, as well as efficient collaboration at a new location.

To achieve sustainable growth with this direction, it is essential that we "strengthen global operations," "generate harmony and synergy, " and "promote differentiation."

* ICT: Information and communications technology

Strengthen Global Operations

To steadily capture growth opportunities in response to a society and economy that will continue to undergo increasingly dynamic change and growth, we will reinforce our global presence in general business activities. We must first tackle the building of a highly mobile management system combining business strategy and area strategy based on the core MCHC strategy. To accomplish that, we will accelerate the collection of common data on global human resources and establish core systems such as internal controls. We will take steps to build both an integrated Group-wide management system and a local management system that responds to local needs at a detailed level.

Generate Harmony and Synergy

Harmony and synergy are the keys to promoting rapid globalization with high investment efficiency.

The MCHC Group has not only a wide range of technologies and products, but also a global procurement and production network and extensive sales channels able to access a wide range of industries. We can generate synergistic effects such as providing customers with new solutions that go beyond cost cutting and expanding new markets with existing products. This will be accomplished by integrating these business resources beyond the framework of operating companies and business divisions, restructuring for efficient material procurement, production and distribution processes, and orchestrating high added-value technology and product development.

For example, in the Performance Products domain, the three companies of MCC, MPI, and MRC possess numerous shared technologies and business infrastructure including films, composites, coatings, polymer additives, and separators. I realize the amount of added value produced when integrating and using these functions and resources based on the numerous projects that I have worked on up to this point.

Promote Differentiation

As a comprehensive chemical company with a wide range of products and services, "differentiation" is an essential keyword for growth. At the base of differentiation, we have R&D that produces differentiated materials and products, but as in the aforementioned generation of synergy and harmony, it is important to differentiate the entire value chain including manufacturing processes, distribution, and sales services. These efforts lead to the creation of new solutions and innovations. Currently, these efforts seek support from not only inside the Group, but also outside and attempt to accelerate innovation in the form of open innovation and *OSB*.

In addition to putting the strategies of each business domain into practice, by pursuing initiatives according to the three key phrases, I would like to realize the medium- to long-term growth and earnings potential of the MCHC Group, and raise corporate value.

To Our Stakeholders

Taking Steps Toward THE KAITEKI COMPANY Being Recognized on a Truly Global Level

The MCHC Group aspires to share sustainable growth with its stakeholders by raising *KAITEKI* Value, which is the sum of all value created from MOE, MOS, and MOT.

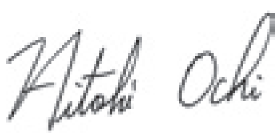
As one of the guidelines, in the next medium-term management plan, we expect a return on equity (ROE) target of 10% or more. MCHC Group ROE currently remains at 6.4%, but in order to rank among European and U.S. companies as a global company, it is essential that we reach the 10% level. In addition to pursuing growth strategies such as further globalization and harmonious effort, we seek to raise asset efficiency through the efficient use of various capital including human resources, production equipment, intellectual property, and funds.

Meanwhile, it is essential for us to take on the challenge of global environmental and social issues and contribute to their resolution. We will meet the expectations of stakeholders by creating value from a multifaceted point of view.

Regarding shareholder returns, based on a policy of investing capital in preparation for growth, achieving growth, and increasing profits to increase shareholder value, we will continue to enhance shareholder return in accordance with the stable implementation of guidelines for a consolidated dividend payout ratio of 30% or more of medium-term profits while taking into account the enhancement of internal reserves, which are funds for future business expansion. In fiscal 2014, we paid an interim dividend of ¥6 per share and a year-end dividend of ¥7 per share, totaling ¥13 per share for the year. In fiscal 2015, we plan to pay ¥7 per share in both interim and year-end dividends, for a total annual dividend of ¥14 per share.

To maximize *KAITEKI* Value, we will further strengthen corporate governance under a new structure of a company with a nominating committee, etc. and take a step toward becoming THE KAITEKI COMPANY on a truly global level while more rigorously implementing safety management and compliance, the major premise of our corporate activities.

Under the flag of our corporate brand "THE KAITEKI COMPANY," we will develop the MCHC Group and further raise corporate value by contributing to the sustainable development of society and the abundant and happy lives of people through our business activities. We will devote every effort to achieving that, therefore we ask for the continued support of our stakeholders.



Representative Corporate Executive Officer,
President and CEO

Dialog between Directors

Hitoshi Ochi, Representative Corporate Executive Officer, President and CEO, exchanged opinions with newly appointed outside member of the board Hideko Kunii about how he envisions the enhancement of corporate value over the medium- to long-term and how he will set out to realize our preceding vision of *KAITEKI*.

* Individual profiles for both Mr. Ochi and Ms. Kunii can be found on pages 56 and 57.

Measures to Raise Corporate Value Over the Medium-term

Kunii How do you intend to raise corporate value over the medium term, including the next medium-term management plan now being formulated?

Ochi At the MCHC Group, in addition to financial aspects including corporate earnings, which have long been generally regarded as corporate value, we have sought to enhance our corporate value, the *KAITEKI* Value, which is a multifaceted value incorporating our ability to create innovation and the concept of social value.

The framework and approach that forms the basis for creating this *KAITEKI* Value is organized to a certain extent and has been in the process of being perfected. Accordingly, for the future, including the next medium-term management plan, I would like to focus on improving profitability to a level equal to that of chemical companies in Europe and the United States while maintaining our direction in regard to *KAITEKI* Value.

Kunii From the standpoint of improving profitability, I have heard that an ROE of 10%, which has recently attracted attention, is being considered. What are your thoughts on attaining that?

Hideko Kunii
Outside Member of the Board

Hitoshi Ochi
Representative Corporate Executive Officer, President and CEO

Ochi In the future, we want to achieve higher profitability through growth and are now considering ROE improvement as the cornerstone of our next medium-term management plan. To achieve this target, we must raise the profitability of our business considerably. In the Performance Products domain, a priority area, we must not only provide materials, but also strengthen marketing. I believe showing our comprehensive chemical strength will be the key to achieving this target by combining materials and processes to address customer needs, or more specifically, the challenges faced by our customers. In the Health Care domain, another priority area, we will fortify the healthcare solutions business, in addition to pharmaceuticals, by gaining an understanding of rapidly changing social needs, such as the problems of the aging population in Japan.

On the other hand, it is essential that we select or reject businesses and reduce assets. Aspects of the Industrial Materials domain struggling to profit require even further restructuring. Meanwhile, in competitive areas such as MMA, I would like to take a number of measures such as globally expanding these businesses and further raising their profitability by adapting our approach to suit each business.

Innovation

Kunii I think that innovation is essential to enhance profitability in new businesses in the Performance Products and Health Care domains as you mentioned. In Japan, people tend to equate innovation with revolutionary technological innovation. But combining and connecting various elements to meet the needs of the society and to produce social value is also considered to be innovation. From that point of view, I believe it is important that the vast amount of technology and know-how accumulated within the MCHC Group find its way into new products and solutions.

Ochi As you said, I also think there are two types of innovation. One is revolutionary technological innovation, like you mentioned, such as carbon fiber, organic photovoltaics, lithium-ion battery materials, and pharmaceuticals. However, carbon fiber required a lengthy 20 to 30 years before it became widespread, and therefore we must assume that this type of innovation takes time.

Another is innovation produced by combining our technologies and product lines and improving them. The healthcare business of the LSII is a good example of this. Advanced testing and analysis technology developed as part of the existing clinical testing and diagnostics products business and chemical engineering has been matched with social needs such as dealing with an aging population and the challenge of reducing medical expenses to lead to innovations such as the commercialization of systems for extending a healthy life expectancy. With this type of innovation, it is extremely important to study the links between social trends, R&D results and complementary technologies as commercialization opportunities could be missed due to poor timing. Our Management of Technology (MOT) plays a major role in facilitating this effort.

Kunii In terms of providing solutions to society and customers, there is great overlap in the IT field, my area of specialization. In considering innovation at the MCHC Group, I believe that the use of information communication technology (ICT*) will become extremely important.

* ICT: Information and communications technology

Ochi I think of ICT in two ways. One is its use in the Health Care domain, a future field of growth. I believe we can provide solutions for individual health management and preventive medicine by combining the patient's physical, diagnostic and other data and analyzing them.

The other is as a method for differentiating manufacturing technologies, and providing better materials and solutions. In countries like Germany, it's being called Industry 4.0 and involves building a strong value chain from upstream to downstream areas by organically combining and utilizing raw materials, manufacturing, processing, and massive amounts of data accumulated about each of these by consumers. We think practicing the above will to lead to global competitiveness.

Contributing to Sustainability

Kunii I understand that improving sustainability is also a cornerstone of the MCHC Group's management.

Ochi The MCHC Group seeks to create value by raising capital efficiency and pursuing innovation as well as contributing to the improvement of society and the earth's sustainability through our corporate activities.

To improve sustainability, we must collaborate with a wide range of stakeholders over long periods. For example, seeking to reduce greenhouse gas emissions not only from MCHC Group manufacturing sites, but from the entire value chain is one potential area of collaboration. Repeated practice of these activities can generate multifaceted perspective and ideas among the employees, which will lead to a corporate structure tolerant of changes in the environment, and ready for opportunity to innovate.

Kunii That is why sustainability initiatives are viewed as growth opportunities. In addition, sustainability, which tends to be abstract, is integrated into diverse corporate activities as a concrete method of thinking. Indicators are linked, and we have a mechanism for checking progress by measuring them. That's great.

Strengthening Governance

Ochi Our corporate structure as a pure holding company was originally established to grow both the chemical company and pharmaceutical company into large entities. The two operating companies were placed under the umbrella of the MCHC pure holding company, and they were positioned as partners. MPI, MRC, and recently LSII and TNSC were integrated as operating companies and the companies under the umbrella have grown in size and in number. However, with the increase in operating companies thus far, the organization has become stratified and in recent years, the supervisory and executive functions have grown complex. Considering these changes, we transformed into a company with a nominating committee, etc. to clearly define and separate supervisory and executive functions, strengthen Group governance functions and further enhance flexibility and transparency.

Kunii The MCHC Group is a conglomeration of many companies and its structure, in which MCHC takes the leadership position while at the same time building partnerships, is vitally important. With wide-open innovation needed, the key to our success is whether we are able to share our wisdom and talk freely.

Meanwhile, with increasing globalization, it is imperative that we enhance transparency to achieve accountability. What are your thoughts about that?

Ochi As you pointed out, enhancing transparency with all stakeholders, including shareholders, is a major goal of this new structure and has led to increasing the number of independent outside directors. In addition, the MCHC Board of Directors is comprised of directors from diverse backgrounds including chemicals, pharmaceuticals, and industrial gases. However, joining them are outside directors who are experts in such areas as technology, management, and compliance, and by incorporating this broad range of perspectives, the board will be capable of taking risks for bold management.

Kunii In addition to my knowledge about MOT, I think that Japanese companies as a whole have become, in some respects, less globally competitive because they are weak in IT. Therefore, I believe I can be of great value on that point in the future.

Diversity

Ochi As you touched on earlier about the progress of globalization, the MCHC Group has gradually widened its business scope in global terms. Now, 23,000 out of a total of 68,000 employees work at overseas Group companies. However, various structures including company management methods and work procedures remain Japan-focused. This is not really taking advantage of the diversity of our multinational Group and I therefore do not expect true global growth. Because of our global management system, I think that we are at the stage of working seriously on reforming our infrastructure including the human resources development system and organization.

Kunii Indeed, in globalization, it is necessary to take a global view, and search for what is optimal. Also, in Japan, aspects of the language serve as entry barriers, but in the future, language cannot be the reason for not offering global services. Moreover, emerging countries may overtake us if we leave things as they are. Setting up a global management system is truly important. By the way, besides foreigners, I think there is much room for half of the population of Japan, in other words, for women to play more active roles. What do you think?

Ochi The atmosphere of the workplace is changing and so are attitudes toward training. For example, 30% or more of new employees are women and a female general manager of a production center has been appointed. Furthermore, the president of the regional headquarters in the United States is an American woman. We need to revitalize the Company with multinational staff.

Kunii It is a pleasure that I look forward to. Thinking back on a story talked about earlier, focusing on the clear vision of *KAITEKI*, I was again impressed by the point of view that the creation of social value itself is corporate value. Let me end with the thought that this is truly a dream-inspiring company, and I will do my best from now on as an outside director.

Ochi Thank you for your powerful words. Whether we realize *KAITEKI* or raise corporate value, in many respects, I think that "people" hold the key to our success. With each and every employee practicing the *KAITEKI* approach, we will strive to make THE KAITEKI COMPANY a truly powerful company on a global scale through value creation that only we can achieve.

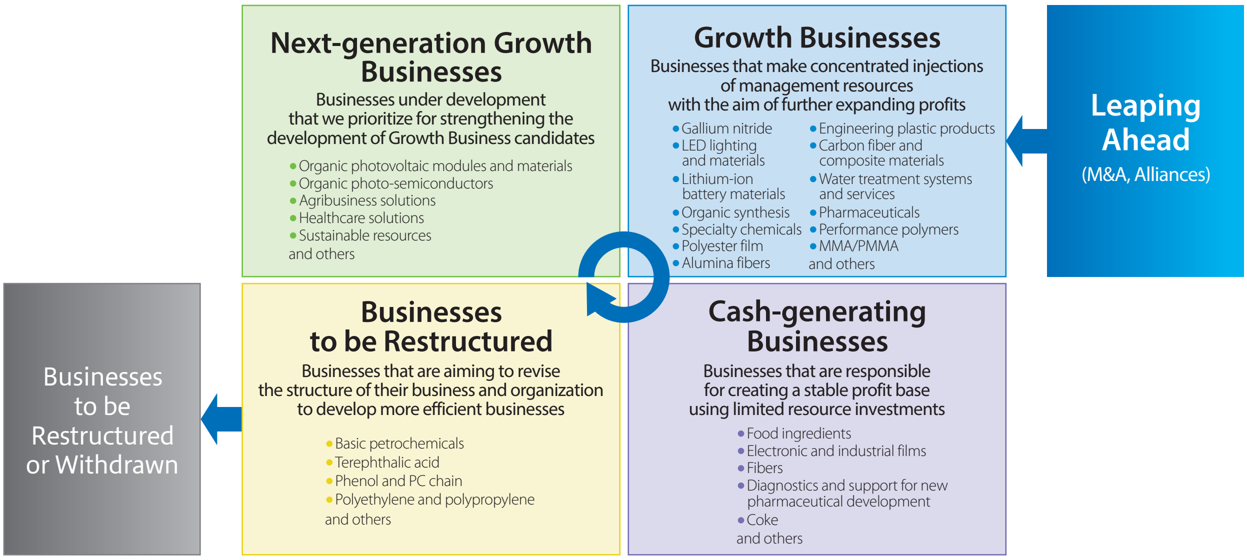
Portfolio Transformation

Management Strategy 1

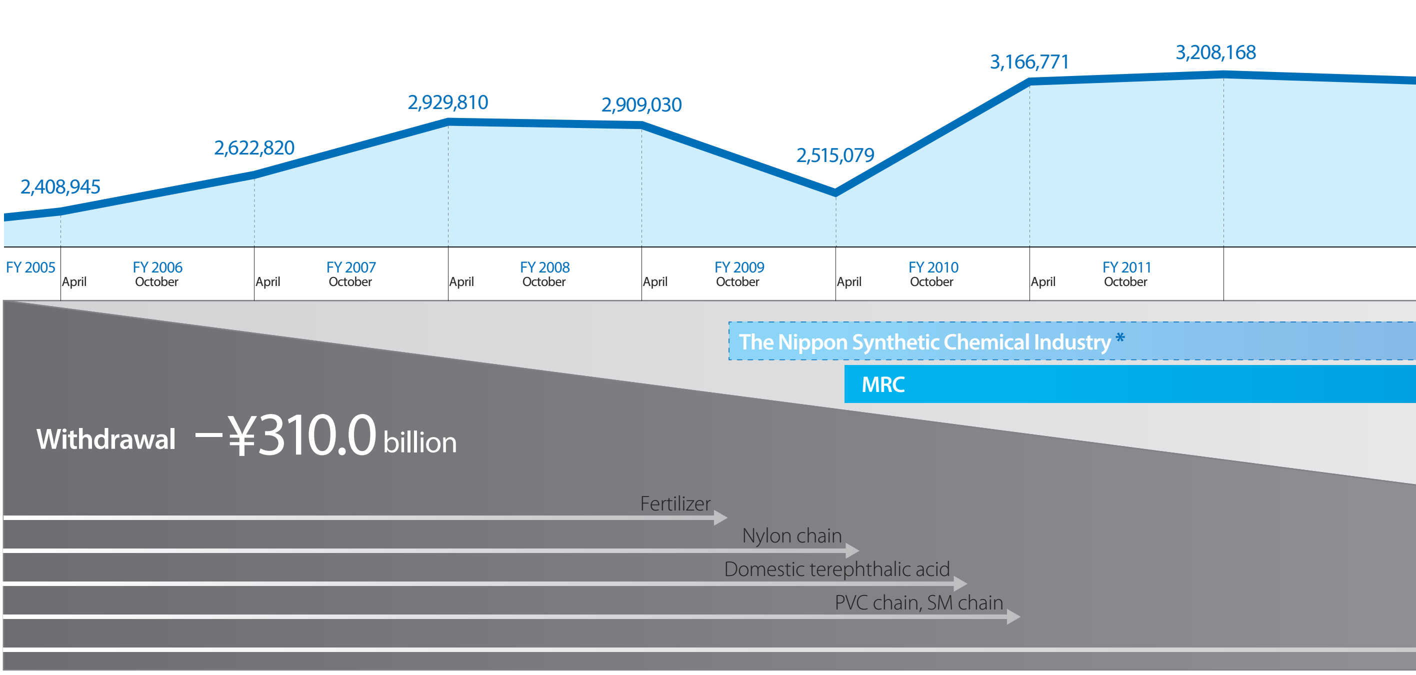
Sustained Growth through Business Restructuring and Portfolio Optimization

MCHC's Concept of Business Management

The MCHC Group is a collection of operating companies engaged in a diverse array of businesses. We have accordingly pushed ahead with our portfolio transformation using a business management technique called the four-quadrant model that allows us to classify a broad range of businesses based on their life cycles and reallocate resources optimally based on growth potential and profitability. We are aiming to continuously create new value and make the Group grow sustainably by reallocating management resources obtained from the Cash-generating Businesses to the Growth Businesses and the Next-generation Growth Businesses without depending on a specific business.



Business Restructuring (Billions of yen) **and Net Sales** (Millions of yen)



Measures to Raise (Economical) Corporate Value through MOE

In Pursuit of Businesses Synergies

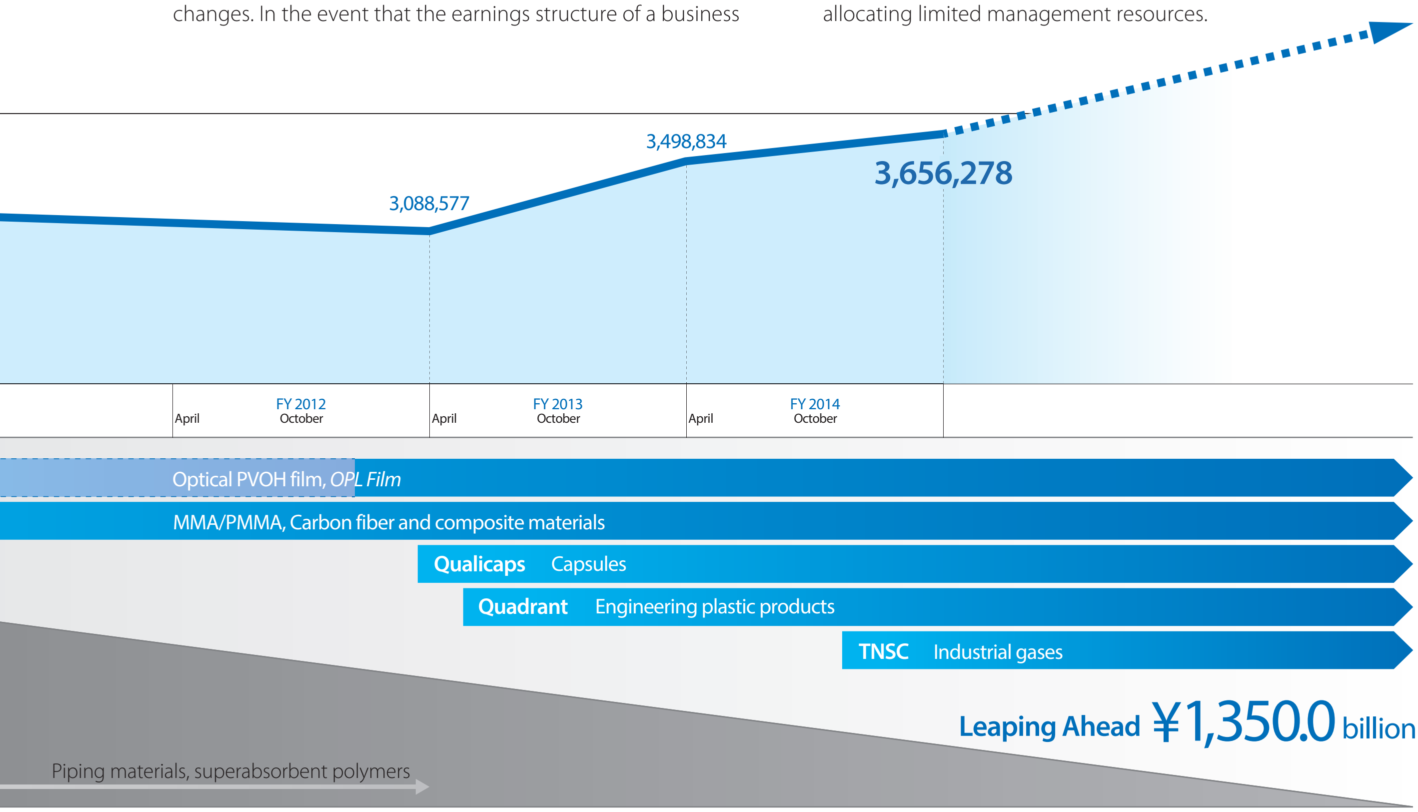
The MCHC Group engages in various businesses in the three business domains of Performance Products, Health Care, and Industrial Materials, which newly added industrial gases to its lineup. MCHC's mission is to constantly generate synergies in the MCHC Group. We aim to newly create synergy benefits distinctive of the MCHC Group that surpass the boundaries of business domains and operating companies as well as ordinarily create synergies in processes from production to sales in each business domain. One example of this is the on-site supply of industrial gases in conjunction with the development of chemical plants currently under consideration overseas.

Leaping Ahead: Acquisition of Growth Businesses through M&A and Alliances

Created as a successor to the previous medium-term management plan *APTSIS 10*, our current *APTSIS 15* medium-term management plan calls for substantial growth in earnings and corporate scale to levels on a par with overseas mega-chemical makers, through leaping ahead (M&A, alliances) to target aggressive business expansion. On top of expanding the size of the MCHC Group, these measures entail moving forward more aggressively on business structure reforms and conversion (transformation) through the reshuffling of our portfolio to focus more on growth businesses expected to have reliable growth potential and excellent profitability that are likely to have a direct impact on expanding the earnings foundation of the MCHC Group.

Businesses to be Restructured or Withdrawn

At the MCHC Group, the life cycle of each businesses can fluctuate dramatically, from growth period to weakening demand period, as competitiveness is lost amid accelerating globalization and demand for products fades in line with market changes. In the event that the earnings structure of a business looks unlikely to improve despite measures to shore up earnings, improve contract terms and reduce costs, we study the business and judge whether to scale down production or withdraw from the business from the standpoint of optimally allocating limited management resources.



* December 2012, acquired majority of shares

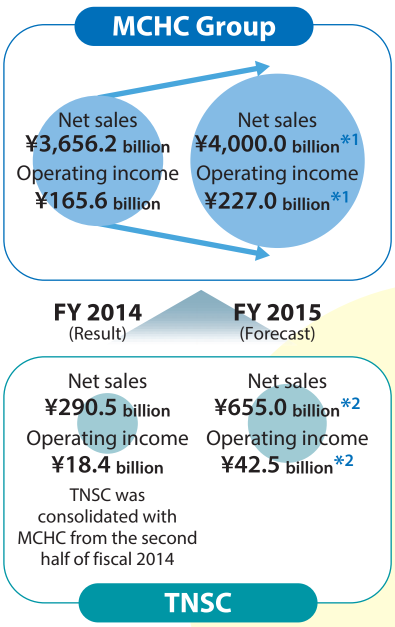
Special Feature

Aiming for Further Growth by Leaping Ahead

Consolidation of TNSC, the No. 1 Industrial Gas Supplier in Japan

MCHC advances "leap" strategies by strategically investing in companies that will contribute significantly to the realization of *KAITEKI* in concert with the MCHC Group through their independent and competitive management resources. In November 2014, the MCHC Group welcomed TNSC, the number one supplier of industrial gases in Japan, as its sixth operating company to drive forward global business development. Here, we introduce the growth strategies and initiatives we have undertaken to generate synergies with the MCHC Group through the businesses and strengths of TNSC.

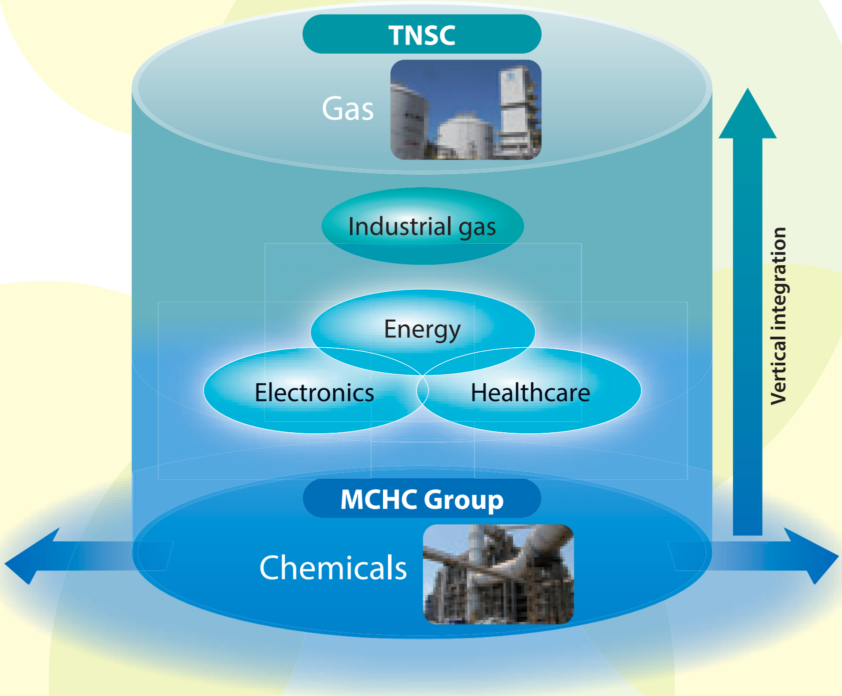
Stable Earnings Foundation



*1 Forecast as of May 2015
*2 Forecast as of August 2015

In the third quarter of fiscal 2014, earnings from TNSC began to contribute to the stability of MCHC's earnings foundation.
Both companies are working in concert to leap ahead and create growth.

Creating Business Synergies



We aim to generate synergies in the fields of energy, electronics and healthcare through the fusion of both companies' technologies and businesses in a vertical integration of the value chain that crosses boundaries between the industrial gas and chemicals industries.

Main Businesses and Strengths of TNSC

An Industrial Gas Professional

TNSC developed Japan's first air separation system in 1934, using it to make its core business of supplying a broad range of industries with industrial gases, mainly oxygen, nitrogen and argon. The company currently has a 40% share of the domestic market for industrial gases, having established a solid position as an industrial gas professional.

In the electronics market, for example, the company supplies a variety of electronic material gases used in the production of semiconductors, liquid crystals and solar cells. TNSC develops and supplies high-quality gases that meet customer requirements by leveraging its abundant knowledge and expertise in gases.

The company also supplies liquid petroleum (LP) gas, which has garnered attention as a clean energy with few CO_2 emissions. LP gas is used widely, from commercial to household uses.

Establishing a Reliable Supply Structure Nationwide

To fulfill its responsibility of reliably supplying gases as the market leading company, TNSC has established production bases throughout Japan that are backed up by a supply network in case of a shortage caused by such reasons as a natural disaster.

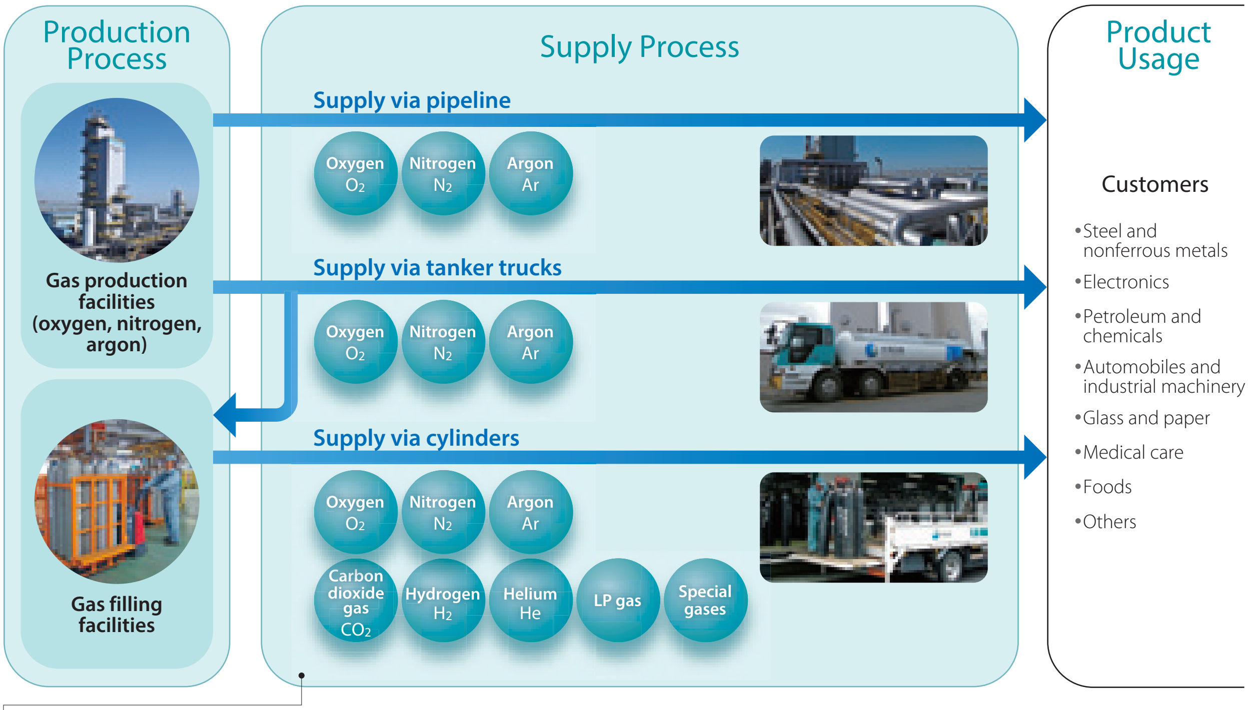
The company's supply and storage infrastructure follows either the on-site method of supplying gases via pipelines from its facilities on the premises of customers' factories, or the delivery of liquefied gases with tanker trucks or portable cylinders based on how the gases are used.

World-class Plant Production Technologies

TNSC engages in the plant engineering business with the world-class plant production technologies it has accumulated from experience in making industrial gases and deploying on-site supply systems. The company provides equipment, machinery and systems with capacity optimized for the needs of its customers.

Among its products, TNSC boasts a majority share of the domestic market in air separation unit (ASU). In fields other than ASUs, the company has won high praise around the world for its gas refining equipment, exhaust gas abatement system, and compound semiconductor production equipment (MOCVD equipment) for the electronics industry.

TNSC's Gas Supply Structure



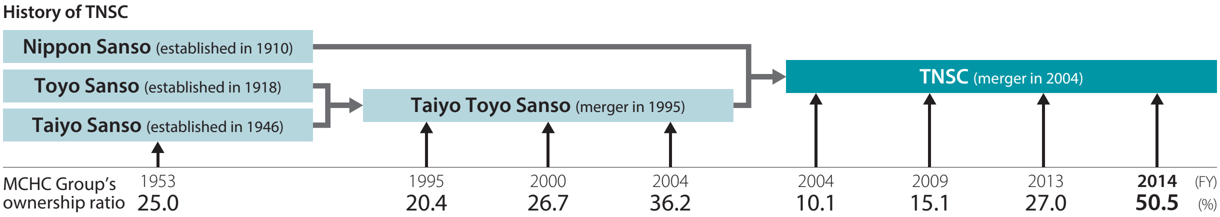
Industrial gases are used in a wide variety of industrial fields to hasten chemical reactions and as atmospheric gases* and feedstock gas. A large weighting of industrial gases are gases separated from the air (oxygen, nitrogen and argon). Other industrial gases include carbon dioxide gas, hydrogen, helium and acetylene.

* Atmospheric gases are used to stop chemical reactions such as oxidation that occur when exposed to air.

Since 1953 — A Base of Long-standing Trust with the MCHC Group

The relationship between TNSC and the MCHC Group extends back to 1953, when MCC made an investment in Taiyo Sanso Co., Ltd., the predecessor to TNSC. After merging with Toyo Sanso K.K., the company became Taiyo Toyo Sanso Co., Ltd. and deepened its partnership with MCC through a joint venture in the industrial gas production business. MCC became a principal shareholder when TNSC was born in 2004, and increased its stake thereafter. Both groups have shared common business strategies and growth strategies for more than half a century, and this long-standing base of trust eventually led to their capital tie-up in 2014.

History of TNSC



Special Feature

Aiming for Further Growth by Leaping Ahead
Consolidation of TNSC, the No. 1 Industrial Gas Supplier in Japan

TNSC's Growth Strategy

Three-year Medium-term Management Plan under the Long-term Vision

TNSC launched the three-year medium-term management plan Ortus Stage 1* in fiscal 2014 as the first stage toward achieving growth in line with its long-term management vision through fiscal 2022.

To achieve its management objectives, TNSC has been advancing a growth strategy centered on structural reform, innovation including collaboration with the MCHC Group, globalization and M&A. Plans call for strategically investing ¥200.0 billion around the world over the three-year period, including consolidations of operating companies, investments in venture companies, large-scale capital investments, and investments in streamlining business.

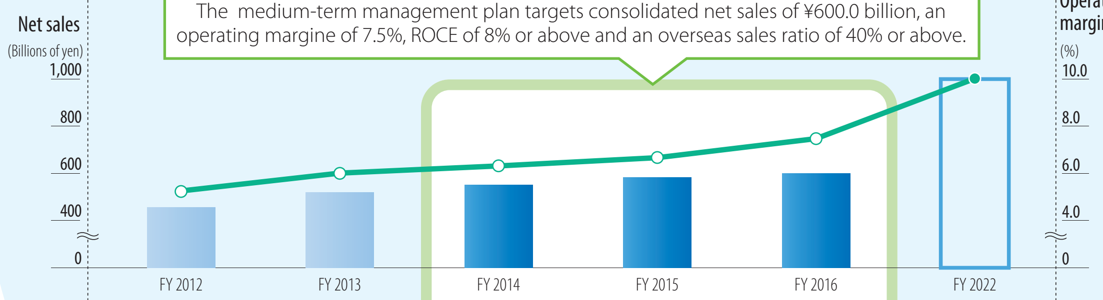
* Ortus is Latin for "birth" or "origin."

Long-term Vision

TNSC's long-term vision calls for net sales of ¥1 trillion, an operating margin of 10%, a return on capital employed (ROCE) of 10% or above, and an overseas sales ratio of 50% or above by the end of fiscal 2022.

Management Objectives of Medium-Term Management Plan Ortus Stage 1 (at the time of its formulation)

The medium-term management plan targets consolidated net sales of ¥600.0 billion, an operating margine of 7.5%, ROCE of 8% or above and an overseas sales ratio of 40% or above.



	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2022
Net sales (Billions of yen)	468.3	522.7	550.0	570.0	600.0	1,000.0
Operating margin (%)	5.3	6.0	6.4	6.7	7.5	10.0

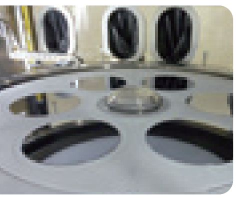
Restructuring and Growth Strategies → **Optimization and Expansion of Scale**

Structural Reform
Focusing management resources such as personnel on overseas businesses while aiming to increase efficiency and optimization in domestic businesses

Innovation
Promote new businesses

Globalization
Expand business area with Japan, North America and Asia as key markets

M&A
M&A on a global scale

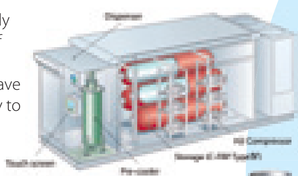


MOCVD Equipment

The production of compound semiconductors, demand for which is strengthening in LED and power chip applications, requires gas handling technologies and ultra-high vacuum technologies honed over many long years. The company's compound semiconductor production equipment (MOCVD equipment) boasts the highest level of mass productivity in the world.

Hydrogen Refueling Stations

The packaged hydrogen station *Hydro Shuttle* successfully cuts costs by roughly 50%. With an eye on the proliferation of fuel cell vehicles, TNSC, Toyota Tsusho Corporation and Iwatani Corporation have teamed up to establish a new company to supply hydrogen, and commenced operations of Japan's first mobile hydrogen station in March 2015.



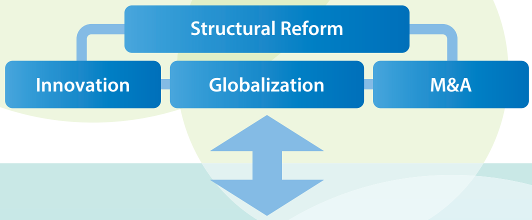
Water-^{18}O

Positron emission tomography (PET) scan systems have become prevalent around the world. Backed by its proprietary cryogenic distillation technology, TNSC produces the highest-quality original material in the world for diagnostic agents (Water-^{18}O, an oxygen stable isotope) used in PET scan systems.

Collaboration with the MCHC Group

Accelerating Growth via Collaboration with the MCHC Group

In light of TNSC's strategies for innovation and globalization, the MCHC Group is examining ways to link operations with the objective of realizing synergies while strengthening and expanding the business foundations of both groups from the standpoint of building and managing supply chains around the world, building logistics networks and advancing marketing by leveraging the global network of MCHC, as well as cooperating in R&D.



Collaboration with the MCHC Group

Aiming to create new synergies through technology and networks

The MCHC Group is focusing intently on the creation of innovation through R&D in new businesses and synergies across existing businesses by leveraging the technologies, products and intellectual property of both companies. We are advancing globalization further through the mutual use of business networks around the world, while pursuing cost synergies through engineering, mutually beneficial functions such as group procurement, and greater efficiency.

Collaboration 1

Creating Innovation

We aim to create innovation through R&D into new businesses based on the supply of industrial gases as a utility for chemical plants within the MCHC Group. In the electronics field, we expect to collaborate in MOCVD equipment with MCC, which has gallium nitride substrates that are a basic material for LEDs. We also look to develop business in a variety of fields for electronic materials, by deploying the CERAMELT system, which shapes ceramic powder into spheres using an oxygen burner that efficiently melts the material under high temperature, in the production process for semiconductor sealant filler. Furthermore, in iPS cell-related operations, we anticipate synergies between our regenerative medicine business and *CryoLibrary*, a fully automated frozen storage system that can precisely manage frozen samples. We also see considerable potential from collaboration in the healthcare field, such as at-home medical products and applications for carbon dioxide gas.

Collaboration 2

Pursuing Globalization

In the industrial gas and energy businesses, we are examining one-stop services for the MCHC Group that leverages the industrial gas supply network of TNSC. For example, we could cooperate on marketing and delivery of industrial gases from TNSC via MCHC Group companies based throughout Southeast Asia and India, areas likely to continue growing. In North America, we believe there are business opportunities in shale gas.

Collaboration 3

Improving Profitability

By mutually taking advantage of the global business infrastructure of both the MCHC Group and TNSC, we expect to more efficiently deploy management resources by sharing business bases and functions. By exchanging personnel with diverse skills and knowledge, we aim to increase cost efficiency through mutually beneficial synergies in engineering and procurement, for example. We ultimately aim to create a foundation for growth over the medium- to long-term.

Innovation

Management Strategy ❷

Accelerating Creation of Results as the Driving Force to Support Sustainable Growth

Message from the CTO

Glenn H. Fredrickson
Member of the Board, Managing Corporate Executive Officer, CTO

Improving R&D efficiency by exploiting Group synergy and leveraging external resources

April 1, 2015 marks the one-year anniversary of my position as CTO leading the MCHC R&D Strategy Office (RDSO). A high priority of RDSO is to accelerate technology development for early profitability in new businesses. We will accomplish this by better utilizing the collective knowledge, intellectual property, and Research and Development (R&D) capabilities of the Group. In pursuit of R&D synergy, we have recently completed a core technology mapping exercise across all strategic MCHC business units (SBUs) including our newest addition, TNSC. The results have been integrated into 12 comprehensive technology platforms spanning multiple SBUs, which will serve as the focal point for sustaining and driving innovation across the entire company. To this end, we have formed a Technology Officers Council, staffed by senior R&D leaders from major SBUs, which is charged with exploiting the synergies identified by the new platform structure and creating an environment that fosters Group collaboration and innovation.

A second mission of RDSO is to promote and expand the use of external partners, such as global universities and venture companies, to accelerate R&D and technology development across MCHC. Over the past year, we have established an international network for gathering and sharing information about dynamic young companies that can address our future technology needs, and have launched a new CTO Innovation Fund that encourages MCHC Group researchers to partner with leading universities from around the world. By these activities, we are tapping multiple avenues for innovation, while enhancing human resources in R&D to support global business expansion.

Approach to Innovation

The MCHC Group understands “innovation” to mean the provision and realization of comprehensive solutions such as new value chains and life models that did not exist previously. Moreover, we go beyond R&D of components and materials, and aim for the creation of new innovations, where we take into account wide perspectives from the manufacturing process, distribution channels, up to the proposal of new uses and applications through the following two initiatives.

Strengthening Our In-house Technologies

The MCHC Group sells tens of thousands of products ranging from basic materials to consumer products, applying its proprietary technologies and expertise in each field. R&D and manufacturing departments are managed with the goal of improving the value and competitiveness of our technologies. The procurement, logistics, sales and other departments are building up know-how in their operations and driving innovation in work practices. By crossing the barriers between Group companies, we are accelerating the creation of synergies in technologies and expertise among Group companies.

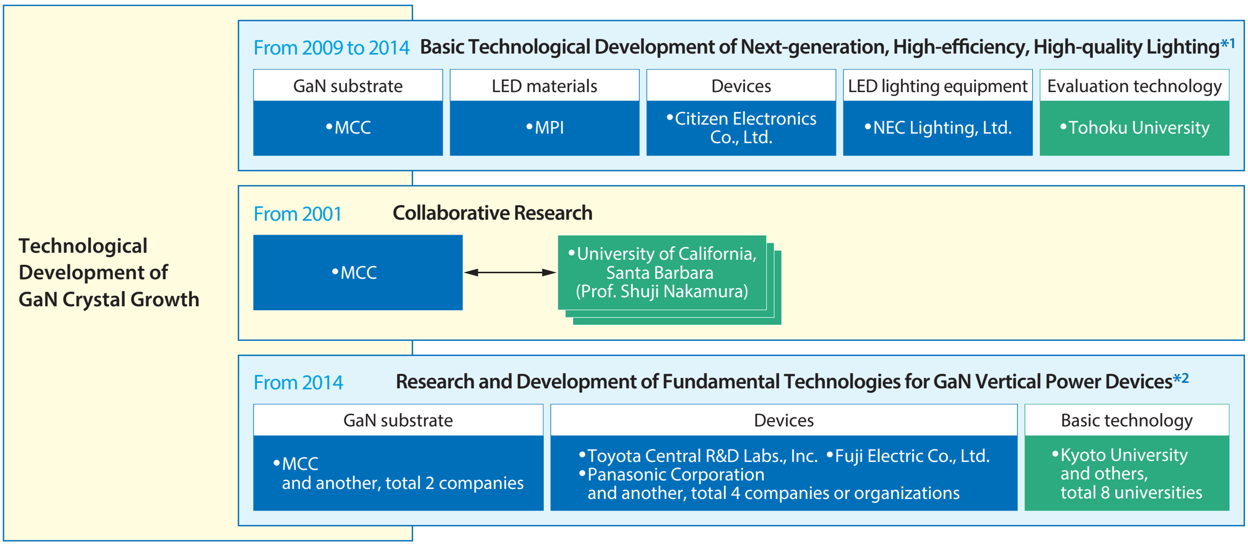
Open Innovation

The R&D departments actively invest in and collaborate with the universities, public institutions, and venture companies that are working on research themes in line with the aims of the corporate activities of the MCHC Group. We are aiming to create and accelerate innovation through the synergies of the technologies and know-how that the MCHC Group and these outside organizations possess. The MCHC Group also actively participates in national projects to hasten R&D.

Moreover, the MCHC Group seeks to fully apply Group technologies and expertise in production and sales in order to provide optimal products and services in a timely fashion in accordance with the needs of markets and society. We believe it is essential to vigorously collaborate with our partners possessing advanced technologies, efficient production systems and sales networks. We consequently utilize *OSB**, our own business framework for rapidly developing and commercializing products and services that cannot be easily imitated by others.

**OSB* (Open Shared Business) is the original framework of MCHC for working with organizations outside the Group. We promote collaboration in both R&D and business and build a distinctive value chain by using the *OSB* framework.
OSB: MCHC registered trademark No. 5585432

Example of Open Innovation: Gallium Nitride (GaN)



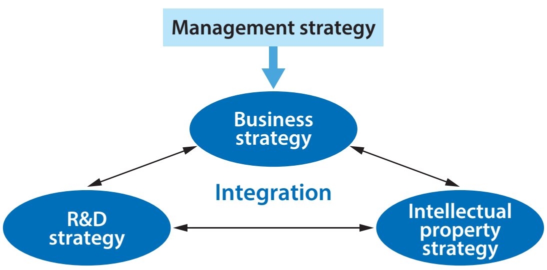
*1 A New Energy and Industrial Technology Development Organization (NEDO) project *2 Cabinet Office/NEDO Strategic Innovation Promotion (SIP) program/Next-generation power electronics

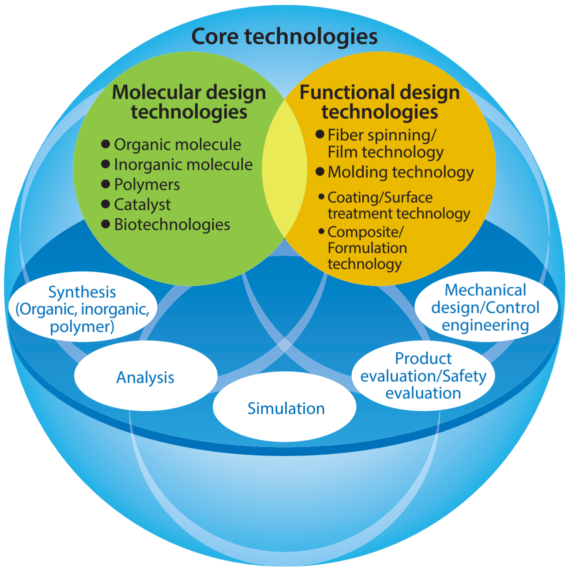
Creating, Acquiring and Strengthening Core Technologies

The MCHC Group engages in R&D activities, the key to driving innovation, with the aim of reinforcing our superior core technologies, and to create and acquire new ones.

Basic Policy for Research and Development

Using the foundation of the core technologies shown in the diagram, the MCHC Group's targets for R&D are set on the themes in accordance with "Sustainability," "Health" and "Comfort." We are working on further strengthening our core technologies and creating new core technologies, while at the same time we promote an integrated R&D system by formulating R&D strategies that meet the needs of our business strategy and intellectual property strategy, so that we can rapidly commercialize the fruition of our R&D.





R&D Management

To accelerate creating innovation , MCHC has introduced the MOT (Management of Technology) Indices to quantitatively manage our progress in the innovation process. Three indices comprise the MOT Indices: the R&D Index, the Intellectual Property Index, and the Market Index. We have used the MOT Indices on a trial basis since fiscal 2013. Based on the outcome, we are reassessing the indices while formulating the next medium-term management plan.

Sustainability

Management Strategy 3

Capture Growth Opportunities by Contributing to Sustainability

Strategy | The MCHC Group's Approach to Sustainability

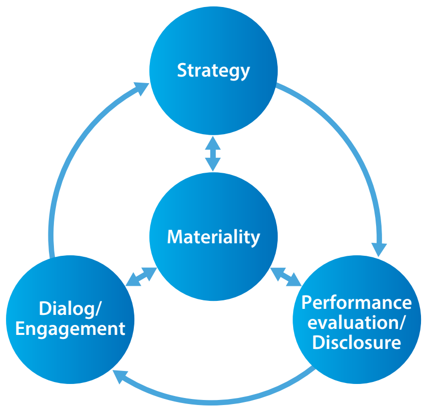
Message from the CSO

Ryoji Tanaka
Managing Corporate Executive Officer, CSO

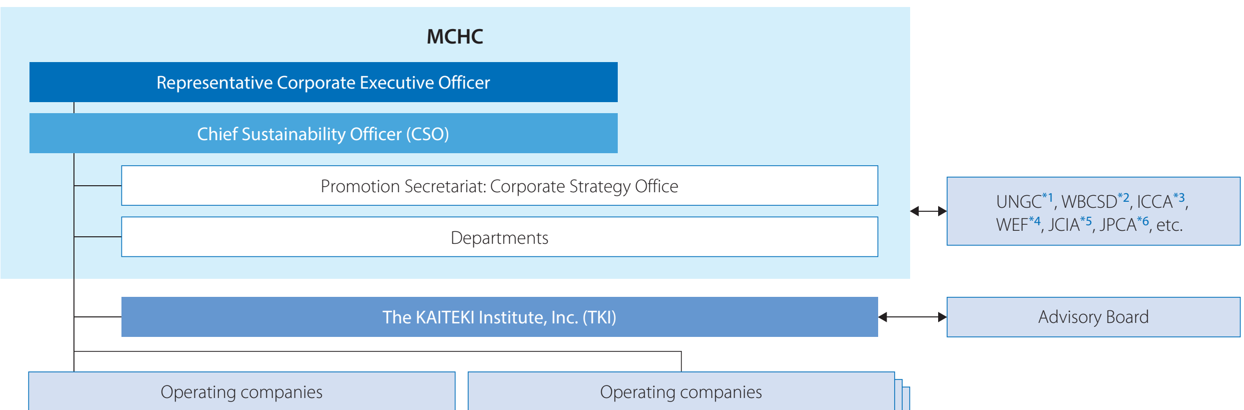
Management of Sustainability (MOS), which the MCHC Group regards as one of its management cornerstones, aims for the sustainability of the Earth and society as well as the Group itself and the value chain of the Group. MOS recognizes that we are a member of the Earth and society, fully utilizes the Group's management resources for value creation and expresses its management philosophy of taking the lead toward the realization of *KAITEKI*.

Global development has led to drastic changes in the environment surrounding businesses. Companies are expected to fulfill greater roles than ever, and the environmental and social issues we need to respond to are diversifying. The MCHC Group has positioned management issues as important themes and made the pillar of its management strategy the focus on solving these issues to realize sustainable growth. When implementing this strategy, various corporate activities are quantitatively assessed from an MOS standpoint, and a PDCA cycle is utilized.

The MCHC Group created the MOS Indices for these assessments. Opinions obtained from stakeholders during dialog are used in MOS while setting numerical targets and managing progress according to the medium-term management plan *APTSIS 15*. As the Chief Sustainability Officer, I am in charge of MOS-related activities. We are continually strengthening MOS by facilitating regular opportunities for management to assess activities. We will collaborate with stakeholders in a wide variety of activities to make progress toward enhanced sustainability.



MOS Promotion Framework



*1 UNGC: United Nations Global Compact
*2 WBCSD: World Business Council for Sustainable Development
*3 ICCA: International Council of Chemical Associations
*4 WEF: World Economic Forum
*5 JCIA: Japan Chemical Industry Association
*6 JPCA: Japan Petrochemical Industry Association

Materiality | Direction of Contributions to Sustainability

We conducted the materiality assessment that identifies important management issues (materiality) to further enhance *KAITEKI* Value in March 2014, referring to a process that conforms to international guidelines relating to sustainability. While incorporating the view point of the shareholders, we identified 19 important management issues that we need to contribute to resolving. Then we prioritized issues based on our mid- to long-term management strategy, and considered the effects of our corporate activities on our stakeholders.

Materiality Matrix

Importance for Stakeholders \ Importance for the MCHC Group	High	Very High	Extremely High
Extremely High		Climate change Water solutions Food solutions Diversified employment	Process safety and security Effective use of resources and energy Reduction of environmental impact Sound working environment Sustainable products and services Product quality and safety Creating new business through innovation
Very High		Transparency and information disclosure Sustainable procurement	Compliance Healthcare solutions Contribution to communities
High	Economic development in the developing countries	Communication with stakeholders Biodiversity conservation	

Classification categories in the MCHC Group Charter of Corporate Behavior

- Accountability and Transparency
- Legal Compliance and Fairness, Equitability, and Integrity
- Valuing Stakeholders
- Environment and Safety
- Respecting Human Rights, Employment, and Labor
- Customer Satisfaction
- Science and Technology
- Community Involvement

Process of Materiality Assessment

Process 1	Process 2	Process 3	Process 4	Process 5
Set issues that we have to research and investigate	Assess issues from the stakeholders' point of view	Identify and prioritize material management issues the MCHC Group needs to address	Create the materiality matrix	Company approval procedures
Establish 36 issues for improving sustainability in terms of international guidelines, regulations and other sources.	Assess the materiality of the issues based on published sustainability data, questionnaires, and interviews with experts.	MCHC management identifies 19 material management issues based on the management strategy and the MCHC Group Charter of Corporate Behavior and then prioritizes them.	Create the matrix along the two axes of importance (the magnitude of effect) for stakeholders and importance for the MCHC Group.	Discuss and approve the process of materiality assessment and the materiality matrix in the MCHC Management Committee.

Looking Ahead

The MCHC Group will formulate future business strategies and business plans, taking into account the identified issues and their degree of priority.

Further, we will routinely conduct materiality assessments so as to reflect in a timely and precise manner the stakeholders' requests and expectations, changes in the business environment and other factors.

Performance Evaluation and Disclosure

Using Proprietary MOS Indices to Quantitatively Assess the Degree of Contribution to Sustainability

Since the start of the current medium-term management plan *APTSIS 15*, MCHC has introduced new management indices, the MOS Indices, to provide a visualization of the degree of contribution being made to sustainability for people, society, and the Earth, in the same way management indices are used for financial matters such as operating income. When determining the indices, we worked out a wide variety of environmental and social issues likely to surface going forward and assessed how much the MCHC Group could contribute to solutions to these issues through our business activities. As a result, we selected quantifiable indices based where we could and should make a significant contribution to solving issues.

There are 22 indices such as "contribute to reducing environmental impact through products and services," "contribute to medical treatment" and "deliver products (development and manufacturing) for a more comfortable lifestyles" and these fall under the three judgment standards for the MCHC Group's corporate activities categorized as Sustainability, Health and Comfort. MCHC positions the MOS Indices as management indices, with a policy of leveraging them as a communication tool to enable stakeholders to gain a deeper understanding of the MCHC Group's corporate activities.

Targets that must be achieved	Achieve zero occurrences of serious accidents and compliance violations

Sustainability [Green] Index

S-1	Contribute to reducing environmental impact through products and services	S-1-1	Reduce environmental impact by 30% from fiscal 2005 levels
		S-1-2	Generate reduction of CO_2 emissions by 3.5 megatons through products
S-2	Take action against the depletion of natural resources and implement energy-saving initiatives	S-2-1	Procure reusable materials equivalent to 10,000 tons of heavy oil in fiscal 2015
		S-2-2	Reduce cumulative rare metal usage by 1,200 tons through improving processes and innovating products
		S-2-3	Generate resources and power savings of ¥8.8 billion
		S-2-4	Provide 900 million tons of reusable water through our products
S-3	Contribute to solving social and environmental issues through supply chain management	S-3-1	Achieve 80% purchased items surveyed for toxic substances
		S-3-2	Achieve 90% purchasing of raw materials and packaging according to CSR guidelines

Health Index

H-1	Contribute to medical treatment	H-1	Increase the index performance derived by the degree of difficulty to treat diseases multiplied by the number of administered patients by 50% (compared with fiscal 2009)
H-2	Contribute to improvements of QOL	H-2	Increase contribution to QOL improvements by 70% (compared with fiscal 2009)
H-3	Contribute to early detection and prevention of diseases	H-3-1	Increase the index of vaccine treatment by 17% (compared with fiscal 2009)
		H-3-2	Increase the number of people taking diagnostic tests by 26% (compared with fiscal 2009)

Comfort Index

C-1	Deliver products (development and manufacturing) for comfortable lifestyle	C-1-1	Increase sales of comfort-oriented products by ¥400 billion (compared with fiscal 2010)
		C-1-2	Increase the new product ratio from 16% to 30%
C-2	Improve stakeholder satisfaction	C-2-1	Improve third-party corporate assessments
		C-2-2	Achieve targets for employee-related indices
		C-2-3	Improve customer satisfaction to 80% or more
C-3	Earn recognition of corporate trust		Reduce safety accidents
			Reduce environmental accidents
			Reduce claims to products
			Reduce the lost-time injuries frequency rate
			Assess product safety according to GPS for 70% of products

*Please refer to p. 52 for the details and results of the MOS Indices.

Example of the MOS Indices

Sustainability [Green] Index

S-1 Contribute to reducing environmental impact through products and services

S-1-1 Reduce environmental impact by 30% from fiscal 2005 levels

Reducing the environmental impact of substances emitted from production processes by gathering the MCHC Group's technologies.

Among substances that are recognized as environmentally hazardous, MCHC targets the following six substances: GHG (Greenhouse Gases), NOx (Nitrogen Oxides), SOx (Sulfur Oxides), soot and dust, VOC (Volatile Organic Compounds) and total nitrogen in drained water. MCHC quantifies to what extent these substances have impacts on the environment by using an index based on an environmental impact assessment methodology.

Health Index

H-1 Contribute to medical treatment

H-1 Increase the index performance derived by the degree of difficulty to treat diseases multiplied by the number of administered patients by 50% (compared with fiscal 2009)

Contributing to medical treatment by providing pharmaceuticals in fields for which treatments remain challenging and spreading their use through providing reliable information.

In order to provide the joy of good health to more people, the MCHC Group seeks to contribute to medical treatment by developing new drugs for disorders that are highly difficult to treat, especially disorders that leverage the Group's strengths, such as autoimmune disease, diabetes, and kidney disease. We will also spread and disseminate high-quality information that meets the needs of doctors and pharmacists.

*Contribute to medical treatment
MCHC defines this as follows: The degree of contribution to medical treatment = The degree of difficulty to treat diseases multiplied by the number of administered patients

Comfort Index

C-1 Deliver products (development and manufacturing) for comfortable lifestyle

C-1-1 Increase sales of comfort-oriented products by ¥400 billion (compared with fiscal 2010)

Expanding products that contributing to things like convenience, enjoyment, ease and peace of mind, and delivering products for comfortable lifestyles.

The MCHC Group defines comfort-oriented products as those items that contribute to convenience, enjoyment, ease and peace of mind, and we are aiming to increase sales of comfort-oriented products by ¥400 billion compared with fiscal 2010. When formulating the MOS Indices, numerically quantifying this comfort was an extremely difficult issue for the MCHC Group. As a result of our investigation, we ultimately decided that popularization of comfort-oriented products would bring widespread comfort and increase the targeted sales amount.

Dialog and Engagement

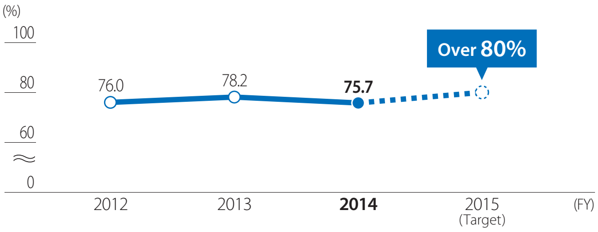
Aim to Share Values and Promote Various Methods of Dialog and Engagement

MCHC uses the MOS Indices to assess performance and discloses the results as an initiative to enhance sustainability. Furthermore, through dialog and engagement with stakeholders through various means to share values we aim to reflect diverse viewpoints on the practical application of MOS within and outside of the Group.

Promoting Shared Values within the Value Chain: Customer Satisfaction Surveys

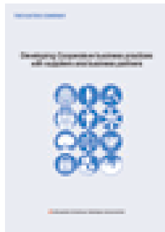
The MCHC Group believes that shared values about sustainability among stakeholders in the value chain are indispensable in building a sustainable society. As one aspect of putting that belief into practical application, the MCHC Group has been conducting customer satisfaction surveys since fiscal 2012. To achieve the targeted level of satisfaction of over 80% we work toward finding solutions for the issues and requirements that customers provide through questionnaire responses.

Customer Satisfaction



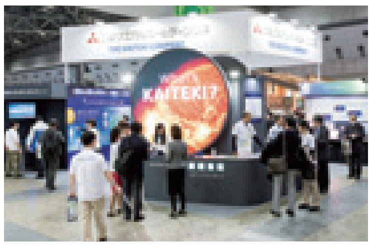
Promoting Shared Values within the Value Chain: Briefings Session for Business Partners

The MCHC Group produced the Developing Cooperative Business Practices with Suppliers and Business Partners based on the MCHC Group Charter of Corporate Behavior, and held a briefing session in November 2014 in which suppliers and business partners from 270 companies (400 individuals) took part. Going forward, we plan to deepen communication between business partners and mainly the purchasing departments of operating companies and spread this activity through the value chain.



Promoting Shared Values within Society: Taking Part in Eco-Products 2014

To share values with a wide variety of stakeholders while promoting *KAITEKI*, the MCHC Group took part in Eco-Products 2014, Japan's largest environment-related exhibition held in December 2014. We exhibited the concept behind *KAITEKI* and products forming solutions for realizing *KAITEKI* and attracted about 3,000 visitors over three days. More than 90% of the 2,221 respondents to a survey said they agreed with the MCHC Group's initiatives. For employees who wished to engage in dialog with society under the theme of *KAITEKI*, it was a wonderful opportunity to gain insight into society's expectations toward the MCHC Group.



Message from an External Expert

Peter David Pedersen
Co-founder, E-Square Inc.
Chair, TACL
(The Academy for Corporate Leadership)

Many corporations still seem to believe that "trade-offs" with society and the environment are inevitable as the business grows, and then take a rather half-hearted approach to corporate social responsibility. In my view, *KAITEKI*, as expressed by MCHC, represents a major break with such a futile approach to management. To see Management of Sustainability positioned as one of the three main pillars of the Company's management philosophy and methodology is both fascinating and leads to further expectations. It is my hope that MCHC will continue its pursuit of what I call "trade-on" with society and the environment through not only technological innovation, but also the innovation of human resources management (the unleashing of creativity and innovation), the innovation of collaborative initiatives, and outside-in innovation which derives from and responds to major challenges and megatrends in global society.

Performance Products Domain

> "We are leading the maximization of *KAITEKI* Value by providing diverse solutions utilizing the Group's wide range of products and technologies."

Hiroaki Ishizuka
President and Chief Executive Officer, MCC

Takumi Ubagai
President and Chief Executive Officer, MPI

Hitoshi Ochi
President and Chief Executive Officer, MRC

Business Lines by Segment

Electronics Applications

The Electronics Applications segment make full use of the technology for designing and processing materials and creating materials for devices to provide high-value-added products in a wide array of areas, especially those of information and electronics.

Designed Materials

Based on solid technologies accumulated over many years, including molecular design technology, functional design technology, polymer processing technology, etc., the Designed Materials segment is developing a variety of products including composite materials and inorganic chemicals, polymer processing products, films, etc.

Electronics Applications

Net Sales
¥118.7 billion
(YoY -11.1%)

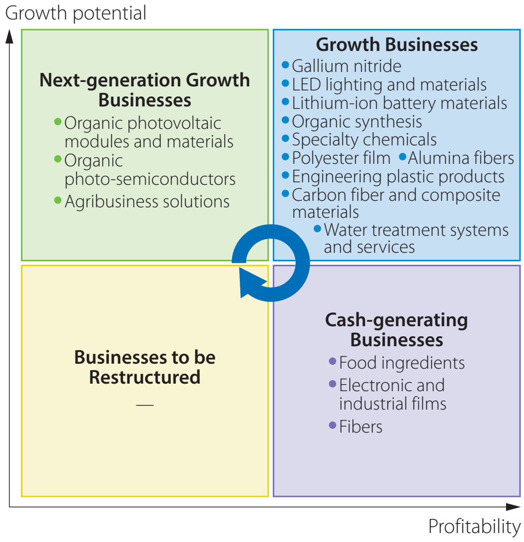
Operating Loss
¥2.7 billion
(YoY +50.9%)

Designed Materials

Net Sales
¥811.3 billion
(YoY +1.5%)

Operating Income
¥56.0 billion
(YoY +18.1%)

Business Portfolios (by Business Unit)



Basic Strategies of the *APTSIS 15* Medium-term Management Plan
(announced December 2010)

Growth Strategy
- Expand high-performance and high-value-added businesses
- Expand green businesses
- Accelerate global operations

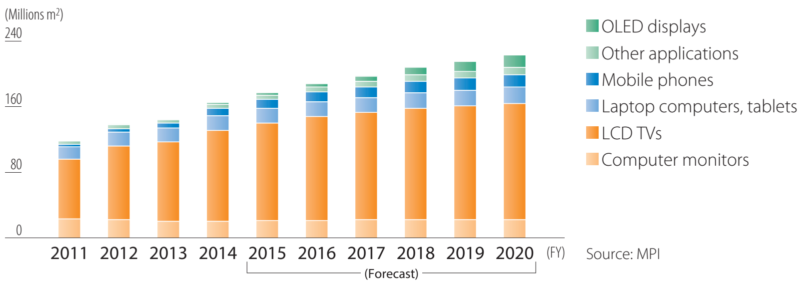
Innovation Strategy
- Build and expand new businesses for the future

Cash-generating Businesses
- Increase profit stability

Business Environment Highlights

1 Looking at demand by application for flat panel displays, we expect demand to increase for each application, especially for LCD TVs in light of their large screen sizes. We also anticipate stronger demand related to tablets and new types of flat panel displays, such as organic light emitting diode (OLED) displays.

Outlook for FPD Demand (by Application)



Source: MPI

SWOT Analysis

Strengths (S)

- Ability to create solutions for saving and storing energy by leveraging the Group's extremely broad technology base and business foundation
- Strong market position in high-performance films, especially for optical applications
- Dual lineup of PAN- and pitch-based carbon fibers and responsiveness to market needs through a variety of molding solutions

Weaknesses (W)

- Speed of business development to stay ahead of changes in electronics market
- Vulnerability from exposure of high-performance films to short-term demand fluctuations in FPD field
- Late in developing carbon fiber for aircraft applications

Opportunities (O)

- Market needs becoming more sophisticated and diverse as Green Business market expands
- Growing demand for high-performance films, especially for optical applications
- Expanding demand for carbon fiber in aircraft, automobile and industrial sectors

Threats (T)

- Speed of technological innovation and change in market conditions
- Competing products in high-performance films
- Rise of carbon fiber makers in emerging countries

Major Businesses' Strength

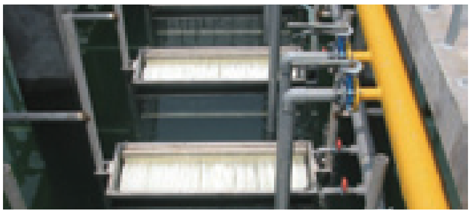
Aluminum Composite Materials

Used in more than 130 countries

ALPOLIC is a lightweight, highly durable and highly workable aluminum composite material composed of two skins of aluminum and the plastic core. *ALPOLIC* has a variety of functions by changing the core and surface materials. It is used in more than 130 countries around the world.

Water Treatment Systems and Services

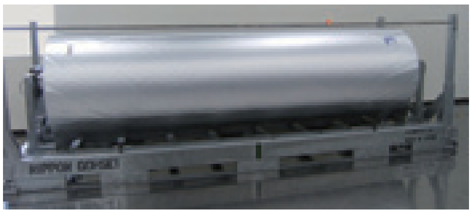
High-performance hollow fiber membranes



High-performance hollow fiber membranes are widely used across various industries and healthcare fields, such as industrial wastewater treatment plants, water purification plants, and germ-free surgical facilities in hospitals, in addition to the household water filters *CLEANSUI*.

Optical PVOH Film, *OPL Film*

Optical films essential for fine LCDs



OPL Film is a key material for polarizer film used in LCDs. Images, text and shapes can be displayed more sharply by using *OPL Film*.

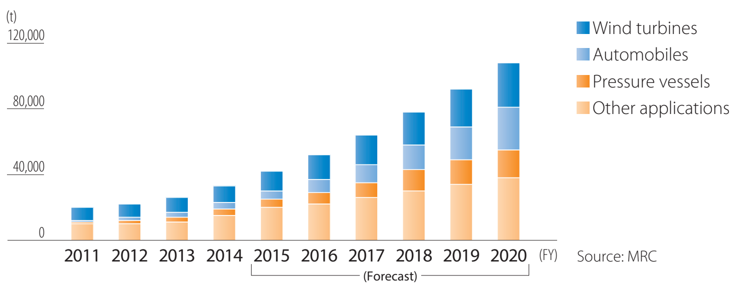
Polyester Film

Fusion of three core technologies

Polyester film is a fusion of the MCHC Group's proprietary material technologies, long-standing film production technologies, and surface treatment technologies with innovative coatings.

2 We project stronger demand for carbon fiber across all applications in the aircraft, sporting goods and industrial applications. We expect sharp growth in demand for carbon fiber from industrial applications, especially for use in compressed natural gas tanks and other pressure vessels, wind turbine blades, and lightweight automobiles.

Outlook for Carbon Fiber Demand by Industrial Application

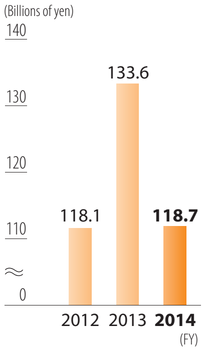


Source: MRC

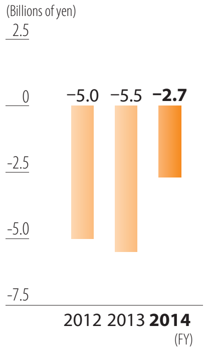
Review of the Segments in Fiscal 2014

Electronics Applications

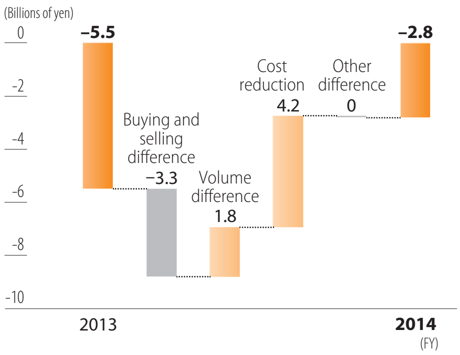
Net Sales



Operating Income

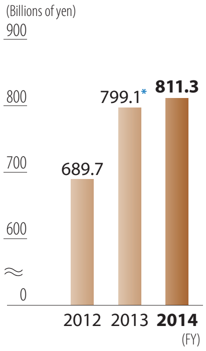


Contributing Factors to Operating Income
(Figures disclosed in MCHC operating summaries)

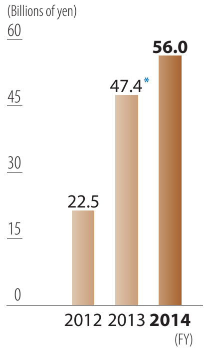


Designed Materials

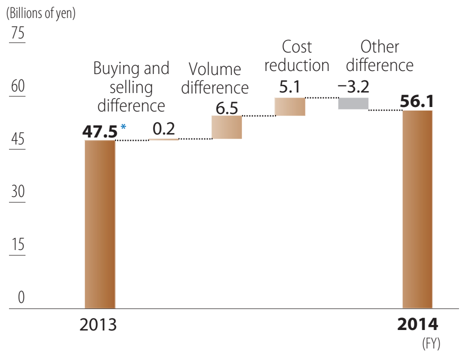
Net Sales



Operating Income



Contributing Factors to Operating Income
(Figures disclosed in MCHC operating summaries)



* In fiscal 2014, some businesses (including consolidated subsidiaries) were moved from the Health Care segment to the Designed Materials segment. Accordingly, figures for fiscal 2013 have been restated to facilitate comparisons.

Electronics Applications

Net sales of recording media declined due to the shrinking optical disc market including DVD and Blu-ray. In electronics-related products, despite declining sales prices for phosphors for LEDs, net sales increased on higher sales volume in color photoresist display materials and robust demand for the precision cleansing and recycling of wafers at semiconductor makers. In information-related materials, net sales decreased on account of lower sales prices overseas for OPC drums and toner.

As a result of the aforementioned factors, net sales of the Electronics Applications segment decreased by ¥14.9 billion, or 11.1%, to ¥118.7 billion. However, operating loss improved ¥2.7 billion, or 50.9%, to ¥2.7 billion.

Designed Materials

Sales increased for lithium-ion battery materials such as electrolyte and anodes, owing to stronger sales volume for automotive batteries despite a decline in selling prices overall. Specialty chemicals and other fine chemical products saw an increase in sales on solid demand for automotive coating materials. Sales of polymer processing products, such as engineering plastic products and polyester film, expanded thanks to higher sales volume of engineering plastic products and brisk demand for touch panel films. In composite materials, sales grew with firm demand for carbon fibers and alumina fibers. Sales remained strong for food ingredients and inorganic chemicals. In fibers, sales were down slightly due to a decrease in sales volume.

As a result, net sales for this segment increased by ¥12.2 billion, or 1.5%, from the previous fiscal year to ¥811.3 billion. Operating income totaled ¥56.0 billion, an increase of ¥8.6 billion, or 18.1% year on year.

Electronics Applications Segment Topics

Electronics: MCC

January 2015
MCC and Nichia Corporation signed an agreement to cross-license patents related to red phosphors for white LEDs to solidify their intellectual property rights and business foundations.

Designed Materials Segment Topics

Carbon fiber: MRC

June 2014
Mitsubishi Rayon Carbon Fiber and Composites, a subsidiary based in the U.S., announced plans to expand carbon fiber production facilities from an annual production capacity of 2,000 tons to 4,000 tons.

October 2014
MRC acquired a 51% stake in Wethje Holding GmbH in Germany, turning it into a consolidated subsidiary to reinforce its carbon fiber and composite materials business for automotive applications.

April 2015
MRC integrated the pitch-based carbon fiber business of MPI with its PAN-based carbon fiber business.

Performance chemicals: MCC

October 2014
Japan Coating Resin was established from the merger of Nippon Synthetic Chemical Industry, a subsidiary of MCC, and the synthetic resin emulsion product manufacturing division of Chuo Rika Kogyo.

Performance molding: MPI

August 2014
MPI announced plans to expand production capacity for the alumina fiber *MAFTEC* from 6,000 tons to 6,500 tons per year.

Outlook

In fiscal 2015, we forecast stronger sales of phosphors for LEDs and polymer processed products in the Performance Products domain. We estimate that net sales will increase by ¥87.6 billion year on year to ¥1,025.0 billion, and that operating income will grow by ¥13.7 billion to ¥66.5 billion as a result of ongoing measures to sharply cut costs.

We aim to expand earnings through measures to quickly monetize new businesses, such as organic photovoltaic modules and materials, while strengthening earnings and accelerating business development in growth fields including carbon fibers and lithium-ion battery materials.

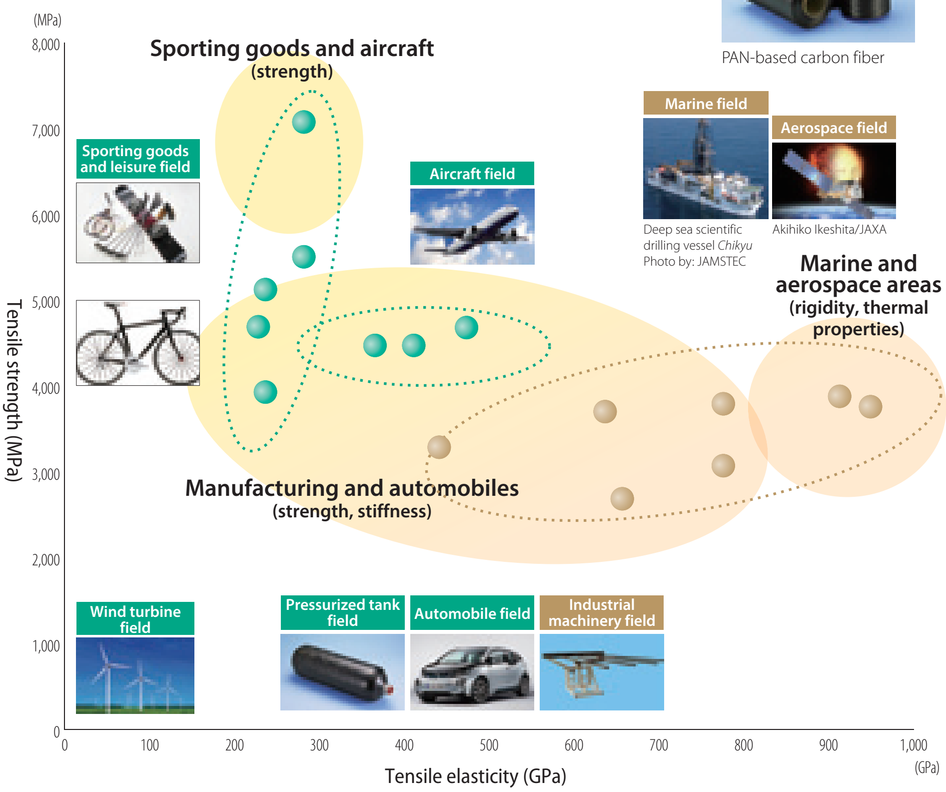
FOCUS Example of Reinforcing the Business Model

Aiming to strengthen the carbon fiber business and attain sales of ¥100 billion by fiscal 2020

The carbon fiber businesses within the MCHC Group: The PAN-based carbon fiber business of MRC and pitch-based carbon fiber business of MPI were integrated in April 2015 in a move to enhance the carbon fiber and composite materials business. MRC succeeded MPI's pitch-based carbon fiber business through a company split and launched a new organization, making it the only carbon fiber manufacturer in the world with both PAN- and coal pitch-based technologies. Combining our knowledge of both materials, we will strengthen our ability to propose solutions to customers together in the manufacturing industry, focusing on the strategically important fields of automobiles, pressure vessels, and wind turbine blades. We intend to maximize the value of the pitch-based carbon fiber business by leveraging our global production, sales and development infrastructure in the PAN-based carbon fiber and composite materials business. We are aiming for net sales of ¥100 billion by fiscal 2020.

PAN-based carbon fiber *PYROFIL* with superior strength
Pitch-based carbon fiber *DIALEAD* with superior elasticity


PAN-based carbon fiber



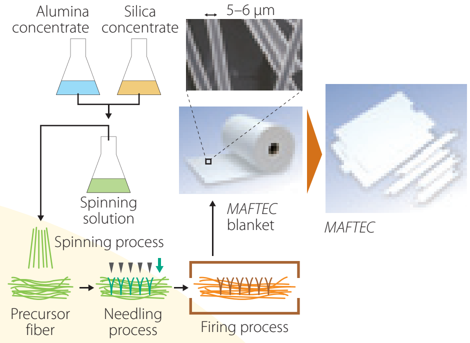
Toward the Realization of *KAITEKI*

Close up 1

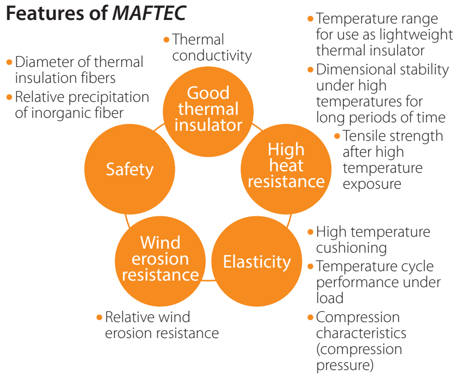
Technology

Alumina fiber *MAFTEC*

MAFTEC Production Process



Features of *MAFTEC*



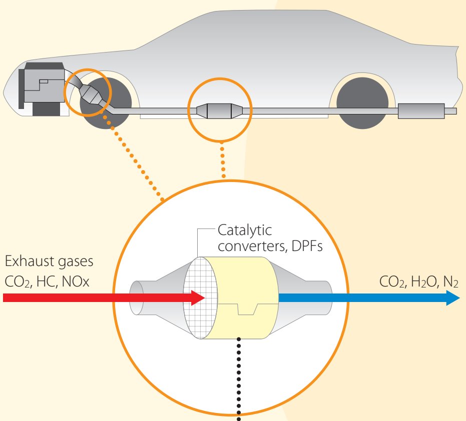
Cleaning up air pollution caused by NOx and particulate matter contained in automobile exhaust is a key issue for the environment and society at large. Exhaust gas regulations are being tightened in Japan as well as countries in Europe and North America with the objective of cutting emissions of hazardous substances. Automakers are obliged to install exhaust gas treatment equipment on their vehicles to absorb and decompose these harmful substances. With its *MAFTEC* alumina fiber, MPI boasts the No. 1 (40%) share of the world market for cushion materials that protect these cleaning systems installed in the exhaust gas treatment equipment of automobiles.

Created from the MCHC Group's carbon inorganic chemicals and spinning technologies, *MAFTEC* support mats are deployed for their cushioning performance able to withstand driving over long periods under high-temperature conditions exceeding 1,000°C, due to their high heat resistance, thermal insulation and dimensional stability characteristics derived from a stable crystalline structure and proprietary needle punching production method.

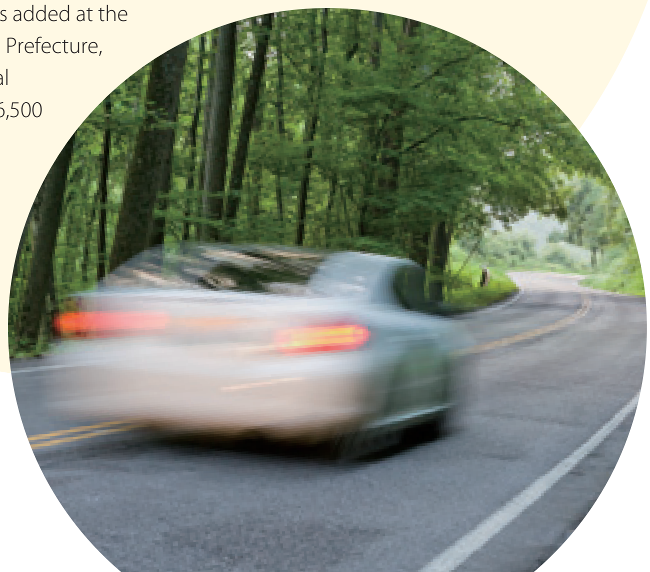
The average fiber diameter of the alumina fiber is kept within a range of 5-7 μm, owing to our unique fiber diameter control technology. With practically zero fibers with diameters smaller than 3 μm, the size that could have harmful effects on the human body by entering deep into the lungs, *MAFTEC* is very safe to use, giving it a major advantage. High-performance, highly functional *MAFTEC* is becoming even more competitive as exhaust gas purification systems become more advanced amid stricter regulations regarding emissions and fuel economy requirements around the world.

MPI is aggressively investing to expand production capacity to meet robust demand with rising awareness of environmental issues and higher production at automakers. In fiscal 2015, a new production line was added at the Sakaide Plant in Kagawa Prefecture, bringing the total annual production capacity to 6,500 tons. We hope to contribute to environmental preservation and improvements in energy conservation by encouraging the use of *MAFTEC* by our customers.

MAFTEC, a cushioning material able to withstand vibrations and high temperatures while driving




MAFTEC



Support mat application *1
Fiber market share *2

World market share of about **40%**

World's **No. 1**

*1 Cushioning material that protects exhaust gas purification systems installed in automobiles
*2 Estimate by MPI

Target MOS Indices C-1-1

Increase sales of comfort-oriented products by ¥400 billion (Compared with fiscal 2010) (See p. 52)

Result

Comfort-oriented products
Total amount of net sales
¥164.9 billion up
(Compared with fiscal 2010)

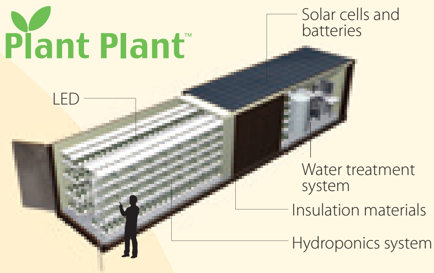
MAFTEC contributes to higher sales of comfort-oriented products

Close up 2

Sustainability

Fully artificial light-type plant factory

MCHC Group technologies fully artificial light-type plant factory



The world population, now more than 7 billion, is projected to reach 10 billion by 2050. Climate change brought about by global warming adversely effects agriculture and fishing, accelerating the risk of food shortages becoming a greater concern as the world population increases.

In addition to providing agricultural materials, the MCHC Group aims to help improve food sustainability by developing plant factories based on a combination of its extensive materials and technologies accumulated in a broad range of fields, from information technology to performance chemicals and healthcare.

Plant factories are systems that cultivate plants and vegetables on a set schedule throughout the year in enclosed and partially enclosed spaces with internal environmental conditions that are either completely or partially controlled by various kinds of equipment. Our fully artificial light-type plant factory features solar cells, LED lighting and water recycling systems developed by MCC. It has complete control over humidity, temperature and light without being affected by external environmental conditions, and is being increasingly deployed to grow vegetables in harsh natural environments such as the desert in Dubai and the tundra in Russia.

In Japan, this system is used by Tsudakoma General Service Company (Ishikawa Prefecture), Hanshin Electric Railway Co., Ltd. (Hyogo Prefecture) and Lawson Farm Akita Co., Ltd. (Akita Prefecture), contributing to the revitalization of outlying regions.

Target MOS Indices C-1-2

Increase the new product ratio from 16% to 30% (See p. 52)

Result

New product ratio

23%

(Compared with fiscal 2010 ratio of 16%)

Plant factories boosted new product ratio

Partner's Voice

Toshiaki Tanaka

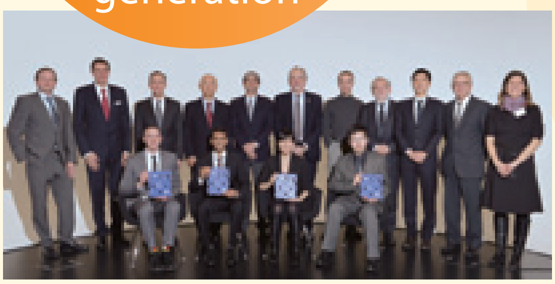
Tsudakoma General Service Company
Managing Director and Business Director

My company conducts business from its base in Ishikawa Prefecture with the aim of contributing to society with high-quality products. As we take on new challenges, we decided to launch a prototype plant factory in 2009. Today, we use systems proposed by MCC to produce baby greens. High in nutritional value and safe to eat, our baby greens are popular among consumers and have sold well. The reliable production system has also helped reduce labor costs.

Close up 3

Sustainability

Training young researchers to lead the next generation



A part of the Mitsubishi Plastics Group, Quadrant AG, is the world's largest producer of engineering plastics and composite materials. Quadrant AG helps young researchers working on the development of engineering plastics and composite materials, and sponsors the Quadrant Award for doctorate theses with the aim of furthering collaboration between industry and academia. The award event, held once every two years, was held in 2014 for the 6th time. Four winners of the award, including the grand-prize-winner, were selected from 56 applicants. The grand prize winning thesis was "Engineered Microneedles for Transcutaneous Vaccine Delivery." Moreover, the MCHC Group supports the healthy growth and skill development of children and youth by holding other scientific experiment programs.

Health Care Domain

“We are developing our business to go beyond sick care to work toward the realization of a society in which as many people as possible can live long and healthy lives.”

Masayuki Mitsuka
President and Chief Executive Officer, MTPC

Seiichi Kiso
President and Chief Executive Officer, LSII

Business Lines by Segment

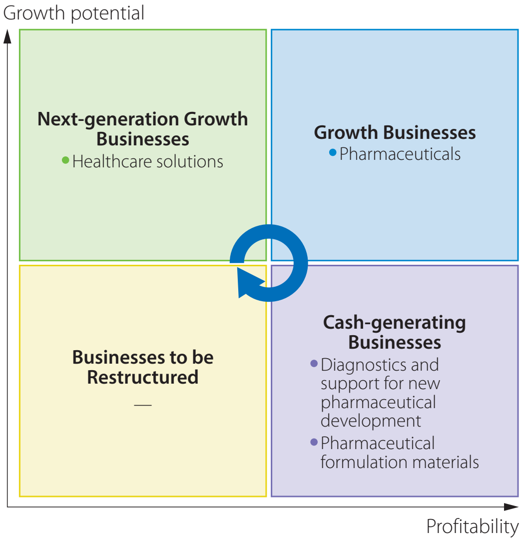
■Health Care

Capitalizing on the Group’s comprehensive capabilities and network, the Health Care domain develops businesses for pharmaceuticals, diagnostic reagents and instruments, clinical testing, support for new pharmaceutical development, active pharmaceutical ingredients and intermediates, pharmaceutical formulation materials such as capsules, pharmaceutical equipment, and self-health check services. Furthermore, we are taking on the challenge of combining the Group’s technology to create new businesses dedicated to personalized medicine.

Net Sales
¥531.9 billion
(YoY +1.6%)

Operating Income
¥77.0 billion
(YoY +14.4%)

Business Portfolios (by Business Unit)



Basic Strategies of the *APTSIS 15* Medium-term Management Plan
(announced December 2010)

Growth Strategy
- Life cycle management and expanded sales of current major products
- Maximize revenue and profits from new products quickly and expand the list of products that have received approval overseas
- Strengthen pipeline to fulfill unmet medical needs

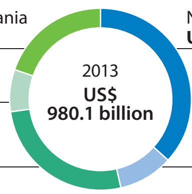
Innovation Strategy
- Realize healthcare solutions with the pharmaceuticals and diagnostics businesses at their core
- Orchestrate the strengths of the healthcare-related businesses in the MCHC Group

Cash-generating Businesses
- Ensure stable revenues and profits

Business Environment Highlights

1 The worldwide pharmaceuticals market is worth around ¥100 trillion, and the U.S. is likely to remain the largest drug market in the world over the longer term. The U.S. is also outstanding in discovering new drugs. MTPC is restructuring its operations in order to accelerate business development in the U.S. with the aim of attaining sustainable growth in the pharmaceuticals business.

World Pharmaceuticals Market Scale



Source: Based on IMS World Review 2014 (Unauthorized reproduction prohibited)
Taken from MTPC’s presentation materials for individual investors

SWOT Analysis

Strengths	Weaknesses
• Broad business foundation covering sick care to healthcare and life care • Strong market position in autoimmune disease field in the pharmaceuticals business • Drug discovery capabilities to deliver new treatment concepts ahead of global rivals in pharmaceuticals business • Solid market position in the capsules business	• Weak market presence in North America, the largest healthcare market
Opportunities	**Threats**
• Growing demand in the healthcare field as elderly populations increase around the world • Trend toward Big Data in ICT for the health and medical fields • Increasing demand for capsules	• Government measures to control healthcare expenditures in Japan • Tougher international competition in new drug development

Major Businesses' Strength

Pharmaceuticals

Drug discovery capabilities for world-first original drugs

Imusera * is a world-first orally administered treatment for multiple sclerosis. It has been administered to more than 110,000 patients in over 80 countries including the U.S. and countries in the European Union.

* Out-licensed to Novartis Pharma AG and sold under the name *Gilenya* overseas.

Pharmaceuticals

Growth into top-class drug by post-marketing development

Remicade is a treatment for autoimmune disease with potential efficacy in a variety of patients. It has grown into a top-class drug in the field of autoimmune diseases, now covering six indications as a result of diligent information dissemination.

Pharmaceutical Formulation Materials

No. 1 share in world for HPMC* capsules

We have the No. 1 share in the world for HPMC capsules made of plant-derived raw materials, after being the first in the world to successfully commercialize them.

* HPMC: Hydroxypropyl methylcellulose

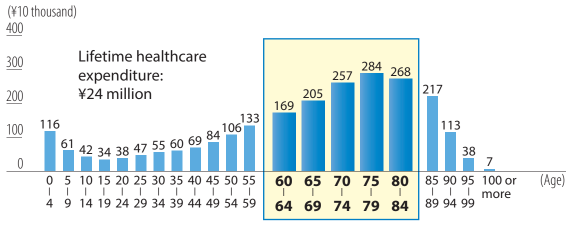
Clinical Testing

Contributing to the healthy promotion of sports as the only doping control laboratory in Japan

We contribute to a variety of international sporting events as the only doping control laboratory in Japan and the first in Asia that is officially accredited by the World Anti-Doping Agency.

2 Rising medical costs, declining birthrates and aging populations are major issues in industrialized nations. A society where the elderly can age gracefully and in good health is most desirable, while alleviating the burdens and worries of patients. For such a society to become a reality, we must make every effort to prevent diseases from arising instead of treating diseases after complications have set in (preventative medicine), and to discover diseases at an early stage before they become more difficult to treat (preemptive medicine). At LSII, we aim to provide comprehensive healthcare solutions in line with these goals.

Age Distribution of Lifetime Healthcare Expenditure (FY2010 estimate)

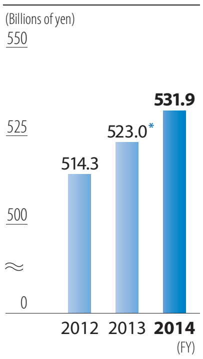


Note: Estimated using a fixed population from the 2010 complete life table, based on public healthcare expenditure per person according to age categories in FY2010 estimate

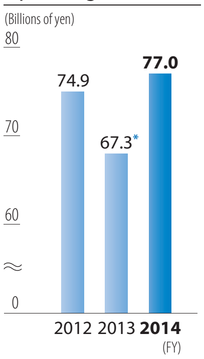
Review of the Segment in Fiscal 2014

Health Care

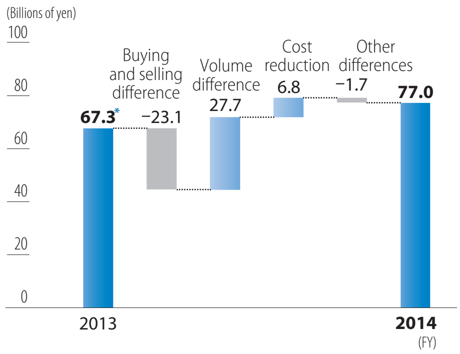
Net Sales



Operating Income



Contributing Factors to Operating Income



* In fiscal 2014, some businesses (including consolidated subsidiaries) were moved from the Health Care segment to the Designed Materials segment. Accordingly, figures for fiscal 2013 have been restated to facilitate comparisons.

Health Care

Net sales in the pharmaceutical business were largely unchanged from the previous fiscal year. Despite the negative impact of the NHI (National Health Insurance) price revisions in April 2014 and encroachment from generic drug, sales volume increased in Japan for *Remicade*, a treatment for rheumatoid arthritis and Crohn's disease, as well as for *Tenelia*, a treatment for type 2 diabetes. In addition, royalty income grew for multiple sclerosis treatment *Gilenya* and type 2 diabetes treatment *Invokana*. In diagnostic reagents and instruments and clinical testing, net sales increased as a result of higher sales in the diagnostic reagents business. Sales of pharmaceutical formulation materials expanded strongly on firm sales and the addition of sales at Qualicaps Co., Ltd. after it became a consolidated subsidiary in the second quarter of fiscal 2013.

As a result, net sales in the segment were ¥531.9 billion, an increase of ¥8.8 billion, or 1.6%, compared with the previous fiscal year. Operating income grew ¥9.7 billion, or 14.4%, to ¥77.0 billion owing to reductions in SG&A expenses. In this segment, MTPC obtained approval of type 2 diabetes treatment *Canaglu* in July 2014 and launched it in September 2014.

Health Care Segment Topics

Pharmaceuticals: MTPC

November 2014
As a part of operational and structural reforms, MTPC entered into an agreement with Sawai Pharmaceutical Co., Ltd. regarding the transfer of the Kashima Plant.

January 2015
MTPC announced plans to construct a new drug production facility at its Yoshitomi Plant to develop a global-scale pharmaceutical supply system.

February 2015
MTPC announced plans to close its Kazusa Office on March 31, 2016, following the consolidation of its domestic research functions at the Toda Office and the Yokohama Office.

Outlook

In the healthcare field in fiscal 2015, we forecast net sales of ¥520.0 billion, a decrease of ¥19.9 billion year on year, owing to the ending of the sales alliance of the plasma fractionation products in the domestic ethical pharmaceuticals business, despite expectations for continued growth in royalty income on drugs out-licensed overseas. However, we estimate that operating income will expand by ¥0.5 billion to ¥77.5 billion, as higher royalty income and improvement in the cost of sales ratio from the ending of the sales alliance of the plasma fractionation products in the pharmaceuticals business offsets higher R&D spending.

We plan to develop original drugs for diseases that do not have effective treatments yet, as well as strengthen and expand our business foundation in overseas markets. We aim to grow earnings by creating new businesses in the field of regenerative medicine, for example, and by expanding the next-generation healthcare services business using ICT.

FOCUS Example of Reinforcing the Business Model

Reorganization of U.S. affiliated companies to accelerate development of ethical pharmaceuticals in the U.S.

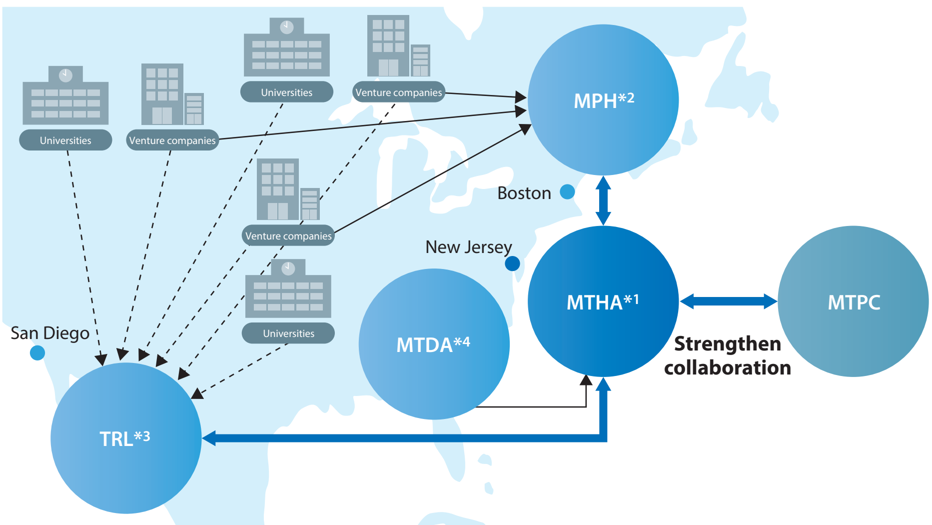
To accelerate business development in the U.S., MTPC reorganized its affiliated companies in the U.S., positioning Mitsubishi Tanabe Pharma Holdings America, Inc., the holding company in the U.S., as a regional headquarters. Through this reorganization, we aim to forge deeper connections among our affiliates in the U.S., thereby increasing the speed and efficiency of evaluations and acquisitions of new drug candidates, technologies and drugs under development at universities and venture companies in Europe and the U.S. We also expect to enhance our pipeline by strengthening translational research. We will also step up efforts in the search and evaluation of opportunities to introduce new products, with the objective of launching businesses quicker in the U.S.

Objectives of Reorganizing Affiliates in the U.S.

Strengthen Open Innovation

- Strengthen ties with academia and venture companies in Europe and the U.S. through TRL (San Diego)
- Bolster relationships with venture companies in Europe and the U.S. through MPH (Boston)
  → Improve access to new drug candidates and technologies

Reinforce business development functions in the U.S.



*1 MTHA: Mitsubishi Tanabe Pharma Holdings America, Inc., presiding company for U.S. operations.
*2 MPH: MP Healthcare Venture Management, Inc., investment
*3 TRL: Tanabe Research Laboratories U.S.A., Inc., pharmaceutical research
*4 MTDA: Mitsubishi Tanabe Pharma Development America, Inc., pharmaceutical development

Toward the Realization of *KAITEKI*

Close up 1
Technology

Initiatives in the field of diabetes

Canaglu

Tenelia

As lifestyles change, there has been a sharp increase in the number of people with diabetes and people with a risk of diabetes in Japan and around the world. Based on the National Health and Nutrition Survey conducted by the Ministry of Health, Labour and Welfare in 2012, an estimated 9.5 million people in Japan have a high risk of diabetes and more than 20 million people are at risk of developing diabetes. According to surveys and statistics by the International Diabetes Federation, 386.7 million people around the world have diabetes (2014). Diabetes is a disease that can be controlled if the proper treatments are consistently taken, but left alone, the disease can cause complications including eye, kidney and nerve damage that may lead to a significant deterioration in quality of life for patients. Diabetes is a major social issue that can also lead to higher medical costs and losses for society as a whole.

Involved in the diabetes field, MTPC has brought to market two diabetes treatments comprising *Tenelia* (generic name: Teneligliptin) in September 2012 and *Canaglu* (generic name: Canagliflozin) in September 2014. Both treatments are novel pharmaceuticals enabled by our strengths in compound optimization and development with compound synthesis and assessment technologies.

A single daily dosage of the selective DPP-4 inhibitor Teneligliptin, which won the National Commendation for Invention (The Invention Prize) in 2015, remains effective for 24 hours, allowing patients to control their blood sugar all day long. We expect *Tenelia* and other DPP-4 inhibitors to expand to occupy two-thirds of the market for orally administered diabetes treatments.

For the many patients with insufficient improvement in their blood sugar levels, however, an orally administered diabetes treatment that also helps them reduce weight did not exist. Here, MTPC was the first in the world to come up with an entirely new treatment concept for this unmet medical need, and developed the SGLT2 inhibitor Canagliflozin, which effectively works to improve blood sugar levels by facilitating the excretion of excess glucose outside the body without the use of insulin. *Canaglu* has demonstrated continued efficacy without any degradation in effectiveness for only one dose, and overseas data has confirmed that it has the side effect of reducing a patient's weight from a decrease in visceral fat. In overseas markets, *Canaglu* has been out-licensed to Janssen Pharmaceuticals, Inc., which sells it under the name *Invokana*. As of April 2015, it has been approved in 63 countries. In the U.S., *Invokana* has the leading share of new drug prescriptions by specialist doctors. Royalty income from the drug has contributed to earnings. Canagliflozin was recognized with the Pharmaceutical Society of Japan Award for Drug Research and Development in 2014.

The market is expanding for the DPP-4 inhibitor *Tenelia*, and the SGLT2 inhibitor *Canaglu* has an action mechanism that is completely different from conventional drugs. MTPC is contributing to the treatment of diabetes by promoting the proper usage of these two drugs based on their specific profiles.

Canagliflozin *1
The Pharmaceutical Society of Japan Award for Drug Research and Development
(2014)

Teneligliptin *2
National Commendation for Invention
(2015)

2X **Winner**

*1 Product name: *Canaglu*
*2 Product name: *Tenelia*

Target MOS Indices H-1

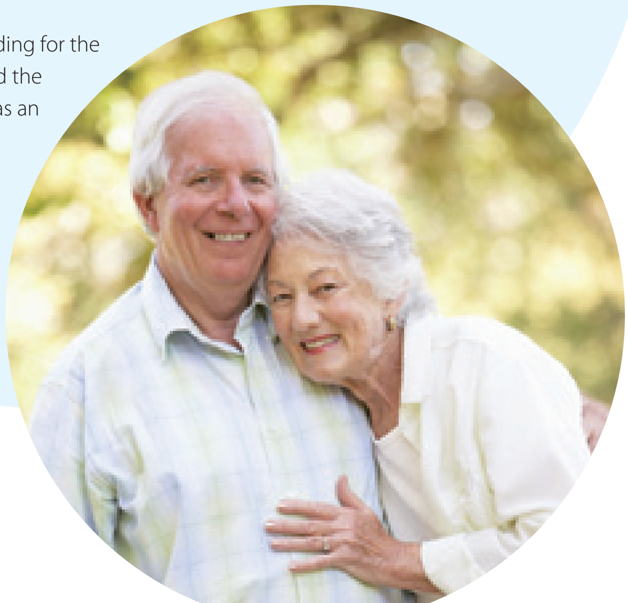
Increase the index performance derived by the degree of difficulty to treat diseases multiplied by the number of administered patients by 50% (Compared with fiscal 2009) (See p. 52)

Result

Contribute to medical treatment

18% up
(Compared with fiscal 2009)

Canaglu and *Tenelia* contribute to medical treatment

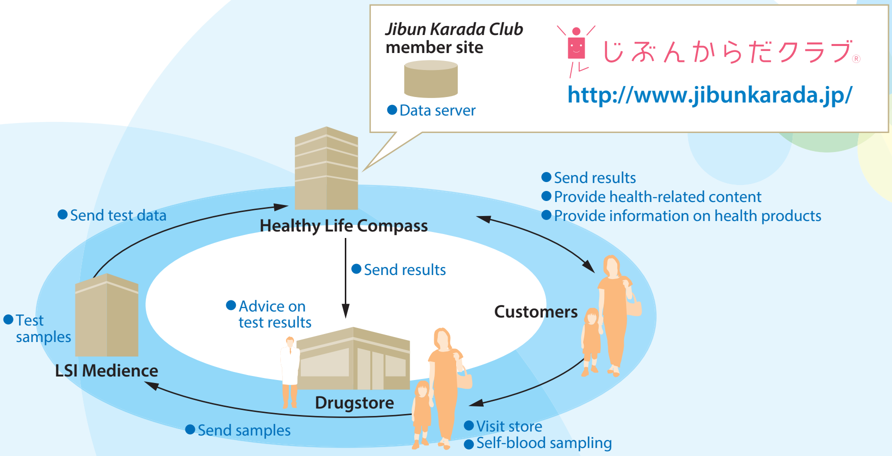


Close up 2

Sustainability

Self-health check services

(Jibun Karada Club)



Lifestyle-related ailments such as diabetes and hyperlipemia can often be prevented by improving lifestyle choices, such as eating habits and exercise. It is important to periodically assess one's own body, and become aware of these changes before the disease strikes. For this reason, the MCHC Group is focusing on solutions to not only treat illnesses but also to prevent diseases. Healthy Life Compass Corporation, a part of the MCHC Group, helps people manage their health, especially those who tend to pass on opportunities to take health exams, through the *Jibun Karada Club*, a blood testing service offered at drugstores that lets people easily draw their own blood samples. This is a completely new service that was the first to take advantage of the System to Remove Gray Zones at the Ministry of Economy, Trade and Industry, which has positioned healthcare as an important theme in Japan's growth strategy.

There are 13 health checks, the same as in a regular health examination. The results of the test are saved on a member website, allowing people to view changes in their health over time. The blood testing service is now available in 2,000 drugstores in Japan (as of May 2015), and people are increasingly using the service. At drugstores next to pediatric clinics, young mothers often take advantage of the service, saying they are grateful for the chance to check up on their health which they tend to neglect because they are so busy raising their children.

Starting with the *Jibun Karada Club*, the MCHC Group plans to offer more services such as dietary menus, kinesiology and proposals of food menus based on the results of blood tests, cooperating with food makers and sports clubs.

Target MOS Indices H-2

Increase contribution to QOL improvements by 70% (Compared with fiscal 2009) (See p. 52)

Result

Contribute to improvements of QOL

79% up

(Compared with fiscal 2009)

Jibun Karada Club contributes to enhanced QOL

Partner's Voice

Kazuyuki Muto
Tsuruha Co., Ltd.
Dispensing Operations Headquarters
Supervisor

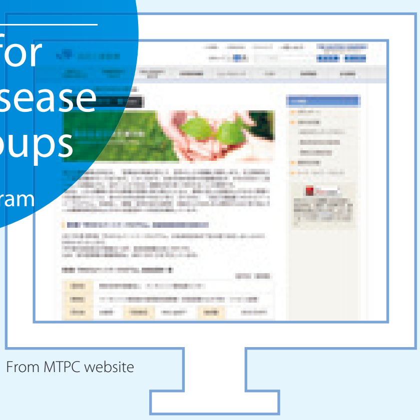
In August 2013, we introduced the *Jibun Karada Club* service with the aim of promoting self-health checkups. The main users, full-time housewives, take advantage of the service because they have few opportunities to do a health examination. In contrast to health exams at hospitals, appointments are not necessary and can be done quickly, while shopping for example, making it a great service in my opinion. Based on the blood test results, we can offer advice and recommend items such as vitamin supplements or health foods. It is one of our drugstore's strengths. We plan to focus more on promotional activities to get more customers to use this self-blood sampling system.

Close up 3

Sustainability

Support for incurable disease patient groups

The Tenohira Partnership Program



From MTPC website

Despite the enormous efforts of pharmaceutical companies throughout the world to develop needed drugs, a large number of serious diseases remain incurable. As a pharmaceutical company, MTPC works to discover new drugs that will treat these diseases. At the same time, the Company also views providing support for patients struggling with diseases and their families as an important mission. To mark its fifth anniversary in 2012, MTPC established the Tenohira Partnership Program, under which the Company provides support for the activities of associations of patients with incurable diseases. The Company has begun to fund selected patient associations and support groups for patients with incurable diseases that seek to improve the quality of life for patients with these diseases through improvements in medical treatment and working conditions. In fiscal 2015, its third year, 13 grants totaling ¥8.31 million were handed out. The groups that received the grants expressed words of thanks and pledged to use the funds to support patients and their families.

Industrial Materials Domain

“Our products and technologies are supporting a variety of industries and societies. We are proceeding with the diversification of raw materials, including renewable resources and strengthening our business structures so that we can compete on the global market.”

Hiroaki Ishizuka
President and Chief Executive Officer, MCC

Hitoshi Ochi
President and Chief Executive Officer, MRC

Yujiro Ichihara
President and Chief Executive Officer, TNSC

Business Lines by Segment

Chemicals

The Chemicals segment is expanding its business in the areas of basic petrochemicals including ethylene and propylene derived from naphtha, basic chemicals such as materials for synthetic fibers, and coke and other carbon products.

Polymers

We are utilizing our unique marketing capabilities, product development capability, and manufacturing technologies to provide synthetic resins and other products that meet advanced and specialized needs.

Chemicals

Net Sales
¥1,139.3 billion
(YoY +19.2%)

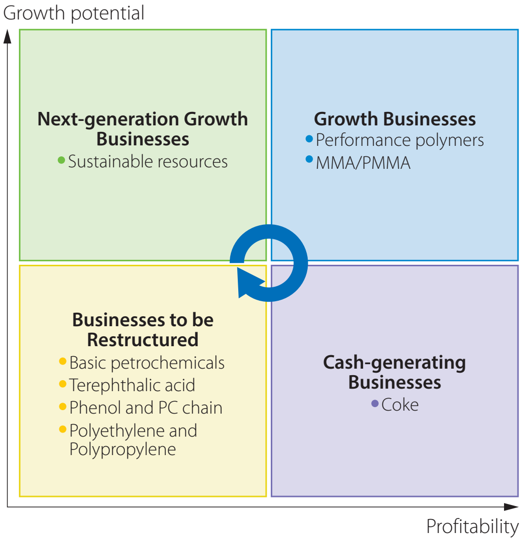
Operating Income
¥9.1 billion

Polymers

Net Sales
¥834.6 billion
(YoY -2.7%)

Operating Income
¥26.7 billion

Business Portfolios (by Business Unit)



Basic Strategies of the *APTSIS 15* Medium-term Management Plan
(announced December 2010)

Growth Strategy
- Accelerate globalization and shift to high-performance products

Innovation Strategy
- Deliver new materials that contribute to the global environment and the “sustainable carbon society”

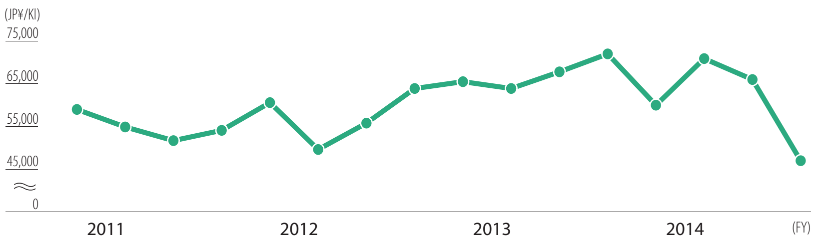
Cash-generating Businesses
- Stabilize earnings and reinforce business structure

Businesses to be Restructured
- Complete restructuring in Japan

Business Environment Highlights

1 Prices for domestically produced naphtha, which are affected by crude oil prices and exchange rate trends, are a benchmark for various petrochemical product prices. Sharp fluctuations in domestic naphtha prices have an impact on petrochemical product prices and inventory valuations for naphtha and could therefore affect the Company's earnings.

Domestic Naphtha Average Price



Source: Japan Petrochemical Industry Association and related organizations

SWOT Analysis

Strengths
- Global marketing capabilities based on a global supply structure for MMA, performance polymers and industrial gases
- In the MMA business, strong market position (No. 1 share in the world) and production cost competitiveness thanks to three production processes including our proprietary ethylene-based production process "Alpha technology"
- Increase in business opportunities from synergies with the industrial gas business
- Accomplishment of restructuring of naphtha crackers and earlier transition to high-performance products from optimization of domestic polyolefin production structure

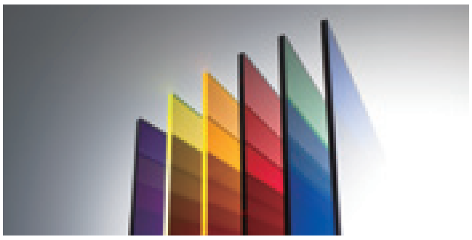
Weaknesses
- Sharp fluctuations in earnings on commodity petrochemicals due to changes in the supply/demand balance, raw material prices and product prices
- Oversupply in terephthalic acid market due to mega-expansions and new entrants in China
- Industrial gas business in Japan subject to high electricity costs as a primary component of production costs

Opportunities
- Growing demand in emerging markets: India, the Middle East, Eastern Europe and Africa
- Expanding demand for high-performance materials in the automobile field

Threats
- Competition from products made with cheaper raw materials, such as shale gas in the U.S. and coal in China
- Demand shrinking for petrochemical products in Japan
- Market impact from products made in China, which has excess production capacity

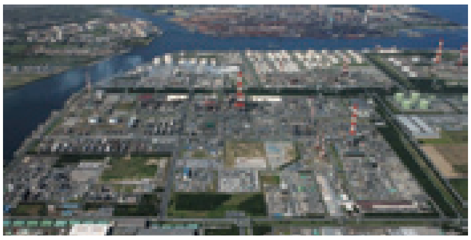
Major Businesses' Strength

MMA/PMMA
World's no. 1 supplier



Our overwhelming competitiveness has made us the world No.1 supplier of raw materials for resins

Basic Petrochemicals
Strive for optimal operation through structural reform



We are building a framework to respond immediately to the accelerated shift toward high-performance, high-added-value petrochemicals.

Coke
One of the largest coke ovens in the world

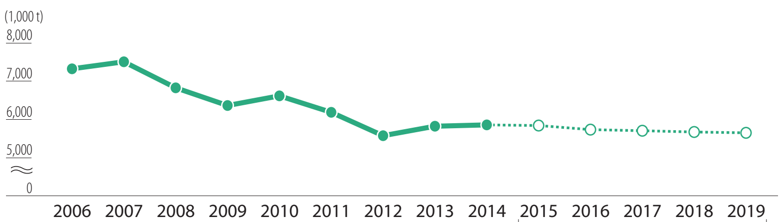
For more than 40 years, we have provided a steady supply of coke to domestic and overseas steel manufacturing companies through utilization of one of the largest coke ovens in the world.

Industrial Gases
Toward a hydrogen energy society

Hydro Shuttle, a mobile hydrogen refueling station, is one of the outcomes of the Group's gas technologies for the realization of a hydrogen energy society in the near future.

2 Domestic demand for ethylene, a core chemical product in the petrochemical industry, has been on the decline on account of contracting demand in Japan due to changes in demand structures around the world, as well as larger ethylene supply capacity in the U.S. (ethylene derived from shale gas) and in China (ethylene derived from coal). Demand for ethylene is likely to continue shrinking in Japan.

Domestic Ethylene Demand

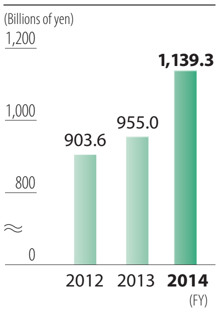


Source: Forecast of Global Supply and Demand Trends for Petrochemical Products (Ministry of Economy, Trade and Industry)

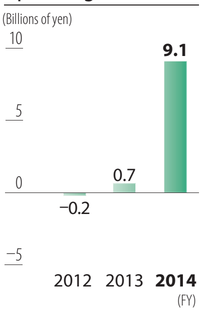
Review of the Segments in Fiscal 2014

Chemicals

Net Sales

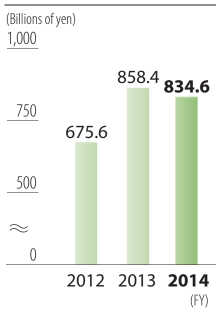


Operating Income

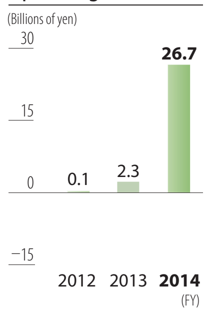


Polymers

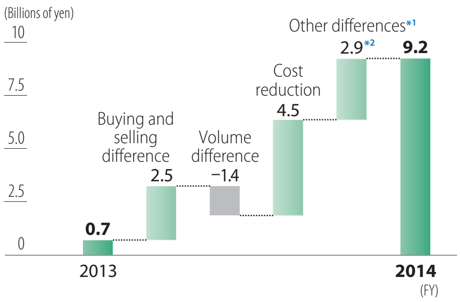
Net Sales



Operating Income

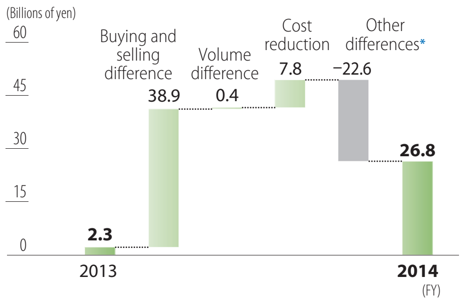


Contributing Factors to Operating Income
(Figures disclosed in MCHC operating summaries)



*1 Other differences includes the amount of difference in receipts and payments
*2 Includes the ¥18.4 billion impact of TNSC's scope of consolidation

Contributing Factors to Operating Income
(Figures disclosed in MCHC operating summaries)



* Other differences includes the amount of difference in receipts and payments

Chemicals

Production of ethylene, a key input in petrochemicals, totaled 970,000 tons, a decline of 14.6% from the previous fiscal year, owing to the suspension of operations at one ethylene plant and one benzene plant at the MCC Kashima Plant in May 2014, as well as a larger scale of scheduled maintenance and repairs. Sales of ethylene, propylene and other core petrochemical and chemical products, as well as sales of terephthalic acid, an input for synthetic fibers, fell considerably owing to a decline in selling prices in accordance with lower raw material prices. Among carbon products, sales of coke decreased in spite of brisk demand, owing to a decline in selling prices in tandem with lower coking coal prices. Moreover, TNSC became a consolidated subsidiary in November 2014, adding its sales of industrial gas to the mix from the third quarter of the fiscal year under review.

As a result of the above, net sales in the segment amounted to ¥1,139.3 billion, an increase of ¥184.3 billion, or 19.2%, from the previous fiscal year. Segment operating income was ¥9.1 billion, an increase of ¥8.4 billion, reflecting the addition of TNSC to the scope of consolidation, even though inventory valuation losses arose from the decline in raw material prices.

Polymers

Despite a moderate recovery in demand for polyolefins and MMA monomers, sales of synthetic resins decreased owing to a change in accounting periods at overseas subsidiaries that produce MMA monomers in the previous fiscal year.

As a result, net sales in the segment were down ¥23.8 billion, or 2.7%, at ¥834.6 billion. Operating income, however, rose by ¥24.4 billion to ¥26.7 billion on improvement in the price differential between raw materials and products.

Chemicals Segment Topics

Industrial gas: TNSC

January 2015

U.S.-based subsidiary Matheson Tri-Gas entered into an agreement with Sasol Chemicals (USA) LLC for the on-site supply of industrial gases for next-generation large-scale ethane crackers and derivatives.

Polymers Segment Topics

MMA: MRC

June 2014

MRC and Mitsui & Co., Ltd. began an in-depth feasibility study into establishing a joint venture in the U.S. for the production and sale of MMA monomers. The three companies, including the joint venture, signed a non-binding material terms of agreement with The Dow Chemical Company in the U.S. for the reciprocal partial supply of feedstock and the sale of products.

June 2014

MRC and Saudi Basic Industries Corporation, based in Saudi Arabia, announced the establishment of The Saudi Methacrylates Company, a joint venture on equal footing for the production of MMA monomers (annual production capacity of 250,000 tons) and acrylic resin molding materials (annual production capacity of 40,000 tons).

Performance chemicals: MCC

July 2014

Thailand-based subsidiary Mitsubishi Chemical Performance Polymers announced plans to build a new thermoplastic elastomer production facility.

Polypropylene: MCC

November 2014

Japan Polypropylene, a subsidiary of MCC, announced plans to expand production capacity for polypropylene compounds at Mytex Polymers US Corporation, its subsidiary in the U.S. (from 73,000 tons to 93,000 tons annually) and at Beijing Ju-Ling-Yan Plastic in China (from 66,000 tons to 76,000 tons annually).

Outlook

In fiscal 2015, we forecast strong growth in sales and profits in the Industrial Materials domain, with net sales increasing ¥242.4 billion year on year to ¥2,230.0 billion and operating income rising ¥50.1 billion to ¥87.0 billion, owing to the cancellation of inventory valuation losses caused by the decline in raw material prices in the previous fiscal year, as well as full-year contributions to earnings from TNSC.

While continuing to make steady progress on reforming the business structure, with regard to the MMA/PMMA business we will maintain and sharpen our competitive advantages with the aim of establishing an optimal global supply structure as the No. 1 supplier in the world. With regard to the industrial gas business of TNSC, which became a consolidated subsidiary in November 2014, we aim to expand earnings by generating synergies with Group companies while aggressively developing business internationally.

FOCUS **Example of Reinforcing the Business Model**

Accelerating global business development for PP compounds while optimizing the domestic polyolefin production structure

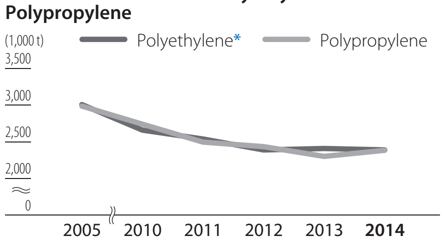
(Year)	2010	2011	2014	2015
[Optimizing the domestic production structure]				
Polyethylene (PE)	Production capacity at end of fiscal year: **1,186,000 tons**		• Suspended operations of the No. 2 line at the Kawasaki Plant • Suspended operations of the No. 2 line at the Kashima Plant Production capacity at end of fiscal year: **1,042,000 tons**	
Polypropylene (PP)	Production capacity at end of fiscal year: **1,244,000 tons**	• Suspended operations of the No. 1 line at the Kashima Plant • Suspended operations of the No. 2 line at the Goi Plant	• Suspended operations of the No. 3 line at the Kawasaki Plant Production capacity at end of fiscal year: **986,000 tons**	
[Accelerating overseas business development]				
PP compounds (PPCP)			• PPCP-related businesses within the Group are consolidated at Japan Polypropylene **Worldwide supply realized with globally uniform quality**	• Expand U.S. plant capacity by 20,000 tons • Expand China plant capacity by 10,000 tons Production capacity at end of fiscal year: **+30,000 tons**

The environment surrounding the petrochemical business in Japan has become more challenging with shrinking domestic demand and an increase in supply capacity from expansion in ethylene facilities in the U.S. (derived from shale gas) and in China (derived from coal). The MCHC Group has steadily progressed as planned on the creation of an optimal ethylene production structure in Kashima and Mizushima with the aim of ensuring earnings potential.

From the outset, we have sought to reorganize production lines in the polyolefin business based on trends in demand. We have also endeavored to increase the sales ratio of high-performance products and strategic products to reduce dependence on markets saturated with competition from imported products. The business environment for polypropylene (PP) and polyethylene (PE) looks likely to remain challenging with lackluster demand in Japan and increasing imports of competing products, especially commodity products. We have accordingly restructured five production lines for both products in Japan at earlier stages under the current medium-term management plan. To shift more toward high-performance fields, we developed new catalysts and developed and commercialized polymerization technology for polyolefins. In fiscal 2015, we also brought to market a new high-melt-tension PP that improves productivity during the foaming formation process, taking it one step closer to the high-performance category. Our business strategy for polyolefin continuously emphasize high-performance products while optimizing production in the Japanese market for various business opportunities.

In 2014, we put in place a structure for the worldwide supply of high-performance materials with globally uniform quality, having integrated Group businesses in PP compounds and other products at Japan Polypropylene Corporation. To address brisk demand related mainly to automobile applications, in 2015 we plan to expand production capacity more in the U.S. and China. We aim to develop business globally with an eye on demand in each country by optimizing our production bases and expanding research laboratory functions overseas to meet market needs.

Domestic Production of Polyethylene and Polypropylene



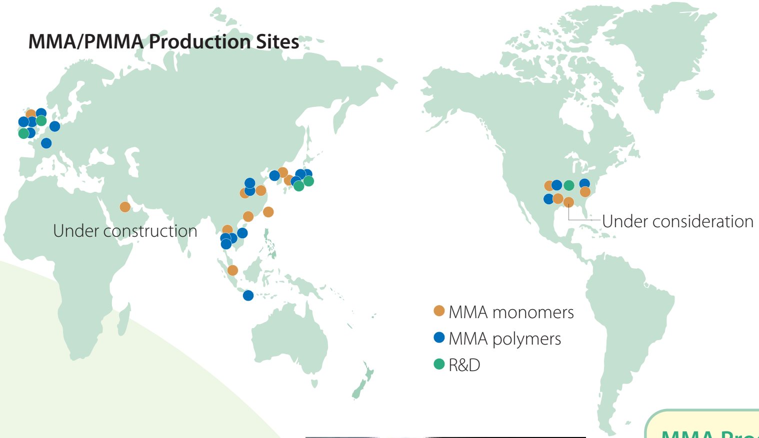
Source: Japan Petrochemical Industry Association and related organizations
* Polyethylene is the total production of high-density and low-density polyethylene

Toward the Realization of *KAITEKI*

Close up 1
Technology

MMA/PMMA value chain

MMA/PMMA Production Sites

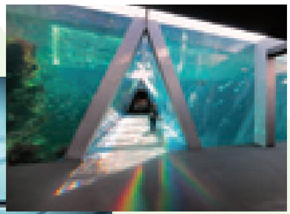


Methyl methacrylate (MMA) contributes broadly to the advancement of industry and society as a basic material used in acrylic resins (MMA polymers) and other resin modifiers, as well as in high-performance coatings. Acrylic resins, the primary derivative product from MMA, offers high transparency, excellent weatherability and excellent workability. They are widely used, such as in signage for convenience stores, automobile tail lamps, LCD covers for mobile phones, light guide plates for LCDs, and aquarium panels. Acrylic resins can also be recycled through depolymerization. MMA is also an ecological material. We expect demand for both to increase in countries around the world.

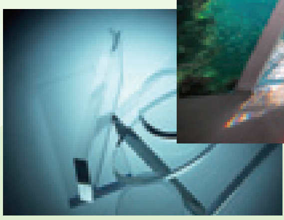
As the No. 1 supplier of MMA in the world with an approximately 40% share of global production capacity, MRC has built a robust business model with a broad value chain from commodities to high-performance products, beginning with MMA monomers and extending to polymers and processed products. One of these cores is our MMA monomer production technologies. MRC has three production methods that use different raw materials, comprising the ACH, C4 and new ethylene methods. MRC produces MMA monomers at its bases around the world while leveraging cost advantages and market conditions for raw materials. In 2008, the new ethylene method (C2 method) was industrialized for the first time in the world and uses commodity chemicals as feedstock that can be readily procured, such as methanol and ethylene. Scaling up facilities is also relatively straightforward, so the new ethylene method is highly likely to have cost advantages over the other two traditional production methods.

Another core advantage is our extensive product lineup based on MMA monomers, including polymers and processed products such as molding materials, resin sheets, resin improvers, plastic films, coating materials, optical fiber, and rod lenses. Leveraging this broad lineup of products, we continue to propose solutions to customer needs based on our finely tuned customizations and high quality backed by our technological prowess.

MRC has been reinforcing its global operations with an eye on further strengthening the competitiveness of the MMA business. With over 30 production bases spread throughout the U.S., Europe and Asia, MRC is optimizing production by leveraging its strengths in supply chain development while expanding production capacity with timely and proportionate capital investment. In fiscal 2014, we finished expanding production capacity at our Shanghai base in China. In Saudi Arabia, we began construction on an MMA plant with annual production capacity of 250,000 tons, one of the largest plants in the world that uses the new ethylene method, in a collaborative arrangement with Saudi Basic Industries Corporation. In North America, we began examining the construction of a plant using the same production technology that uses cheap shale gas as a feedstock. We aim to steadily implement our strategy to expand the MMA business while improving efficiency at existing plants and deepening global business development.



Use in an aquarium



Acrylic resins

MMA Production Capability *

World market share of about 40%

World's No. 1

* MRC estimate

Target MOS Indices S-1-2

Generate reduction of CO_2 emissions by 3.5 megatons through products (See p. 52)

Result

CO_2 emissions from all applicable projects

991,000 tons down

(Accumulation from fiscal 2011 to fiscal 2014)

MMA and acrylic resin contribute to reducing CO_2 emissions in the value chain

Target MOS Indices C-1-1

Increase sales of comfort-oriented products by ¥400 billion (Compared with fiscal 2010) (See p. 52)

Result

Comfort-oriented products

Total amount of net sales

¥164.9 billion up

(Compared with fiscal 2010)

Acrylic resins contribute to higher sales of comfort-oriented products

Close up 2

Sustainability

DURABIO, the bio-based engineering plastic developed

Plastic is indispensable in a sustainable society for its contributions to industrial development and lifestyle convenience. Understanding the limits to natural resources, the MCHC Group promotes the diversification of raw materials to ensure the continued use of plastic while striking a balance with the global environment.

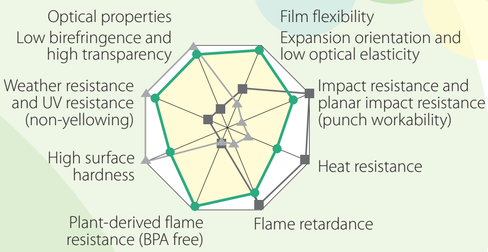
DURABIO is a bio engineering plastic developed by MCC that uses sustainable plant-derived isosorbide as a raw material. It offers a balance of properties that supersede typical engineering plastics in terms of impact resistance, heat resistance and weather resistance. With excellent transparency , *DURABIO* surfaces can be made with a high gloss with simply the addition of pigments. The surface is also hard and robust, making it difficult to scratch. Since a coating process is not required, *DURABIO* helps with the reduction of atmospheric emissions of volatile organic compounds (VOCs) emitted from coatings, thereby contributing to the lessening of environmental load.

In 2013, automaker Suzuki Motor Corporation decided to use *DURABIO* in the resin panels of the cabin for the *HUSTLER* car model, a world-first for a bio-based engineering plastic, in recognition of the benefits of *DURABIO* as a colored material featuring both functionality and a fine surface, traits that are desirable in auto parts. In 2015, Suzuki Motor Corporation began using *DURABIO* in its ALTO Lapin model. In addition, Mazda Motor Corporation has begun using *DURABIO* in its automobiles.

We plan to expand annual production capacity from 5,000 tons to 16,000 tons as soon as possible. In addition to automotive applications, we are advancing development across a broad range of applications, including smartphone displays and sound barriers along expressways.

DURABIO pellets

Comparison of *DURABIO* features



Target MOS Indices S-2-1

Procure reusable materials equivalent to 10,000 tons of heavy oil in fiscal 2015 (See p. 52)

Result

Volume of recyclable raw materials used in all applicable products (crude oil equivalent)

403 tons

(Accumulation from fiscal 2011 to fiscal 2014)

DURABIO hastens conversions to recyclable materials

Partner's Voice

Tomoko Fukuda

Suzuki Motor Corporation
Section 4, Element Technology Development Department

Interior cabin panels made out of *DURABIO*

When we were first introduced to *DURABIO*, I was impressed with its high glossiness and mirror finishing. We were unfamiliar with the production process of directly adding color to the raw material for finishing instrument panels used in the cabin interior, but the development team at MCC was wonderful at helping us work through many issues, resulting in a great product with appealing design characteristics. Colored panels made from *DURABIO* have attracted attention inside my company as well, raising the possibility of *DURABIO* being used in more vehicle models. I look forward to MCC coming up with new ideas for materials that create new added value in automobiles.

Close up 3

Sustainability

Safety maintenance at production facilities

Target MOS Indices C-3

Reduce safety accidents (See p. 52)

Result

57 % reduction

(Compared to base year *)

* The year with the most accidents or claims from fiscal 2008, 2009, and 2010 has been taken as the base year.

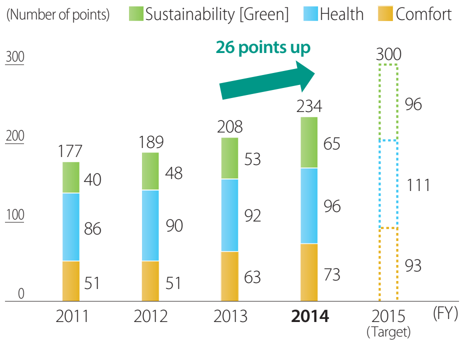
"Chemical plants are like a living thing, and require constant maintenance of their current state of health." This common creed is shared by all of the staff in charge of production and facilities at the large-scale plants of the MCHC Group. Chemical companies produce their products in massive facilities full of complex equipment and networks of piping. Even a small defect can cause operations to be suspended or lead to accidents. As a result, even the smallest abnormality must be noticed promptly. The skills of the people working in production sites are key to the safe and reliable operation of the plant by preventing breakdowns and abnormalities before they happen, instead of reacting to them after they occur.

To ensure safe and reliable production, the hallmark of its corporate activities, the MCHC Group makes concerted efforts to fortify the abilities of workers at production sites by focusing on updating systems and training personnel.

Progress with the MOS Indices (Contributing to Sustainability)

MCHC has set targets for each of the 22 indices that measure the degree of contribution of our corporate activities to improving sustainability and evaluates their progress annually. In order to confirm the results of MOS at a glance, we assigned weights to the indices depending on the importance of each one. Therefore, we can assess progress of our activities based on the number of achievement points. Note that we set the achievement points so that if we achieve the targets for all of the indices by fiscal 2015, the final fiscal year of *APTSIS 15*, then the total number of points will be 300. The result for fiscal 2014 was 234 points, 26 points higher than in the previous fiscal year, so we are moving toward the target with certainty. MOS Indices comprise our corporate activities that improve sustainability, so their results are affected by the business environment. However, in fiscal 2015, we will continue to steadily develop activities aimed at achieving the target.

Progress of the MOS Indices toward the Goal



WE SUPPORT

In May 2006, MCHC expressed support for the United Nations Global Compact, which stated 10 principles in the areas of human rights, labor, the environment, and anti-corruption, and the MCHC Group is promoting its corporate activities in accordance with the norms of the 10 principles.

The MOS Indices Progress at a Glance

Fiscal 2014 results compared to fiscal 2015 targets

★★★Achieved good results ★★Progress was a little slow and more active engagement is necessary ★Progress was very slow and a review of activities is necessary

MOS Indices			PLAN		DO	CHECK	
			Fiscal 2015 Targets		Fiscal 2014 Results	Self Assessment	Details Page
Targets that must be achieved			Achieve zero occurrences of serious accidents and compliance violations		Zero occurrences	★★★	p.51, p.62
Sustainability [Green] Index	S-1	Contribute to reducing environmental impact through products and services	S-1-1	Reduce environmental impact by 30% from fiscal 2005 levels	36% reduction	★★★	p.11, p.53
			S-1-2	Generate reduction of CO_2 emissions by 3.5 megatons through products	991,000 tons	★	p.50
	S-2	Take action against the depletion of natural resources and implement energy-saving initiatives	S-2-1	Procure reusable materials equivalent to 10,000 tons of heavy oil in fiscal 2015	403 tons	★	p.51
			S-2-2	Reduce cumulative rare metal usage by 1,200 tons through improving processes and innovating products	829 tons reduction	★★★	—
			S-2-3	Generate resource and power savings of ¥8.8 billion	¥12.29 billion	★★★	p.11, p.53
			S-2-4	Provide 900 million tons of reusable water through our products	410 million tons	★	—
	S-3	Contribute to solving social and environmental issues through supply chain management	S-3-1	Achieve 80% purchased items surveyed for toxic substances	81%	★★★	—
			S-3-2	Achieve 90% purchasing of raw materials and packaging according to CSR guidelines	95%	★★★	—
Health Index	H-1	Contribute to medical treatment	H-1	Increase the index performance derived by the degree of difficulty to treat diseases multiplied by the number of administered patients by 50% (compared with fiscal 2009)	18% increase	★	p.11, p.44
	H-2	Contribute to improvements of QOL	H-2	Increase contribution to QOL improvements by 70% (compared with fiscal 2009)	79% increase	★★★	p.44
	H-3	Contribute to early detection and prevention of diseases	H-3-1	Increase the index of vaccine treatment by 17% (compared with fiscal 2009)	115% increase	★★★	—
			H-3-2	Increase the number of people taking diagnostic tests by 26% (compared with fiscal 2009)	19% increase	★★★	p.11, p.45
Comfort Index	C-1	Deliver products (development and manufacturing) for comfortable lifestyles	C-1-1	Increase sales of comfort-oriented products by ¥400 billion (compared with fiscal 2010)	¥164.9 billion	★	p.38, p.50
			C-1-2	Increase the new product ratio from 16% to 30%	23%	★	p.39
	C-2	Improve stakeholder satisfaction	C-2-1	Improve third-party corporate assessments	Nikkei NICES[*1] Ranking: 54	★★★	p.64
			C-2-2	Achieve targets for employee-related indices	51.3% achieved	★	p.11, p.53
			C-2-3	Improve customer satisfaction to 80% or more	75%	★★	p.33
	C-3	Earn recognition of corporate trust	Reduce safety accidents		57% reduction vs. base year[*2]	★★★	p.51
			Reduce environmental accidents		0 incidents	★★★	—
			Reduce claims to products		60% reduction vs. base year[*2]	★★★	—
			Reduce the lost-time injuries frequency rate		0.32	★	p.11
			Assess product safety according to GPS for 70% of products		Confirmed for 59%	★★★	p.53

*1 The C-2-1 Index is rated by various corporate assessments. Nikkei NICES, which is conducted by a Japanese newspaper, is one of the targets of this assessment.
*2 The year with the most accidents or claims out of fiscal 2008, 2009, and 2010 has been taken as the base year.

Kashima Plant, MCC

S-1-1 Reduce environmental impact by 30% from fiscal 2005 levels

S-2-3 Generate resources and power savings of ¥8.8 billion

Introduce latest technologies to cut costs and reduce CO_2

The MCC Kashima Plant signed a technology introduction agreement with ILLA International, LLC from Russia in 2012 and in July 2014 successfully finished the technological upgrades of the phenol production process. Optimizing equipment design, operation conditions and the control system, a highly efficient and stable process was achieved to improve the production yield. The cost reduction achieved by this revamp is projected to be ¥670 million annually. In addition, it is forecast that CO_2 emissions from the production process will be decreased by 18,000 tons annually by reducing natural resources.

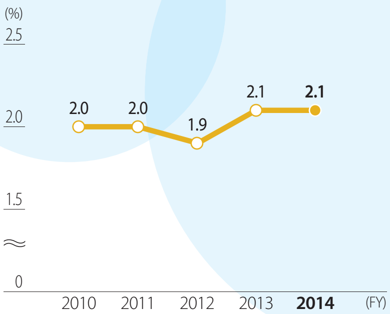
Toyohashi Production Center, MRC

C-2-2 Achieve targets for employee-related indices

Cooperate with local communities to promote employment and opportunities for people with disabilities

The MCHC Group proactively employs people with disabilities based on the belief that a diversity of human resources presented with an opportunity to display their capabilities will spark the organization's vitality. MRC's Toyohashi Production Center is engaged in wide-ranging initiatives, such as closely examining the type of work carried out at each workplace to expand opportunities, and connecting with outside organizations such as community special needs schools or employment support centers. The center gives lectures at workplaces, and matches jobs with prospective employees while respecting their individuality. As a result, opportunities have increased for the people employed, creating vitality and a sense of togetherness within the workplace. Going forward, the Group aims to create workplaces that leverage the personalities and capabilities of each individual, where people can feel fulfilled and confident that they can continue their work.

Percentage of Employment with Disabilities within the MCHC Group*



* Figures for the four operating companies (MCC, MTPC, MPI, and MRC)

MCC

C-3 Earn recognition of corporate trust

Enhance the level of chemical management

In April 2015, MCC launched the Chemical Management Department to further enhance chemical management. Based on the philosophy of product stewardship that forms the foundation of Responsible Care activities, we will prioritize enhancement of risk-based chemical management through the supply chain and provide chemical safety information to stakeholders. We will also gather information in individual country new laws and regulations, expanding on a global scale, and share the information with our affiliates. In addition, we will focus on training human resources to comply with these laws and regulations.

Governance

Corporate Governance

Message from the Chairperson

Yoshimitsu Kobayashi
Chairperson

From the outset, MCHC has endeavored to strengthen corporate governance, such as through the selection of outside directors and directors of foreign nationalities and in June, 2015, has transferred to a company with a nominating committee, etc. As Chairperson of the Board of Directors under the new organization, I am focusing on invigorating the Board of Directors while leading change to reinforce business oversight functions. More than ever before, we are incorporating into management the opinions of outside directors with advanced knowledge of corporate management, science and technology, and supervision. We are discussing how to strengthen earning capacity and realize *KAITEKI*. I am ready to proactively contribute to the expansion of corporate value from a supervisory position, backed by my eight years of experience as president of MCHC.

The Board of Directors also plays the crucial role of discussing and determining basic management policies, such as medium- to long-term business strategies and portfolio management. This year will be an important year for making a final push with *APTSIS 15* and drawing up *APTSIS 20*, the next medium-term management plan that ends in fiscal 2020. The Board of Directors will monitor progress on *APTSIS 15* and discuss issues in the formulation of *APTSIS 20*. To continue increasing corporate value, the Board of Directors strongly backs President Ochi and other managers to facilitate their bold and aggressive measures to move business forward.

Transition of Strengthening Corporate Governance

Date	Details	Objective
June 2006	Introduced Stock-Based Compensation (Stock option) Plans	Connected director compensation to share price
June 2013	Election and accession of an outside director	Strengthened management oversight
June 2014	Election and accession of a foreign director	Improved diversity in directors
June 2015	Election and accession of a female director	Improved diversity in directors
	Transition to a company with a nominating committee, etc.	Enhanced management transparency and fairness, strengthened management oversight functions

Highlights

Transition to a company with a nominating committee, etc.

MCHC has transitioned to a company with a nominating committee, etc. after receiving approval at the June 2015 General Meeting of Shareholders. This system separates functions for the supervision and execution of business in a bid to enhance management transparency and openness, strengthens management oversight functions, and improves management agility by accelerating decision-making. While management supervision is now undertaken by the Board of Directors and three committees comprised of the Nominating Committee, Audit Committee, and Compensation Committee, corporate executive officers make business decisions and are in charge of business execution.

Roles and Responsibilities of the Board of Directors

The Board of Directors determines basic management policies, such as medium- to long-term business strategies and annual budgets, and supervises the execution of business by the corporate executive officers, who are responsible, in principle, for deciding about business execution based on these basic policies, with the exception of matters that must be legally resolved by the Board of Directors. Directors' terms are set at one year to facilitate the building of a management structure able to rapidly address changes in the business environment and to further clarify the management roles and responsibilities of the directors.

Nominating Committee

The Nominating Committee draws up proposals for the nomination of directors at MCHC that are presented at the General Meeting of Shareholders. It also approves the selection and dismissal of presidents at major subsidiaries directly owned by MCHC, except for listed subsidiaries. To enhance transparency and fairness in the process of selecting executives, an outside director serves as the head of the committee.

Audit Committee

The Audit Committee audits the execution of duties by the corporate executive officers and directors and reviews the Group's internal control system. It meets once a month in principle.

The Audit Committee consists of five members including three outside directors, and two members are appointed as full-time members. MCHC aims to maintain and enhance the soundness and transparency of its management structure by fortifying its audit system based on the Audit Committee, such as by forging closer ties between the Audit Committee, the accounting auditor, the Internal Audit Office that performs internal audits, and the Internal Control Office, which is the internal control division. An internal director serves as the head of the committee to ensure the smooth collection of information and sufficient cooperation among the divisions.

Compensation Committee

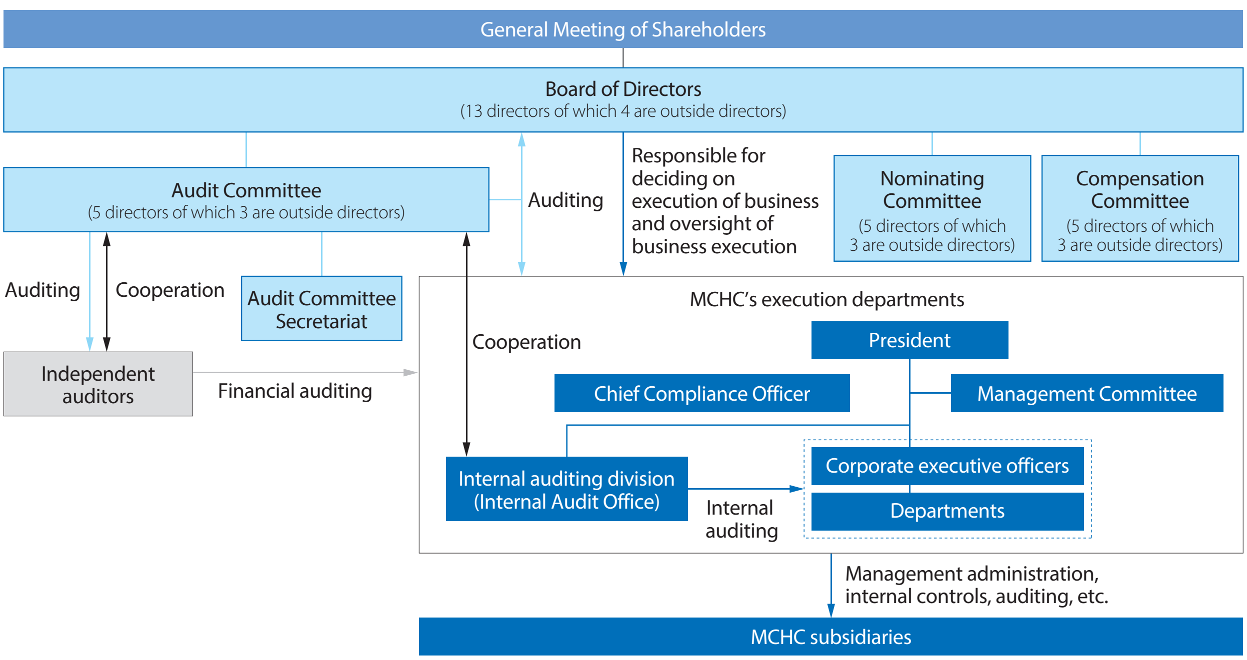
The Compensation Committee determines the individual amount of compensation for each director and corporate executive officer at MCHC. It also determines the individual amount of compensation for the presidents of major subsidiaries in which MCHC has a controlling interest, except listed subsidiaries. An outside director serves as the head of the committee to increase transparency and fairness in the decision-making process for member remuneration.

Business Execution System

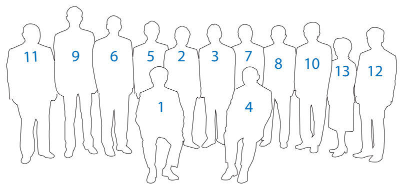
Corporate executive officers, under the guidance of the President, are in charge of deciding about business execution and executing business, which they are entrusted with by the Board of Directors. To increase efficiency, the scope of authority and areas of responsibility are clearly defined for each corporate executive officer.

Important matters related to the management of MCHC and the MCHC Group (important business execution such as investment and financing, compliance, risk management, environment and safety, human rights education and social contributions) are discussed by the Management Committee and decided by the President to facilitate proper decision-making. The Management Committee is comprised of the President, corporate executive officers and the presidents of major subsidiaries in which MCHC has a direct stake. It meets about twice each month.

Corporate Governance System (As of June 24, 2015)



Directors (As of June 24, 2015)



1

Yoshimitsu Kobayashi

Member of the Board, Chairperson

Dec.1974 Joined Mitsubishi Chemical Industries Corporation (now MCC)
Jun. 2003 Executive Officer of MCC
Apr. 2005 Managing Executive Officer of MCC
Jun. 2006 Member of the Board of MCHC
Feb. 2007 Member of the Board of MCC
Apr. 2007 Member of the Board, President and Chief Executive Officer of MCHC
Member of the Board, President and Chief Executive Officer of MCC
Apr. 2009 Member of the Board, President and Chief Executive Officer of The KAITEKI Institute, Inc. (TKI)
Apr. 2012 Member of the Board, Chairperson of MCC (current)
Feb. 2015 Member of the Board, Chairperson of TKI (current)
Apr. 2015 Member of the Board, Chairperson of MCHC (current)

2

Hiroaki Ishizuka

Member of the Board, Vice Chairperson

Apr. 1972 Joined Mitsubishi Chemical Industries Corporation (now MCC)
Apr. 2007 Executive Officer of MCC
Apr. 2009 Managing Executive Officer of MCC
Jun. 2009 Member of the Board of MCC
Apr. 2011 Senior Managing Executive Officer of MCC
Apr. 2012 Member of the Board, President and Chief Executive Officer of MCC (current)
Member of the Board of TKI (current)
Jun. 2012 Member of the Board of MCHC
Jun. 2015 Member of the Board, Vice Chairperson of MCHC (current)

3

Takumi Ubagai

Member of the Board, Vice Chairperson

Apr. 1971 Joined MRC
Jun. 2001 Member of the Board, Executive Officer of MRC
Jun. 2004 Managing Director, Senior Executive Officer of MRC
Jun. 2007 Member of the Board, Senior Executive Officer of MRC (until Mar. 2012)
Apr. 2012 Member of the Board, President and Chief Executive Officer of MPI (current)
Member of the Board of TKI (current)
Jun. 2012 Member of the Board of MCHC
Jun. 2015 Member of the Board, Vice Chairperson of MCHC (current)

4

Hitoshi Ochi

Member of the Board, Representative Corporate Executive Officer, President and Chief Executive Officer

Apr. 1977 Joined Mitsubishi Chemical Industries Corporation (now MCC)
Jun. 2007 Executive Officer of MCHC
Executive Officer of MCC (until Mar. 2010)
Apr. 2009 Member of the Board of MPI (until Mar. 2011)
Jun. 2009 Member of the Board of MCHC (until Jun. 2011)
Jun. 2010 Managing Executive Officer of MCHC (until Mar. 2011)
Member of the Board of MRC (until Jun. 2011)
Apr. 2011 Member of the Board, Managing Executive Officer of MCC (until Mar. 2012)
Apr. 2012 Member of the Board, President and Chief Executive Officer of MRC (current)
Member of the Board of TKI (current)
Jun. 2012 Member of the Board of MCHC (current)
Apr. 2015 President and Chief Executive Officer of MCHC (current)
Jun. 2015 Representative Corporate Executive Officer (current)

5

Masayuki Mitsuka

Member of the Board

Apr. 1982 Joined Mitsubishi Chemical Industries Corporation (now MCC)
Jun. 2008 Executive Officer of MTPC
Jun. 2009 Member of the Board of MTPC
Apr. 2012 Managing Executive Officer of MTPC
Apr. 2014 Senior Managing Executive Officer of MTPC
Jun. 2014 Member of the Board, President and Chief Executive Officer of MTPC (current)
Member of the Board of MCHC (current)
Member of the Board of TKI (current)

6

Glenn H. Fredrickson

Member of the Board,
Managing Corporate Executive Officer

Jan. 1990 Associate Professor, Departments of Chemical Engineering and Materials, University of California, Santa Barbara (UCSB)
Jul. 1991 Professor, Departments of Chemical Engineering and Materials, UCSB (current)
May 1998 Chair, Department of Chemical Engineering, UCSB (until Jul. 2001)
Mar. 2001 Director, Mitsubishi Chemical Center for Advanced Materials, UCSB (current)
Apr. 2009 Executive Director of TKI (until Mar. 2014)
Apr. 2014 Managing Executive Officer of MCHC
Jun. 2014 Member of the Board of MCHC (current)
Jun. 2015 Managing Corporate Executive Officer of MCHC (current)

7

Yujiro Ichihara

Member of the Board

Apr. 1974 Joined Nippon Sanso Corporation (now TNSC)
Jun. 2005 Executive Officer of TNSC
Jun. 2008 Managing Executive Officer of TNSC
Jun. 2010 Managing Director of TNSC
Jun. 2012 Senior Managing Director of TNSC
Jun. 2013 Vice President, Member of the Board of TNSC
Jun. 2014 President and Chief Executive Officer of TNSC (current)
Feb. 2015 Member of the Board of TKI (current)
Jun. 2015 Member of the Board of MCHC (current)

8

Akira Nakata

Member of the Board

Apr. 1981 Joined MRC
Apr. 2008 Director, Research & Development Administration Department of MRC
Jun. 2008 Member of the Board, Executive Officer of MRC (until Mar. 2012)
Jan. 2011 Executive Officer of MCHC (until Mar. 2012)
Jun. 2012 Corporate Auditor of MPI (current)
Corporate Auditor of MCHC (until Jun. 2015)
Apr. 2014 Corporate Auditor of LSII (current)
Jun. 2015 Member of the Board of MCHC (current)

9

Yoshihiro Umeha

Member of the Board

Apr. 1977 Joined Mitsubishi Chemical Industries Corporation (now MCC)
Mar. 2007 General Manager, Petrochemicals Planning and Coordination Division of MCC
Jun. 2008 Executive Officer of MCC
Apr. 2012 Member of the Board, Managing Executive Officer of MCC (until Mar. 2015)
Jun. 2015 Corporate Auditor of MCC (current)
Corporate Auditor of MRC (current)
Corporate Auditor of TKI (current)
Member of the Board of MCHC (current)

10

Takeo Kikkawa

Outside Member of the Board

Apr. 1987 Associate Professor, School of Business, Aoyama Gakuin University
Oct. 1993 Associate Professor, Institute of Social Science, The University of Tokyo
Apr. 1996 Professor, Institute of Social Science, The University of Tokyo
Apr. 2007 Professor, Graduate School of Commerce and Management, Hitotsubashi University
Jun. 2013 Outside Member of the Board of MCHC (current)
Apr. 2015 Professor, Graduate School of Innovation Studies, Tokyo University of Science (current)

11

Taigi Ito

Outside Member of the Board

Jan. 1970 Joined Tsuji Audit Corporation
May 1973 Registered as a Certified Public Accountant
Feb. 1989 Representative Partner of MISUZU Audit Corporation
Jul. 2004 Deputy Chairperson of the Japanese Institute of Certified Public Accountants (JICPA) (until Jun. 2007)
May 2006 Executive Board Member of MISUZU Audit Corporation
Jul. 2007 Retired from MISUZU Audit Corporation
Apr. 2009 Professor, Graduate School of Accounting, Waseda University (until Mar. 2013)
Jan. 2012 Chairperson of Disciplinary Committee of JICPA (current)
Jun. 2014 Corporate Auditor of MCC (current)
Outside Corporate Auditor of MCHC (until Jun. 2015)
Jun. 2015 Outside Member of the Board of MCHC (current)

12

Kazuhiro Watanabe

Outside Member of the Board

Apr. 1974 Appointed as a Prosecutor
Jul. 1998 Assistant Vice-Minister of Justice, Ministry of Justice
Apr. 2001 Prosecutor of the Supreme Public Prosecutors Office
Jan. 2002 Chief Prosecutor of the Nara District Public Prosecutors Office
Sep. 2004 Chief Prosecutor of the Maebashi District Public Prosecutors Office
Sep. 2005 Chief Prosecutor of the Nagoya District Public Prosecutors Office
Jun. 2007 Chief Prosecutor of the Yokohama District Public Prosecutors Office
Jul. 2008 Superintending Prosecutor of the Sapporo High Public Prosecutors Office (Retired in Jul. 2009)
Sep. 2009 Registered as a lawyer
Professor, Law School, Tokai University (current)
Jun. 2010 Corporate Auditor of MPI (current)
Jan. 2011 Counselor, Higashimachi LPC (current)
Jun. 2014 Outside Corporate Auditor of MCHC (until Jun. 2015)
Jun. 2015 Outside Member of the Board of MCHC (current)

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Hideko Kunii

Outside Member of the Board

May 1982 Joined Ricoh Company, Ltd.
Jun. 2005 Corporate Senior Vice President of Ricoh Company, Ltd. (until Mar. 2008)
Apr. 2008 Chairperson of Ricoh Software Co., Ltd. (now Ricoh IT Solutions Co., Ltd.)
Apr. 2009 Associate Director of Ricoh Company, Ltd. (until Mar. 2013)
Jul. 2009 Chairperson of Ricoh IT Solutions Co., Ltd. (until Mar. 2013)
Apr. 2012 Professor, Graduate School of Engineering Management, Shibaura Institute of Technology (current)
Apr. 2013 Deputy President, Shibaura Institute of Technology (current)
Oct. 2013 Director, Center for Promotion of Educational Innovation Gender Equality Promotion Office, Shibaura Institute of Technology (current)
Jun. 2015 Outside Member of the Board of MCHC (current)

Composition of Each Committee

		Outside Members of the Board	Members of the Board
Nominating Committee	Chairperson	Takeo Kikkawa	—
	Members	Kazuhiro Watanabe	Yoshimitsu Kobayashi
		Hideko Kunii	Hitoshi Ochi
Audit Committee	Chairperson	—	Akira Nakata
	Members	Taigi Ito	Yoshihiro Umeha
		Kazuhiro Watanabe	
		Hideko Kunii	
Compensation Committee	Chairperson	Taigi Ito	—
	Members	Takeo Kikkawa	Hiroaki Ishizuka
		Kazuhiro Watanabe	Takumi Ubagai

Corporate Governance Status

MCHC has newly transitioned to a company with a nominating committee, etc. with the objective of increasing corporate value. Under this new structure, MCHC will strive to improve management transparency and fairness, strengthen management oversight functions, accelerate decision-making and enhance the agility of management to reinforce corporate governance.

Approach to Board Membership

The Board of Directors consists of directors with various backgrounds to strengthen management oversight functions and reflect diverse opinions in business decisions.

MCHC has elected not only internal directors who rose through the ranks with an intimate knowledge of the Group's wide range of operations and its three business domains comprising Performance Products, Health Care and Industrial Materials, but also four outside directors with experience in corporate management, expertise in social and economic issues as well as science and technology, and accreditations as certified public accountants and attorneys. In addition to the four outside directors, there are three non-executive directors among the internal directors who are not executive officers or in charge of business execution at key operating companies. Accordingly, a majority of the members of the Board of Directors are in non-executive roles, enabling the proper supervision of executive officers.

Reasons for Appointment of Outside Directors

Name	Reasons for Appointment	Attendance at Meetings of the Board of Directors (fiscal 2014)
Takeo Kikkawa	Mr. Takeo Kikkawa was reappointed as an outside director at the 2015 General Meeting of Shareholders and designated as an independent director with the conviction that he plays appropriate roles as an outside director of the Company by utilizing his profound insight into company management from the perspective of business history and his experience as an expert in theories on the energy industry. There is no conflict of interest between Mr. Takeo Kikkawa and MCHC.	Director Kikkawa attended 15 of the 16 meetings of the Board of Directors that were held during the fiscal year under review, and has expressed his opinion as needed by drawing on his profound insight of company management from the viewpoint of business history and his experience in the energy industry.
Taigi Ito	Mr. Taigi Ito, who currently performs audits as the Company's outside corporate auditors, from a fair and neutral stance, given his experience and professional viewpoint as a certified public accountant, was appointed an outside director at the 2015 General Meeting of Shareholders. He was designated as an independent director with the expectation that he, based on his experience and knowledge, would contribute to proper decision-making as well as fair oversight at the Board of Directors. There is no conflict of interest between Mr. Taigi Ito and MCHC.	After assuming the position of corporate auditor in June 2014, Corporate Auditor Kazuhiro Watanabe, attended all 11 meetings of the Board of Directors and all 10 meetings of the Board of Corporate Auditors that were held during the fiscal year under review, and has expressed his opinion as needed by drawing on his expert knowledge and experience accumulated primarily through his services as prosecutor and lawyer.
Kazuhiro Watanabe	Mr. Kazuhiro Watanabe, who currently performs audits as the company's outside corporate auditors, from a fair and neutral stance from experience and professional viewpoint as a prosecutor and lawyer was appointed as an outside director at the 2015 General Meeting of Shareholders. He was designated as an independent director with the expectation that he will contribute to proper decision-making as well as fair oversight at the Board of Directors. There is no conflict of interest between Mr. Kazuhiro Watanabe and MCHC.	After assuming the position of corporate auditor in June 2014, Corporate Auditor Taigi Ito attended all 11 meetings of the Board of Directors and all 10 meetings of the Board of Corporate Auditors that were held during the fiscal year under review, and has expressed his opinion as needed by drawing on his expert knowledge and experience accumulated primarily through his services as a certified public accountant.
Hideko Kunii	Ms. Hideko Kunii was appointed as an outside director at the 2015 General Meeting of Shareholders and designated as an independent director. We expect, based on her abundant experience in corporate management and her profound insight on science and technology, that she will contribute to proper decision-making as well as fair oversight at the Board of Directors. There is no conflict of interest between Ms. Hideko Kunii and MCHC.	—

Board of Directors Meeting Overview

Number of Board of Directors meetings held	16 times
Director attendance at Board of Directors' meetings (Outside corporate auditor attendance is shown in parentheses)	98.4% (93.7%)

In fiscal 2014, as a company with a Board of Corporate Auditors, MCHC had appointed corporate auditors. Auditor attendance at the Board of Directors' meetings and Board of Corporate Auditors' meetings is as follows:

Corporate auditor attendance at Board of Directors' meeting (Outside corporate auditor attendance is shown in parentheses)	97.5% (95.8%)
Number of Board of Corporate Auditors' meetings held	13 times
Corporate auditor attendance at Board of Corporate Auditors' meeting (Outside corporate auditor attendance is shown in parentheses)	100% (100%)

Policy for Deciding Remuneration for Directors and Corporate Executive Officers

The remuneration of each director and corporate executive officer is decided by the Compensation Committee based on the following policies.

■ Director remuneration

Director remuneration is paid in a fixed amount commensurate with the position, corporate conditions and other factors.

■ Corporate executive officer remuneration

Remuneration for corporate executive officers consists of a fixed compensation determined according to role and other attributes, and a performance-linked compensation as an incentive to increase earnings of the Company. The fixed compensation payment is set at an amount commensurate with the responsibilities of the role and conditions at MCHC, among other factors. Performance-linked compensation is made in consideration of the Company's performance in the previous fiscal year, the state of business execution, and their degree of contribution. Performance-linked compensation consists of stock options so that corporate executive officers share the benefits and risks from share price fluctuations, the same as shareholders.

In fiscal 2014, MCHC was a company with a Board of Corporate Auditors, and paid the following compensation to its directors and corporate auditors.

Category	Remuneration	
	Number of People	Amount (Millions of yen)
Directors	10	235
Corporate auditors	7	114
Total	17	349

Notes 1. In addition to the aforementioned remuneration paid to directors and corporate auditors, directors and corporate auditors who concurrently serve as executives of MCHC subsidiaries received the following remuneration from those subsidiaries — Directors: ¥269 million; Corporate auditors; ¥17 million.
2. Directors' monthly compensation is not to exceed ¥30 million per month and, under a separate framework, compensation from stock options is not to exceed ¥80 million annually.
3. Corporate auditors' remuneration shall not exceed ¥11 million per month.

Independent Auditor Remuneration

To ensure the independence of independent auditors, compensation for non-auditing affairs shall not be excessive in comparison to that for auditing affairs.

Category	Compensation for Auditing Affairs (Millions of yen)	Compensation for Non-auditing Affairs (Millions of yen)
MCHC	42	191
Consolidated subsidiaries	760	89

Reflecting Opinions of Outside Experts in Group Management

The KAITEKI Institute promotes research into and surveys of social trends. It has an advisory board composed of outside experts with various knowledge of world affairs, and provides outlooks and advice about future trends. Considering these views, MCHC creates new business concepts to satisfy the needs of future society, such as for solving global environmental problems and social issues, with the ultimate aim of commercializing these concepts as a business in the MCHC Group.

Response to the Corporate Governance Code

The Corporate Governance Code was drawn up as a guideline for companies to achieve sustainable growth and improve corporate value over the longer term. MCHC has long worked to strengthen corporate governance, such as by appointing outside directors and directors of foreign nationalities, and is redoubling these efforts through its transition into a company with a nominating committee, etc.

For example, the code recommends companies improve the fairness and transparency in the decision-making process for appointing board members and setting their remuneration. At MCHC, the Nominating Committee and the Compensation Committee make these decisions with a majority of their members being outside directors. In principle, the Board of Directors delegates authority to corporate executive officers to make business execution decisions to separate supervision and business execution responsibilities.

Message from an Outside Member of the Board

Takeo Kikkawa
Outside Member of the Board

Last year, my second year as an outside director, I visited our key business sites in Europe and the Middle East. These trips convinced me that the MCHC Group has been making steady progress on its global business strategies, and I became more aware of the differences in corporate governance in each region. I also had several opportunities to learn from our overseas business sites, such as contributing to local communities and promoting diversity in the workplace. Full-scale overseas development is a vital issue for not only the MCHC Group, but for all companies, that cannot be sidestepped in the pursuit of growth strategies and genuine global business development. In corporate governance, I believe it is important to take the best practices in Japan and spread them overseas, and learn from initiatives taken overseas to further our efforts in Japan. From the standpoint of improving shareholder value as well, I will continue to focus on the global implementation of corporate governance for the MCHC Group.

Risk Management

The MCHC Group defines risks as potential events that could, during the course of corporate activities, undermine public trust in or the corporate value of the MCHC Group. We identify, evaluate and analyze risks and prevent materialization of significant risks. We take measures to minimize the personal, economic and social damage arising in case of materialization.

Risk Management System

Under this basic approach to risk management, MCHC has compiled the MCHC Group Risk Management Basic Rule, and has in place a risk management framework covering the whole Group. In line with the basic policy and procedures for risk management at the MCHC Group, major matters relating to risk management are discussed by the Management Committee. Decisions are made by the President of MCHC, who is responsible for the entire Group's risk management. From time to time, reports on risk status are submitted to the Board of Directors, and decisions are made by the Board of Directors regarding particularly significant issues.

The Internal Control Office serves as the risk management secretariat. The corporate executive officer in charge of the Internal Control Office assists the President, and deals with all kinds of risk management across the board. We take measures to ensure that employees of the MCHC Group follow risk management rules and work to prevent risk materialization at all times in the operations for which they are themselves responsible. In the event of a major incident, they are encouraged to promptly submit reports to the department in charge of risk management through their superior.

Risk Management Process

At the MCHC Group, risks are identified, analyzed and evaluated from the three perspectives, and we take measures for each kind of risk.

■ Risks to be identified by individual departments

Identification of risks is undertaken each year at every company of the Group. It includes consideration of frequency and degree of impact from the personal, economic and public reputational perspectives. Risks revealed in this process are graded according to significance, and appropriate measures are taken by the management of the department responsible.

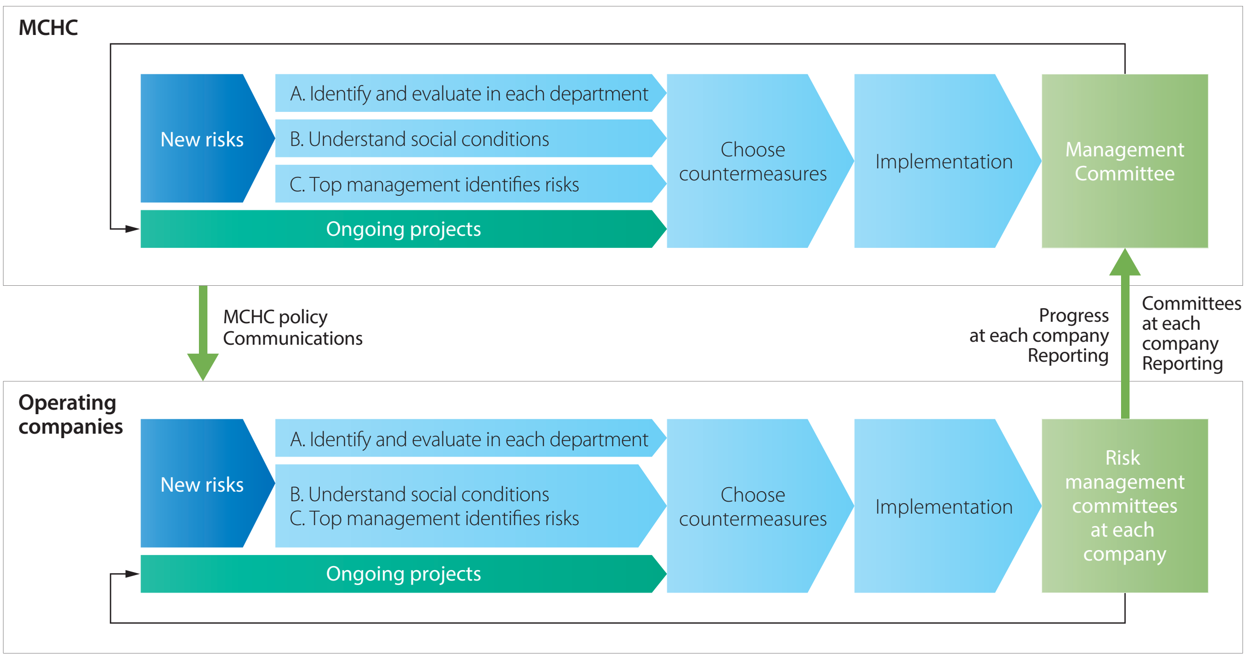
■ Risks of current concern in social situation

We pre-assume certain risks, such as political and social risks in each country and global warming, while keeping an eye on rapidly changing social trends. We take a range of measures to prepare ourselves for materialization of such risks within the MCHC Group.

■ Risks pre-assumed by top management

With regard to the execution of business and duties under their management, the top management at MCHC indicates the appropriate measures to be taken in their departments to deal with any risk that could have a major impact on Group operations, taking the two categories above into account.

Risk Management Process



Major Risks Facing the MCHC Group

Through the risk management process, MCHC has isolated the following categories of risk as warranting priority measures. After identification of such risks, we take measures to avoid their incidence or to minimize the resulting damage if the risks materialize.

■ Compliance violations

In order to entrench compliance within the Group, MCHC and its operating companies have compiled rules and standards, such as the MCHC Group Charter of Corporate Behavior, published a compliance guidebook, provided education, training and seminars on compliance, performed audits, and operated a compliance hotline. At overseas Group companies as well, we endeavor to strengthen compliance by compiling rules and codes of conduct in accordance with the laws, regulations and social norms of each country.

■ Accidents in our facilities and injuries in the workplace

Each MCHC Group operating site endeavors to prevent facility-related accidents by ensuring the soundness of facilities and equipment and the proper operation through their appropriate maintenance as well as extensive education and training of their operators. If an accident occurs, the Group works to avoid recurrence by analyzing the cause, taking countermeasures, and verifying their effectiveness through inspections or maintenance patrols. Moreover, the Group works to prevent accidents by applying these countermeasures laterally to similar facilities and equipment or operations.

■ Information security breaches

MCHC has formulated an Information Security Policy in order to protect its information systems and assets from internal and external threats, with the aim of maintaining and improving the corporate value. We have established the Information Security Committee according to this policy and charged it with reinforcing the management of information security at our business sites inside and outside Japan. We periodically conduct educational and training sessions for all employees including those overseas on our Information Security Policy to ensure employee awareness and compliance with the policy.

■ Overseas business development risks

As Group companies become more active overseas, we have created the Global Risk Map as a collection of publically available case studies of significant problems and legal violations that have occurred in each country, to prevent lapses in awareness of the serious risks related to the particular laws, regulations and systems of the country in which they do business. We distribute this publication to Group companies overseas. We aim to enhance the content of the publication by increasing the number of countries covered. In addition, we have established a communications system for local companies, the head offices of operating companies, and MCHC to use in the event of disruption in the country, such as political turmoil.

■ Natural disasters

Learning lessons from the Great East Japan Earthquake in 2011, which damaged a number of our business sites and facilities, MCHC has made improvements to its business continuity plan (BCP). In the event that it is impossible to continue operations in Tokyo where the head office of MCHC is located, we have made plans to transfer head office functions to a temporary backup site with the aim of minimizing damage and ensuring business continuity in a disaster situation. We are examining ways to maintain the procurement of raw materials and the responsibilities for supply products by procuring from several suppliers as a part of business continuity planning.

Compliance

The MCHC Group recognizes the word "Compliance" as a broader definition covering corporate ethics and general social norms, not staying at basic legal adherence. We regard compliance as the most important managerial issue to remain a company that earns the trust of the public and we take measures to ensure full compliance awareness.

Compliance Promotion Structure

The Chief Compliance Officer (CCO) of the Group is appointed by the Board of Directors of MCHC. The Internal Control Office supports the CCO, acting as a secretariat dealing with compliance matters on a Group-wide basis. To support Group activities, the secretariat compiles joint education tools, has established hotline systems and arranges training courses for overseas Group companies. Major individual operating companies have set up Compliance Promotion Committees and internal control promotion departments at each company to serve as secretariats. We also aim to ensure compliance to adapt to regional conditions through the regional control companies established in North America, Europe and China. Each major operating company has its own Compliance Promotion Committee and internal control promotion department to serve as the secretariat. They operate hotline systems and arrange training courses and seminars, business audits and compliance perception surveys based on the Group basic compliance regulations. The company that caused compliance violations should report to and consult with its internal control promotion departments and Internal Control Office of MCHC and take corrective actions and measures to prevent recurrence.

* CCO: Chief Compliance Officer

Measures and Outcomes in Fiscal 2014

In fiscal 2014, MCHC strengthened its compliance promotion systems in Asia, which has a diverse mix of business customs and legal systems. Specifically, we distributed to each Group company a package of internal control standards that show how to establish its own compliance systems appropriately, and we designated leaders to advance compliance measures in each country in Asia. We also worked to ensure an awareness of compliance among employees in the Asia region by setting up a Group-wide hotline system and training local employees.

To promote compliance awareness on an ongoing basis, as a monitoring tool, we conduct a compliance perception survey every year in Japan for all employees belonging to the MCHC Group. Based on the results of the survey performed in fiscal 2014, we understand that awareness of compliance remains at a high level among our employees. We aim to increase the level of awareness further by proactively trying to improve awareness with the goal of creating a work place environment where employees feel comfortable to speak their opinion. In China and other regions of Asia, we have expanded to scope of this awareness survey, which was first conducted in fiscal 2013, and we are analyzing the results of the surveys to improve activities that ensure awareness of compliance. We intend to further promote compliance as a Group while leveraging our network of information sharing across Japan, the Americas, Europe, China and other regions.

Compliance training

Initiatives for Fair Business Practices

On April 1, 2014, we compiled the Mitsubishi Chemical Holdings Group Global Anti-Bribery Policy and the Mitsubishi Chemical Holdings Group Global Antitrust Policy. And we have been drawing up guidelines to supplement the Global Anti-Bribery Policy. As a result of these initiatives, there were no major violations of relevant laws and regulations during fiscal 2014. MCHC will continue to take measures to ensure not only legal adherence in each country, but also to prevent bribery and violations of antimonopoly law, from a global perspective.

Hotline System

The Group operates hotline systems with the internal control promotion departments of MCHC and major operating companies, and external lawyers as contact points. In fiscal 2014, 128 cases* were reported via the hotline system. We responded through our investigation teams headed by the internal control promotion department managers and took prompt corrective measures under the direction of the CCO when issues were identified.

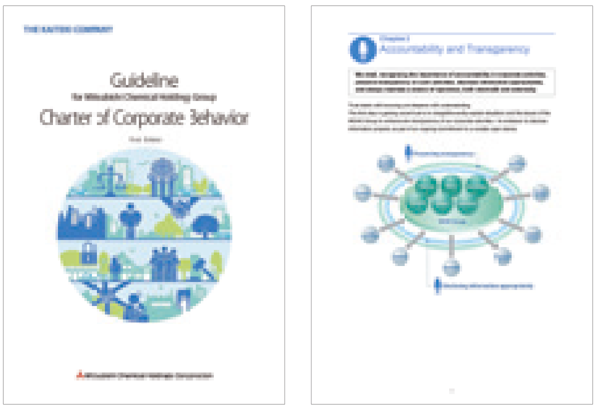
* Excludes consultations at desks set up individually at subsidiary companies of major operating companies

Highlights

Initiatives to spread our philosophy and vision within the Group

Create and Spread the Guideline for the MCHC Group Charter of Corporate Behavior to Realize Our Vision

The MCHC Group Charter of Corporate Behavior was written to guide our behavior as a company in line with our vision for THE KAITEKI COMPANY and move toward the realization of *KAITEKI* while addressing the needs and expectations of society. To further deepen the understanding of our employees of the content and background to the creation of the MCHC Group Charter of Corporate Behavior, in fiscal 2014 we formulated the Guideline for the Charter of Corporate Behavior. This Guideline for Charter of Corporate Behavior is designed to make the Charter of Corporate Behavior more accessible to employees by explaining each item and giving examples of initiatives. In fiscal 2015, we plan to instill a deeper understanding of the Charter by updating educational tools including online training.



Guideline for MCHC Group Charter of Corporate Behavior

Promote Sharing the Vision within the Group

The MCHC Group is redoubling efforts to share its concept of realizing the *KAITEKI* vision and the current state of initiatives. In fiscal 2014, we held meetings to exchange opinions and training seminars in the U.S., Europe and China with around 600 employees attending. In Japan, we took advantage of opportunities to directly engage with employees at new recruit training sessions and management training sessions while holding poster sessions at business sites.

To evaluate these activities, every year we conduct an employee awareness survey for all employees at our operating companies. With a response rate of 92.1% in fiscal 2014, we learned that employees have a solid understanding of management's policies and plans.

Internal bulletin display

A *KAITEKI* training session in the U.S.

Monitoring via Employee Awareness Surveys

The MCHC Group monitors the degree of employee awareness of its vision and management policies, work motivation and satisfaction, and participation in self-education programs through employee awareness surveys conducted each year for all employees. With the understanding that human resources are key to our sustainable growth as a corporation, we are building systems to train employees and invigorate our organizations based on the results of the awareness survey.

Study session for young employees

Dialog with Shareholders and Investors

MCHC strives to maintain transparency in its corporate activities through the appropriate disclosure to shareholders, investors, and analysts. Furthermore, to understand the MCHC Group's business more, we create various opportunities to interact with them.

Measures to Promote Constructive Dialog with Shareholders and Investors

Activity	Content	Fiscal 2014 Results
General Meeting of Shareholders	In fiscal 2014, MCHC submitted its business report and consolidated financial statements, along with proposals for (1) the allocation of surplus funds, (2) partial amendments to the Articles of Incorporation, and (3) the nomination of 13 directors. We received a total of 14 questions and requests from shareholders, such as about the progress of next-generation growth businesses and ROE.	Held on June 24, 2015 Attendance: 1,677 people (Reference: 1,049 attended in 2014)
For institutional investors and analysts	We held a business briefing and explained our medium-term management plan as well as specific strategies and progress for major businesses.	2 briefings
	We held an online conference at the time of our financial-results announcement.	4 conferences
For overseas investors	The Company's investor relations executive officer and other managers conducted overseas road shows in Europe, North America and Asia.	48 meetings
For individual investors	We held briefings for individual investors (sponsored by securities firms) and explained current business conditions and future business developments, among other matters.	9 briefings

Inclusion in SRI Indices (as of July 31, 2015)

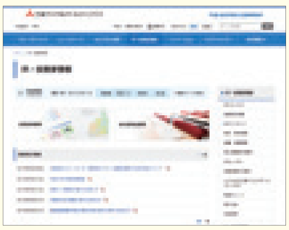
MCHC strives to enhance its reputation through inclusion in socially responsible investment (SRI) indices, which serve as a checklist of companies working to improve sustainability, with the understanding that these indices are used to evaluate companies and represent a condensed view of social needs and expectations.

MEMBER OF
Dow Jones Sustainability Indices
In Collaboration with RobecoSAM

MS-SRI

FTSE4Good

Please visit our Investor Center website: http://www.mitsubishichem-hd.co.jp/english/



On MCHC's website, the Investor Center section is designed to provide important management information to shareholders, investors and other stakeholders concerning management policies, business strategies and financial data in an easy-to-understand format and on a timely, fair and ongoing basis.

In April 2014, MCHC updated the design of its website with the idea of making it easier to understand and use, while reviewing the flow and enhancing the content of the site. We redesigned the web pages so users can quickly find the information they need, for example by placing the most frequently accessed information at the top of the main page, such as operating summaries and analyst meeting materials. In addition, we expanded information for individual investors and created a new section called Mitsubishi Chemical Holdings at a Glance with a condensed, easy-to-understand view of the businesses, performance and strengths of the MCHC Group. In recognition of these efforts in fiscal 2014, MCHC was given the Internet IR Commendation Award 2014 by Daiwa Investor Relations Co., Ltd. MCHC positions its website as a key means of communicating with its stakeholders, and will continue to keep information up to date, such as by enhancing the delivery of messages from top management.

Internet IR Commendation Award 2014
Daiwa Investor Relations

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Message from the CFO

Under the next medium-term management plan, MCHC aims to improve profitability and expand growth businesses, and appropriately allocate the funds generated by these businesses for further growth investments, shareholder returns, and fortifying its financial position.

Kenkichi Kosakai
Representative Corporate Executive Officer, Senior Managing Corporate Executive Officer, CFO

Financial Strategy

Management plans to proactively invest in growth to enhance corporate value while aiming for greater stability by strengthening the financial position.

Clearly positioning ROE (ROIC for internal controls) as its key performance indicator, MCHC manages cash flow with an emphasis on efficiency, proactively increasing profitability in each business by thoroughly screening decisions based on capital efficiency while aiming to take an asset light approach. We allocate the funds generated by our operations in a balanced way for investments, shareholder returns and enhancing our financial soundness. Management aims to lower the net D/E ratio to below 1x at an earlier stage.

Shareholder Returns

MCHC's basic policy on shareholder returns is to "enhance shareholder value by improving corporate value." Under the current medium-term management plan, we aim to enhance shareholder returns based on consolidated business performance through the stable payment of dividends, aiming for a consolidated payout ratio of at least 30% of profit levels over the medium term while duly considering requirements for internal reserves, a key source of funds for future business development. Based on this policy, MCHC paid a dividend of ¥13 per share in fiscal 2014 to reflect growth in earnings, an increase of ¥1 per share compared to the previous fiscal year. MCHC plans to pay a dividend of ¥14 per share in fiscal 2015. The Company aims to reinforce its earnings capabilities and increase shareholder value.

Constructive Dialog with Shareholders and Investors

Management proactively engages in dialog with shareholders and investors through investor relations activities, including briefings for institutional investors (business briefings, teleconferences about operating results, overseas roadshows) and meetings for individual investors, in addition to disclosing investor relations information and other data in reports combining financial and non-financial information, as well as shareholder newsletters and on the Company's website. This information includes progress on medium-term plans, operating results, and updates on corporate governance.

We value the opinions we obtain through our dialog with shareholders and investors, feed these back to management members and strive to reflect these opinions in our operations and management practices.

Adoption IFRS

The MCHC Group plans to voluntarily adopt International Financial Reporting Standards (IFRS) in the fiscal year ending March 31, 2017.

Consolidated Financial Summary

Mitsubishi Chemical Holdings Corporation and Consolidated Subsidiaries
Years ended March 31

	Millions of yen						Thousands of U.S. dollars
	2015	2014	2013	2012	2011	2010	**2015**
For the Year:							
Net sales	**¥3,656,278**	¥ 3,498,834	¥3,088,577	¥3,208,168	¥3,166,771	¥2,515,079	**$30,468,983**
Operating income	**165,681**	110,460	90,241	130,579	226,493	66,342	**1,380,675**
Income before income taxes and minority interests in consolidated subsidiaries	**165,621**	116,594	82,900	127,474	169,552	43,311	**1,380,175**
Net income	**60,859**	32,248	18,596	35,486	83,581	12,833	**507,158**
Total comprehensive income	**173,692**	134,016	94,900	64,199	86,742	37,513	**1,447,433**
Capital expenditures	**165,057**	133,339	132,221	116,145	117,806	119,025	**1,375,475**
Depreciation and amortization	**151,253**	131,571	129,549	145,695	148,697	129,574	**1,260,442**
R&D expenditures	**132,217**	134,260	134,723	138,545	130,825	136,863	**1,101,808**
Net cash provided by operating activities	**329,776**	177,027	206,504	217,954	288,853	116,073	**2,748,133**
Net cash used in investing activities	**(277,223)**	(159,789)	(169,758)	(63,404)	(101,064)	(327,006)	**(2,310,192)**
Net cash provided by (used in) financing activities	**(2,061)**	(8,307)	(26,250)	(164,146)	(149,493)	94,437	**(17,175)**
At Year-End:							
Total assets	**4,323,038**	3,479,359	3,307,758	3,173,970	3,294,014	3,355,097	**36,025,317**
Property, plant and equipment	**1,498,146**	1,118,050	1,061,551	1,032,738	1,088,369	1,167,073	**12,484,550**
Short-term and long-term debt	**1,603,595**	1,258,186	1,198,799	1,164,128	1,304,589	1,454,126	**13,363,292**
Total net assets	**1,588,601**	1,314,870	1,203,316	1,144,954	1,114,003	1,032,865	**13,238,342**
	Yen						U.S. dollars
Per Share:							
Net income—Basic	**¥ 41.40**	¥ 21.89	¥ 12.61	¥ 24.06	¥ 58.72	¥ 9.32	**$ 0.35**
Net assets	**669.77**	611.95	553.54	522.77	514.30	490.99	**5.58**
Cash dividends	**13.00**	12.00	12.00	10.00	10.00	8.00	**0.11**
Ratios:							
Return on assets (ROA) (%)	**4.2**	3.4	2.6	3.9	5.1	1.4	—
Return on equity (ROE) (%)	**6.4**	3.7	2.3	4.6	11.6	1.9	—
Shareholders' equity ratio (%)	**22.6**	25.8	24.6	24.2	23.0	20.0	—

Notes: 1. U.S. dollar amounts are converted from yen, for convenience only, at the rate of ¥120 = U.S.$1.00, the approximate exchange rate prevailing on March 31, 2015.
2. Financial results of Mitsubishi Rayon Co., Ltd. are included only from the fiscal year ended March 31, 2011.
3. ROA is calculated as income before income taxes and minority interests in consolidated subsidiaries divided by average total assets.
4. ROE is calculated as net income divided by average shareholders' equity.
5. Shareholders' equity, when used in the calculation of ROE and shareholders' equity ratio, represents the sum of total shareholders' equity and total accumulated other comprehensive income.

Segment Information

Mitsubishi Chemical Holdings Corporation and Consolidated Subsidiaries
Years ended/as of March 31

The Overview of Reporting Segments is detailed in Note 19 (Segment Information).

	Net Sales*			Segment Earnings		
	Millions of yen		Thousands of U.S. dollars	Millions of yen		Thousands of U.S. dollars
REPORTING SEGMENT	**2015**	2014	**2015**	**2015**	2014	**2015**
Electronics Applications	**¥ 118,752**	¥ 133,675	**$ 989,600**	**¥ (2,725)**	¥ (5,519)	**$ (22,708)**
Designed Materials	**811,399**	799,130	**6,761,658**	**56,090**	47,476	**467,417**
Health Care	**531,933**	523,056	**4,432,775**	**77,012**	67,300	**641,767**
Chemicals	**1,139,395**	955,088	**9,494,958**	**9,161**	710	**76,342**
Polymers	**834,608**	858,435	**6,955,067**	**26,764**	2,307	**223,033**
Others	**220,191**	229,450	**1,834,925**	**6,462**	5,675	**53,850**
Subtotal	**3,656,278**	3,498,834	**30,468,983**	**172,764**	117,949	**1,439,700**
Corporate costs	**—**	—	**—**	**(7,083)**	(7,489)	**(59,025)**
Total	**¥3,656,278**	¥3,498,834	**$ 30,468,983**	**¥ 165,681**	¥110,460	**$1,380,675**

* Inter-segment sales and transfers are not included.

	Segment Assets			Depreciation and Amortization		
	Millions of yen		Thousands of U.S. dollars	Millions of yen		Thousands of U.S. dollars
REPORTING SEGMENT	**2015**	2014	**2015**	**2015**	2014	**2015**
Electronics Applications	**¥ 117,474**	¥ 116,108	**$ 978,950**	**¥ 6,134**	¥ 5,677	**$ 51,117**
Designed Materials	**837,350**	819,837	**6,977,917**	**39,864**	38,534	**332,200**
Health Care	**1,050,987**	1,023,152	**8,758,225**	**15,712**	15,969	**130,933**
Chemicals	**1,435,730**	670,909	**11,964,417**	**47,346**	28,005	**394,550**
Polymers	**801,479**	799,640	**6,678,992**	**37,163**	38,390	**309,692**
Others	**612,048**	663,686	**5,100,400**	**3,244**	3,161	**27,033**
Subtotal	**4,855,068**	4,093,332	**40,458,900**	**149,463**	129,736	**1,245,525**
Corporate assets and eliminations	**(532,030)**	(613,973)	**(4,433,583)**	**1,790**	1,835	**14,917**
Total	**¥ 4,323,038**	¥ 3,479,359	**$36,025,317**	**¥ 151,253**	¥131,571	**$ 1,260,442**

	Increase in Tangible and Intangible Fixed Assets*			R&D Expenditures		
	Millions of yen		Thousands of U.S. dollars	Millions of yen		Thousands of U.S. dollars
REPORTING SEGMENT	**2015**	2014	**2015**	**2015**	2014	**2015**
Electronics Applications	**¥ 5,889**	¥ 6,678	**$ 49,075**	**¥ 8,251**	¥ 9,085	**$ 68,758**
Designed Materials	**53,354**	51,183	**444,617**	**21,083**	22,456	**175,692**
Health Care	**24,608**	20,307	**205,067**	**80,465**	80,440	**670,542**
Chemicals	**45,632**	25,517	**380,267**	**4,018**	3,350	**33,483**
Polymers	**29,325**	25,493	**244,375**	**12,883**	14,127	**107,358**
Others	**3,854**	3,226	**32,117**	**753**	596	**6,275**
Subtotal	**162,662**	132,404	**1,355,517**	**127,453**	130,054	**1,062,108**
Corporate R&D and other	**2,395**	935	**19,958**	**4,764**	4,206	**39,700**
Total	**¥165,057**	¥133,339	**$1,375,475**	**¥ 132,217**	¥134,260	**$ 1,101,808**

* "Increase in Tangible and Intangible Fixed Assets" is equivalent to "Capital Expenditures."

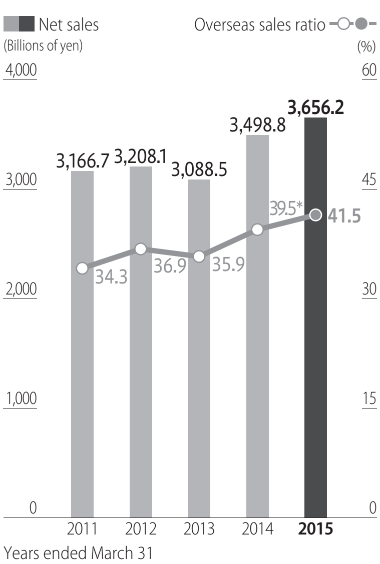
	Employees	
	Number	
REPORTING SEGMENT	**2015**	2014
Electronics Applications	2,719	2,853
Designed Materials	16,929	16,278
Health Care	12,886	13,672
Chemicals	17,961	4,786
Polymers	8,219	7,973
Others	8,730	9,581
Subtotal	67,444	55,143
Corporate R&D and other	819	888
Total	68,263	56,031

	Net Sales		
	Millions of yen		Thousands of U.S. dollars
GEOGRAPHIC SEGMENT	2015	2014	2015
Japan	¥ 2,534,691	¥ 2,415,180	$ 21,122,425
Overseas	1,121,587	1,083,654	9,346,558
Total	¥ 3,656,278	¥ 3,498,834	$ 30,468,983

	Operating Income		
	Millions of yen		Thousands of U.S. dollars
GEOGRAPHIC SEGMENT	2015	2014	2015
Japan	¥ 140,662	¥ 103,624	$ 1,172,183
Overseas	25,019	6,836	208,492
Total	¥ 165,681	¥ 110,460	$ 1,380,675

	Millions of yen		Thousands of U.S. dollars
OVERSEAS SALES	2015	2014	2015
Overseas sales	¥1,519,083	¥1,467,218	$12,659,025
Overseas sales as a percentage of consolidated net sales	41.5%	41.9%	—

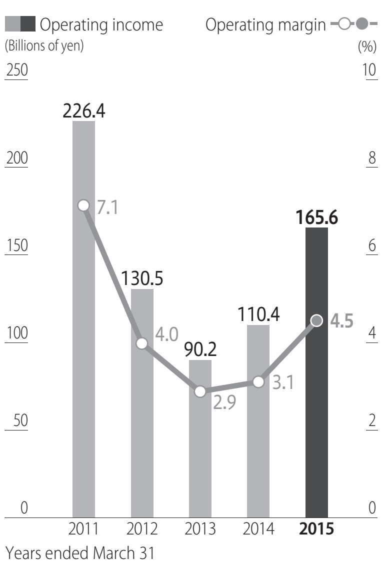
Net Sales and Overseas Sales Ratio



Years ended March 31

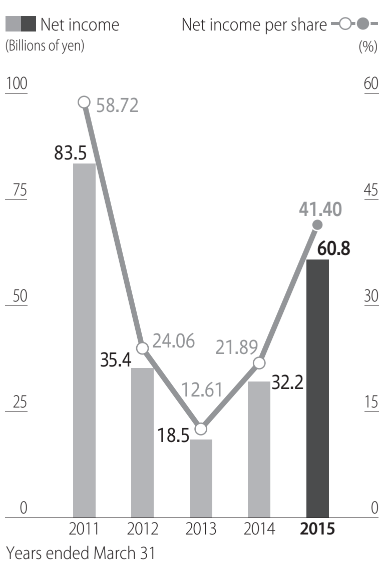
* Excluding impact of ¥145.6 billion as a result of unifying accounts

Operating Income and Operating Margin



Years ended March 31

Net Income and Net Income per Share



Years ended March 31

Management's Discussion and Analysis

The Consolidated Accounting Period under Review

Performance Overview

In fiscal 2014, ended March 31, 2015, the Japanese economy generally performed well. This reflected a gradual economic recovery as corporate earnings trended upward in a strong export climate that resulted from a correction in the high yen. Global economy also performed well while growth in the Chinese and other emerging economies slow down, the economies of the United States and other advanced nations headed toward turnarounds.

The business climate was generally strong for the Mitsubishi Chemical Holdings Group, particularly its Performance Products domain (encompassing the Electronics Applications and Designed Materials segments). The Industrial Materials domain (Chemicals and Polymers segments) experienced inventory valuation losses from plunging raw materials and fuel costs but benefited from growing gaps between raw materials costs and product prices. Notwithstanding business conditions remaining adverse owing to the impact of drug price revisions in April 2014, expanded generic drug use, and other factors, the Health Care domain (Health Care segment) enjoyed increased sales of new pharmaceuticals and higher royalty revenues from products licensed out overseas.

In keeping with APTSIS 15, a five-year medium-term management plan ending in fiscal 2015, the Group transformed its operations in several ways. Developments included making industrial gas producer Taiyo Nippon Sanso Corporation a consolidated subsidiary, establishing Life Science Institute, Inc., and bolstering healthcare solutions businesses. The Group overhauled its ethylene plants as part of efforts to restructure its petrochemicals businesses. It accelerated operational development by making extensive investments and acquisitions in the promising methyl methacrylate monomer, carbon fiber, and other businesses. The group also strengthened its comprehensive capabilities by building synergies between business units and deployed group wide initiatives that included cutting costs and shrinking assets.

Net sales therefore increased ¥157.4 billion, to ¥3,656.2 billion. Operating income climbed ¥55.2 billion, up to ¥165.6 billion. Net income gained ¥28.6 billion, to ¥60.8 billion.

Results of Operations

Net Sales and Operating Income

Net sales rose ¥157.4 billion, to ¥3,656.2 billion, partially because of reflecting the consolidation of Taiyo Nippon Sanso in the third quarter of the year.

Operating income was up ¥55.2 billion, up to ¥165.6 billion.

See business performance on page xx for sales and operating income by segment.

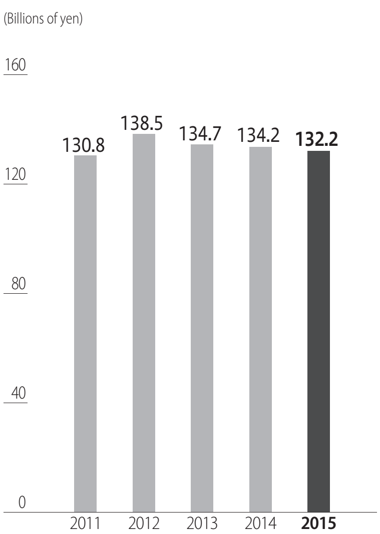
The operating margin was 4.5%, up from 3.1% a year earlier.

Other Income and Expenses

Interest income was ¥3.2 billion; dividend income was ¥8.8 billion. Together, these income sources were ¥2.2 billion higher than a year earlier, largely because of a rise in dividend income. Interest expense was ¥17.5 billion, up ¥1.2 billion. Net financial expenses therefore declined ¥1.0 billion to ¥5.4 billion.

The company posted a ¥3.8 billion gain on equity in earnings of affiliates, compared with a ¥0.3 billion loss a year earlier.

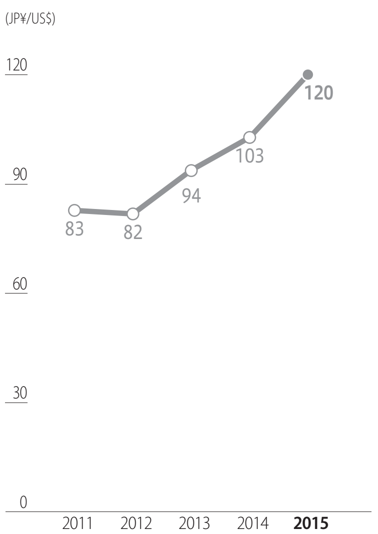
R&D Expenditures



Years ended March 31

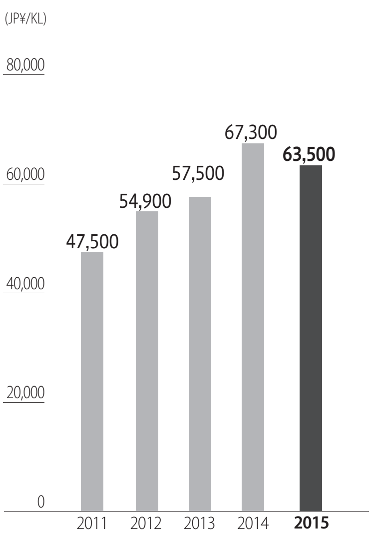
Reference

Foreign Exchange (Exchange rate at each fiscal year-end)



As of March 31

Domestic Naphtha Average Price of Each Fiscal Year*



Years ended March 31 *MCHC calculated values

Net foreign exchange gains were ¥8.3 billion, down ¥2.8 billion. Additional components of other income included a net gain on step acquisitions of ¥34.1 billion and a ¥13.0 billion gain on sales of noncurrent assets. Other expenses included a ¥31.1 billion impairment loss, and a ¥7.7 billion provision for prospective loss on removal of fixed assets. Note 3 (Impairment Losses) presents the main components of impairment losses.

As a result of these factors, income before income taxes and minority interests in consolidated subsidiaries was ¥165.6 billion, up ¥49.0 billion.

Income Taxes, Minority Interests in Income, and Net Income

Tax expenses for the year under review totaled ¥69.1 billion, comprising ¥60.4 billion in current income taxes and ¥8.6 billion in deferred income taxes. The effective rate after applying tax effect accounting was 41.8%, or 6.2% higher than the statutory tax rate. The main factor in this difference was losses at a company not applying tax-effect accounting. Details as presented in Note 15 (Income Taxes).

Minority interests in consolidated subsidiaries were ¥35.5 billion, up ¥7.5 billion.

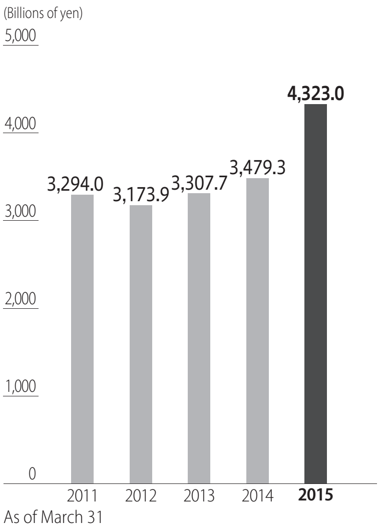
Net income thus increased ¥28.6 billion, to ¥60.8 billion.

R&D Expenditures

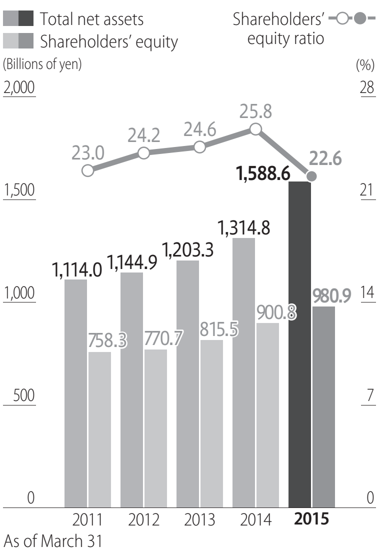
Group companies maintain independent R&D programs and collaborate with each other by sharing technology and market information, and conducting joint research. They are also working closely with businesses outside the Group to refine and develop technologies.

In fiscal 2014, consolidated R&D expenditures decreased ¥2.0 billion, or 1.5%, to ¥132.2 billion. There were 5,130 R&D employees at the close of the term.

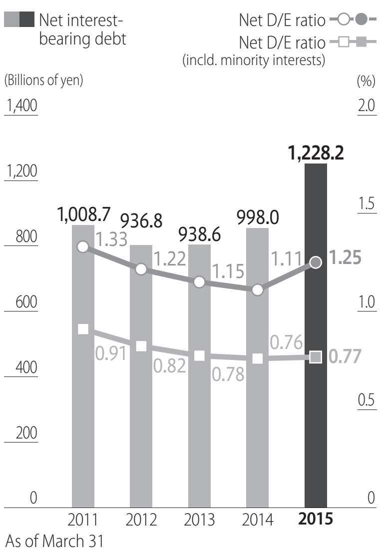
Total Assets



Total Net Assets, Shareholders' Equity, and Shareholders' Equity Ratio



Net Interest-bearing Debt, Net D/E Ratio, and Net D/E Ratio (incld. minority interests)



Liquidity and Sources of Funds

Financial Policies

The basic policy of *APTSIS 15*, MCHC's medium-term management plan, is to foster growth, innovation, and leap ahead by orchestrating the Group's strengths. MCHC established operating income, return on assets, the net debt-to-equity ratio, and the overseas sales ratio as basic benchmarks for this initiative. Key goals are to strengthen the Group by enhancing the Group's comprehensive strengths and financial position through restructuring.

MCHC funds working capital and capital expenditures largely by drawing on internal reserves, loans, and bonds. Furthermore, the Group deployed a cash management system to employ Group funds efficiently and cut financial expenses. Going forward, the Group will pursue Groupwide improvements in capital efficiency by consolidating Group fund procurement and management functions.

Financial Position

Assets

As of March 31, 2015, total assets stood at ¥4,323.0 billion, up ¥843.6 billion from a year earlier. This increase mainly reflected the conversion of equity method affiliate Taiyo Nippon Sanso into a consolidated subsidiary and an increase in the assets of overseas consolidated subsidiaries upon conversion to yen because of a weaker yen at the end of the year.

Cash and deposits were ¥236.1 billion, up ¥98.5 billion mainly because of the above mentioned consolidation of Taiyo Nippon Sanso.

Trade receivables were ¥759.8 billion, up ¥144.1 billion, mainly because of an increase from the above consolidated subsidiary.

Securities increased ¥15.2 billion, to ¥127.8 billion, because of increased management of surplus cash within the group.

Combined, net property, plant and equipment, goodwill, and other assets totaled ¥1,923.4 billion, up ¥508.8 billion, because of contributions from Taiyo Nippon Sanso and an increase in the assets of overseas consolidated subsidiaries upon conversion to yen because of a weaker yen at the end of the year.

Liabilities

At year-end, total liabilities were ¥2,734.4 billion, up ¥569.9 billion, for the reasons described above.

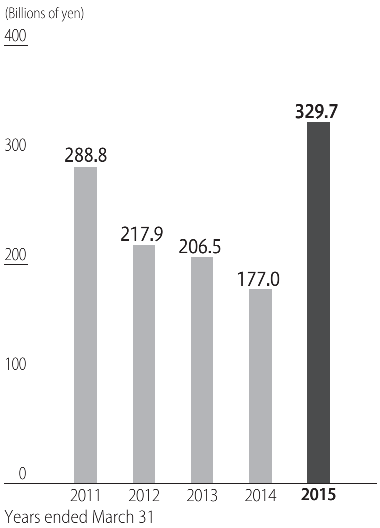
Trade payables increased ¥45.9 billion, up to ¥459.3 billion, owing to contributions from Taiyo Nippon Sanso.

Interest-bearing debt (excluding notes discounted) was ¥1,603.5 billion, up ¥345.4 billion. This increase reflected rises at Taiyo Nippon Sanso and additions at overseas consolidated subsidiaries upon conversion to yen because of a weaker yen at the end of the year.

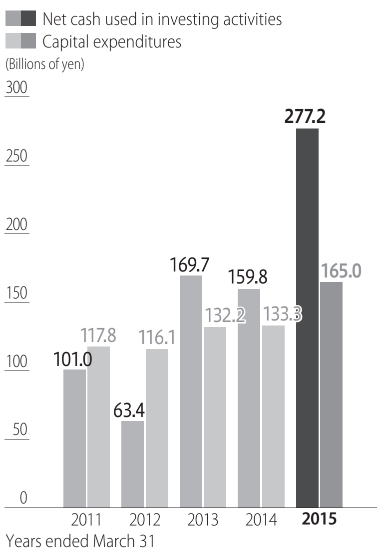
Accrued income taxes were ¥36.2 billion, up ¥14.5 billion, reflecting higher net income and additions from Taiyo Nippon Sanso.

Deferred tax liabilities were ¥96.3 billion, up ¥62.3 billion, as a result of the consolidation of Taiyo Nippon Sanso. Details as presented in Note 15 (Income Taxes).

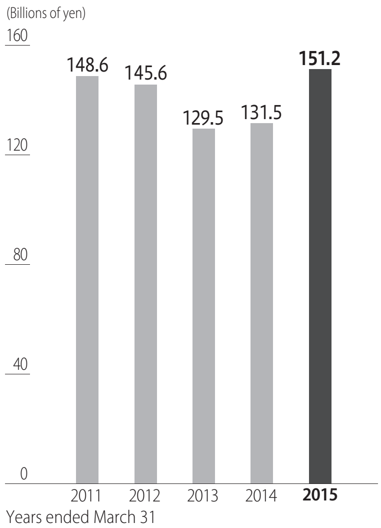
Net Cash Provided by Operating Activities



Net Cash Used in Investing Activities, Capital Expenditures



Depreciation and Amortization



Net Assets

Net assets were ¥1,588.6 billion, up ¥273.7 billion. Key factors in this rise included a foreign currency translation adjustment of ¥59.9 billion, up ¥34.3 billion, as the yen was weaker at year-end than 12 months earlier and a ¥193.5 billion increase in minority interests in consolidated subsidiaries, to ¥607.1 billion, as a result of the consolidation of Taiyo Nippon Sanso. Also, additional driver was a ¥19.5 billion increase in the net unrealized holding gain on other securities, to ¥40.3 billion, because of the increased market valuations of those instruments.

The shareholders' equity ratio accordingly decreased 3.2 percentage points, to 22.6%.

Cash Flows

Cash Flows from Operating Activities

Net cash provided by operating activities was ¥329.7 billion, up ¥152.7 billion, reflecting the impact of ¥165.6 billion in income before income taxes and minority interests in consolidated subsidiaries and depreciation and amortization, as well as a reduction in inventories owing to lower raw material costs.

Cash Flows from Investing Activities

Net cash used in investing activities was ¥277.2 billion, up ¥117.4 billion. This reflected outflows from capital expenditures and from acquisitions of marketable securities and payment for investments in the capital of Taiyo Nippon Sanso as part of its consolidation.

Cash Flows from Financing Activities

Net cash used in financing activities was ¥2.0 billion, down ¥6.2 billion. This reflected outflows to repay long-term debts and dividends, outweighing inflows from short-term debt.

As a result of these factors, free cash flow, comprising cash flows from operating and investing activities, was ¥52.5 billion, up ¥35.3 billion. Cash and cash equivalents stood at ¥243.0 billion, up ¥63.4 billion, reflecting a ¥11.8 billion effect of exchange rate changes on cash and cash equivalents, in addition to the above-mentioned factors.

Capital Expenditures

Capital expenditures for the fiscal year ended March 31, 2015, were ¥165.0 billion, an increase of ¥31.7 billion compared with the previous fiscal year. The majority of these expenditures were applied to construction of new or expanded facilities, renewal of existing facilities, and rationalization investments in other existing facilities.

The major new or expanded facilities include an expansion of production facility for ethylene-vinyl alcohol copolymer at Noltex L.L.C. (U.S.A), an air separation plant at Matheson Tri-Gas, Inc. (U.S.A), and a production facility for aluminum composite material at Mitsubishi Polyester Film GmbH (Germany).

Business Risks

The MCHC Group faces the following key risks, which could adversely affect its operating results and financial position. This section contains forward-looking statements based on information deemed relevant at March 31, 2015. The business risks presented are not all-encompassing. In recognition of exposure to risks such as those detailed below, the Group conducts risk assessments once a year. Based on these assessments, risk management systems are established and revised in consideration of the risks faced by specific businesses. In this manner, the Group is working to prevent the risks from occurring and minimize the impacts of such risks be realized.

Changes Affecting Operating Results

Many of the Group's products can be impacted by demand and product markets domestically and abroad; pricing and procurement volumes for crude oil, naphtha, utilities, and other raw materials and supplies; foreign exchange rates; and relevant laws and regulations. The principal assumed risks for each business domain are as follows.

(a) Performance Products Domain

These products must satisfy high-quality and performance requirements, and the Group must develop and supply them at the appropriate times to meet market needs. Group business results ("results") may be adversely affected if market needs change far more than the Group envisages, or if the Group is unable to ensure the timely supply of products that meet market needs, including issues with the availability of raw materials. If supply is interrupted for raw materials that can only be procured from certain areas or specific suppliers, then this could adversely affect results.

The Group outsources production of most information and electronics-related materials to other Asian manufacturers, so disasters or other issues with those facilities could disrupt the supply structure, adversely affecting results. Specifically, film and sheet products rely greatly on demand for liquid crystal display (LCD) panels, so drastic fluctuations in demand for LCD panels could adversely affect results.

(b) Health Care Domain

The results of the pharmaceuticals business are subject to the Group being unable to reach revenue and earnings targets by adequately expanding sales volumes of existing treatments or rationalizing operations in response to lower prices from periodic revisions in National Health Insurance prices of pharmaceuticals. Results are also subject to government policies in each country to constrain medical expenditures.

In general, lead times for drug research and development are far longer than in other industries, whereas the percentage of drugs receiving approval is not high. It is therefore difficult to produce accurate forecasts for the certainty or timing of commercialization. Results are thus subject to drugs not being commercialized as planned. Even where drugs are commercialized, results are subject to sales volumes being lower because of intensified competition with rival offerings, volumes declining on reports of new side effects when usage of these drugs becomes broad-based, or when approval is withdrawn.

Results are subject to supply disruptions on some raw materials for which the Group relies on external sources and can be influenced by an inability to secure adequate supplies of pharmaceuticals.

In clinical testing and diagnostic reagents and instruments, results can be affected by periodic revisions in medical treatment fees and drug price revisions. Results in these businesses are subject to the Group being unable to reach revenue and earnings targets by adequately expanding sales volumes of existing treatments or rationalizing operations in response to lower fees or prices. In the pharmaceutical intermediates and active pharmaceutical ingredients business and the capsules for pharmaceutical products, results are subject to lower sales volumes of customers' pharmaceuticals following revisions in National Health Insurance prices or patent expiries on customer products.

(c) Industrial Materials Domain

In this area, MCHC consumes large volumes of naphtha and other raw materials, and uses considerable amounts of electricity and steam in production processes. For those reasons, drastic fluctuations in the costs of naphtha, fuels, and other resources owing to changes in crude oil prices; the demand and supply balance for raw fuels or naphtha; or the impact of foreign exchange rates could adversely affect results if MCHC is not fully able to adjust its product prices, or if there are delays in such adjustments. MCHC relies on suppliers from certain areas for its raw fuels, and an inability to secure required fuels at the right times could adversely affect results. A worldwide recession or increased production capacity among rivals could adversely affect results if it becomes impossible to maintain the product demand and supply balance or MCHC is unable to generate revenues and earnings or reach goals that are commensurate with its capital expenditures.

MCHC relies heavily on certain business partners for some products in the Industrial Materials domain. For example, the coke business depends greatly on specific steelmakers, so if the steel output of those companies declines, such as because of dramatic fluctuations in the demand and supply of raw steel, the performances of such business partners could adversely affect MCHC's results.

(d) Others

The Group includes companies offering engineering and logistics services. Those companies secure some external orders. Significant fluctuations in demand within and outside the Group, or in market conditions worldwide, could adversely affect results.

(e) Overall Operations

The Group aims to grow, innovate, and leap ahead by orchestrating its strengths. It is therefore reinforcing its structure and implementing growth strategies (including to deliver high performance and added value), while cultivating innovative businesses. Changes in the economic or business climates (including social demands relating to climate change measures and other aspects of the environment) that are far greater than projected could adversely affect results.

The Group's broad overseas activities include exporting products and manufacturing around the world. Risks in countries or regions relating to Group businesses, notably of conflicts, civil wars, riots, demonstrations, deteriorating security, and other international geopolitical problems, unforeseeable issues with regulations, taxation, working conditions, customs, and other country risks, large-scale natural disasters, difficulties hiring and retaining employees, inadequate supplies from utilities or other infrastructural shortfalls, changes in the economic and financial climates, or other risks impacting specific countries or regions could adversely affect results.

Interest-Bearing Debt

The Group aims to balance its growth and innovation strategies with efforts to enhance its financial position. MCHC's results could be adversely affected in a situation where interest payments on interest-bearing debt rises, such as because interest-bearing debt increases, interest rates rise, or MCHC's credit rating declines owing to fluctuating Group performances. Results could also be adversely affected if it becomes essential to procure funds to upgrade facilities and the Group must obtain financing at unfavorable terms.

Risks Associated with Acquisitions, Mergers, or Restructuring

Results could be adversely affected if mergers, acquisitions, or joint ventures created in Japan or abroad to expand scale or overhaul MCHC's business portfolio fail to deliver anticipated synergies or other benefits, or if the Group's financial burden thereby increases or, if after mergers or acquisitions, the Group encounters new debt or other issues that it did not initially envisage. Other factors that could adversely affect results include reorganizations as part of business selection and concentration initiatives, through which MCHC withdraws from unprofitable businesses or liquidates affiliates.

Deferred Tax Assets

The Group records deferred tax assets for deductible temporary differences on tax loss carryforwards. Deferred tax assets are calculated based on various predictions and assumptions about future taxable income. If results differ from such predictions and assumptions, or if tax rates change in line with changes to the tax system, MCHC would need to recalculate deferred tax assets, which could adversely affect results.

Impairment of Securities

The Group holds marketable securities, mainly as a minority shareholder in customer companies or financial institutions to maintain long-term relationships with them. Major declines in the market values of such securities could adversely affect results.

Impairment of Fixed Assets

The Group applies accounting standards related to fixed asset impairment. The Group could incur impairment losses owing to dramatically deteriorating performances or major declines in property values, which could adversely affect results.

Pension and Severance Plans

The Group calculates retirement benefit obligations and expenses for current and former employees based on actuarial assumptions, investment returns on plan assets, and other factors. A decline in the value of pension assets, fluctuations in the interest rate climate, and changes in retirement benefit obligations and expenses owing to changes in the retirement plan and pension systems could adversely affect results.

Impact of Inventory Valuations

The Group states inventory assets principally at cost based on the moving average method. Declines in the costs of naphtha or raw materials during the fiscal period could detract from earnings by affecting relatively expensive inventories at the start of a term, thereby increasing the cost of sales. Earnings would conversely rise if fuel costs rose during the fiscal period. Changes in fuel costs could therefore affect results. The Group applies the Accounting Standard for Measurement of Inventories (ASBJ Statement No. 9), so any book value write-down based on lower profitability could adversely affect results.

Changes in Foreign Exchange Rates

The Group endeavors to minimize the short-term impact of fluctuations in foreign currency transactions, primarily for exports and imports, notably by using forward foreign exchange contracts. Changes in exchange rates in the short, medium, and long terms may affect results.

The Group engages in production and sales in Asia, Europe, North America, and other locations overseas. It translates sales, expenses, assets, and other items denominated in foreign currencies in such regions into yen in its consolidated financial statements. Even if the foreign currency valuations of such items remain unchanged, the yen equivalents could change after conversion from other currencies, so foreign exchange rate fluctuations could affect the Group's results and financial position.

Laws and Regulations

The Group's operations are subject to related laws and regulations in Japan and abroad. Such laws and regulations may govern security and safety, the environment and chemical substances, pharmaceutical safety policies, and other areas relating to Group operations.

The Group maintains voluntary rules that are stricter than legal provisions while pursuing thorough compliance to satisfy laws and regulations in engaging in business activities. Dramatic changes in laws and regulations or strengthened legislation could further restrict the Group's activities or increase its costs. Furthermore, should the Group violate laws or regulations, it could be ordered to halt operations at plants, and trust from society could be lost. All these factors have the possibility of influencing results.

Product Liability

The Group manufactures and sells products that conform with standards as ISO 9001, the international standard for quality management systems. The Group endeavors to prevent product liability problems from arising when launching products or improving quality by previously evaluating such liability risks. The Group cannot guarantee, however, that all of its products will be free of defects. It therefore has product liability insurance to cover possible accidents. Regardless, product defects that could cause major product liability exposure with damages exceeding the range of such insurance could adversely affect results.

Accidents and Disasters

The Group regularly inspects its plants and otherwise endeavors to prevent accidents at facilities. It cannot, however, completely prevent or mitigate accidents at such facilities, nor natural disasters such as earthquakes. Accidents that damage property, cause human suffering or loss of life, or create environmental pollution could adversely impact production activities and reduce social trust in the Group, thereby adversely affecting results. Natural disasters that damage property, cause human suffering or loss of life, or significantly damage or functionally degrade the social infrastructure and chronically affect the Group's activities could affect results.

Information Management

The Group strictly manages corporate and personal information in its possession. Problems resulting from leaks of such information could decrease competitiveness or reduce social trust in the Group, which may adversely affect results.

Research and Development

The Group deems research and development as pivotal to supporting sustainable corporate growth, and has long undertaken solid R&D. It intends to deploy resources in a planned and sustainably stable manner from long-term perspectives. Results could be adversely affected, however, if the fruits of R&D are far less than anticipated.

Intellectual Property

The Group takes ample precautions to avoid violating the intellectual property of third parties. Nonetheless, injunctions or damages claims by third parties on the basis of patent or other infringements could adversely affect results.

Litigation

The Group maintains various businesses, as mentioned in Changes Affecting Operating Results. In engaging in business, or in reorganizing or restructuring operations, the Group could face litigation from business partners or other third parties relating to intellectual property or the Group's products. It is impossible to predict or assess the results of such lawsuits, which could adversely affect results.

Litigation proceedings to which the Group is currently subject is as follows:

Mitsubishi Tanabe Pharma Corporation was codefendants with the Japanese government in damages lawsuits over blood products tainted with hepatitis C virus. In September 2008, the defendants concluded a basic agreement with nationwide plaintiff groups and their attorneys to resolve this case in response to the Act on Special Measures concerning the Payment of Benefits to Relieve the Victims of Hepatitis C Infected through Specified Fibrinogen Concentrates and Specified Coagulation Factor XI Concentrates. The plaintiffs began dropping litigation against the company, and in April 2009 the company decided to pay costs to the hepatitis C sufferers according to the payment apportionment standards of the above act.

Consolidated Balance Sheets

Mitsubishi Chemical Holdings Corporation and Consolidated Subsidiaries
As of March 31

		Millions of yen		Thousands of U.S. dollars (Note 2)
		2015	2014	2015
Assets	**Current assets:**			
	Cash and deposits (Notes 9,11)	¥ 236,186	¥ 137,664	$ 1,968,217
	Trade receivables (Note 9)	759,850	615,737	6,332,083
	Securities (Notes 9,10)	127,805	112,570	1,065,042
	Inventories:			
	Finished goods	330,029	323,344	2,750,242
	Work in process	83,603	80,051	696,692
	Raw materials and supplies	180,821	186,577	1,506,842
	Land held for sale	1,052	1,135	8,767
	Deferred income taxes—current (Note 15)	36,482	31,014	304,017
	Prepaid expenses and other current assets	106,119	77,461	884,325
	Allowance for doubtful accounts	(4,698)	(2,144)	(39,150)
	Total current assets	1,857,249	1,563,409	15,477,075
	Property, plant and equipment:			
	Land	308,995	244,441	2,574,958
	Buildings	1,087,046	935,275	9,058,717
	Machinery and equipment	3,271,982	2,530,928	27,266,517
	Construction in progress	101,649	76,005	847,075
		4,769,672	3,786,649	39,747,267
	Accumulated depreciation	(3,271,526)	(2,668,599)	(27,262,717)
	Property, plant and equipment, net	1,498,146	1,118,050	12,484,550
	Investments and other assets:			
	Investment securities (Notes 9,10)	355,743	333,599	2,964,525
	Long-term loans receivable	2,983	1,331	24,858
	Deferred income taxes—noncurrent (Note 15)	62,804	77,543	523,367
	Net defined benefit assets (Note 13)	31,494	31,240	262,450
	Goodwill	243,797	180,092	2,031,642
	Other	272,290	175,800	2,269,083
	Allowance for doubtful accounts	(1,468)	(1,705)	(12,233)
	Total investments and other assets	967,643	797,900	8,063,692
	Total assets	¥ 4,323,038	¥ 3,479,359	$36,025,317

The accompanying notes are an integral part of these consolidated financial statements.

		Millions of yen		Thousands of U.S. dollars (Note 2)
		2015	2014	**2015**
Liabilities and Net Assets	**Current liabilities:**			
	Short-term debt (Notes 9,18)	**¥ 544,985**	¥ 392,838	**$ 4,541,542**
	Current portion of long-term debt (Notes 9,18)	**198,667**	172,619	**1,655,558**
	Trade payables (Note 9)	**459,345**	413,405	**3,827,875**
	Accrued expenses (Note 1)	**108,115**	80,732	**900,958**
	Accrued income taxes	**36,224**	21,660	**301,867**
	Other current liabilities (Notes 1,15)	**218,611**	178,111	**1,821,758**
	Total current liabilities	**1,565,947**	1,259,365	**13,049,558**
	Long-term liabilities:			
	Long-term debt (Notes 9,18)	**859,943**	692,729	**7,166,192**
	Net defined benefit liabilities (Note 13)	**132,921**	121,706	**1,107,675**
	Other noncurrent liabilities (Notes 1,15)	**175,626**	90,689	**1,463,550**
	Total long-term liabilities	**1,168,490**	905,124	**9,737,417**
	Net assets:			
	Shareholders' equity:			
	Common stock:			
	Authorized—6,000,000 thousand shares:			
	Issued and outstanding—1,506,288 thousand shares at March 31, 2015 and 2014	**50,000**	50,000	**416,667**
	Additional paid-in capital	**317,714**	317,737	**2,647,617**
	Retained earnings	**523,149**	493,611	**4,359,575**
	Less, treasury stock at cost—41,624 thousand shares at March 31, 2015 and 34,268 thousand shares at March 31, 2014	**(16,236)**	(11,756)	**(135,300)**
	Total shareholders' equity	**874,627**	849,592	**7,288,558**
	Accumulated other comprehensive income:			
	Net unrealized holding gain (loss) on other securities	**40,308**	20,748	**335,900**
	Gain (loss) on deferred hedges	**(26)**	209	**(217)**
	Land revaluation surplus	**1,682**	1,581	**14,017**
	Foreign currency translation adjustments	**59,947**	25,556	**499,558**
	Remeasurements of defined benefit plans (Note 13)	**4,455**	3,117	**37,125**
	Total accumulated other comprehensive income	**106,366**	51,211	**886,383**
	Warrants (Notes 7,14)	**471**	496	**3,925**
	Minority interests in consolidated subsidiaries	**607,137**	413,571	**5,059,475**
	Total net assets	**1,588,601**	1,314,870	**13,238,342**
	Total liabilities and net assets	**¥4,323,038**	¥3,479,359	**$36,025,317**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Income

Mitsubishi Chemical Holdings Corporation and Consolidated Subsidiaries
Years ended March 31

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2015	2014	2015
Net sales	¥3,656,278	¥3,498,834	$30,468,983
Cost of sales	2,826,197	2,791,433	23,551,642
Gross profit	830,081	707,401	6,917,342
Selling, general and administrative expenses (Note 5)	664,400	596,941	5,536,667
Operating income	165,681	110,460	1,380,675
Other income (expenses):			
Interest and dividend income	12,164	9,893	101,367
Equity in earnings (losses) of affiliates, net	3,843	(382)	32,025
Foreign exchange gains, net	8,339	11,236	69,492
Interest expense	(17,599)	(16,390)	(146,658)
Gain on step acquisitions, net	34,144	930	284,533
Gain (loss) on sales and retirement of noncurrent assets, net	6,334	(1,987)	52,783
Gain on sales of investment securities, net	6,162	12,982	51,350
Profit on arbitration award	—	11,011	—
Impairment loss	(31,183)	(3,133)	(259,858)
Provision for prospective loss on removal of fixed assets	(7,769)	(887)	(64,742)
Special retirement expenses	(727)	(3,421)	(6,058)
Adjustment for prospective salaries for employees on secondment	—	(4,984)	—
Contribution for loss on removal of fixed assets	—	(3,080)	—
Other, net	(13,768)	(5,654)	(114,733)
Income before income taxes and minority interests in consolidated subsidiaries	165,621	116,594	1,380,175
Income taxes (Note 15):			
Current	60,481	43,204	504,008
Prior periods	—	2,612	—
Deferred	8,690	10,519	72,417
	69,171	56,335	576,425
Income before minority interests	96,450	60,259	803,750
Minority interests in consolidated subsidiaries	(35,591)	(28,011)	(296,592)
Net income	¥ 60,859	¥ 32,248	$ 507,158

	Yen		U.S. dollars
Per share (Note 17):	2015	2014	2015
Net income—Basic	¥41.40	¥21.89	$0.35
—Diluted	41.37	21.45	0.34
Cash dividends	13.00	12.00	0.11

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Comprehensive Income

Mitsubishi Chemical Holdings Corporation and Consolidated Subsidiaries
Years ended March 31

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2015	2014	2015
Income before minority interests	**¥ 96,450**	¥ 60,259	**$ 803,750**
Other comprehensive income (loss):			
Net unrealized holding gain (loss) on other securities	**24,299**	7,537	**202,492**
Gain (loss) on deferred hedges	**(562)**	(1,212)	**(4,683)**
Foreign currency translation adjustments	**40,733**	58,817	**339,442**
Remeasurements of defined benefit plans	**4,344**	1,430	**36,200**
Other comprehensive income (loss) for affiliates accounted for using equity method	**8,428**	7,185	**70,233**
Other comprehensive income (loss), net (Note 6)	**77,242**	73,757	**643,683**
Total comprehensive income	**¥173,692**	¥134,016	**$1,447,433**
Total comprehensive income attributable to:			
Shareholders of the parent	**¥116,014**	¥ 96,844	**$ 966,783**
Minority interests	**57,678**	37,172	**480,650**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Changes in Net Assets

Mitsubishi Chemical Holdings Corporation and Consolidated Subsidiaries
Years ended March 31

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2015	2014	**2015**
Number of outstanding shares of common stock (thousands)			
Balance at beginning of year	**1,506,288**	1,506,288	—
Balance at end of year	**1,506,288**	1,506,288	—
Shareholders' equity:			
Common stock			
Balance at beginning of year	**¥ 50,000**	¥ 50,000	**$ 416,667**
Cumulative effects of changes in accounting policies			
Restated balance at beginning of year	**50,000**	50,000	**416,667**
Balance at end of year	**¥ 50,000**	¥ 50,000	**$ 416,667**
Additional paid-in capital			
Balance at beginning of year	**¥ 317,737**	¥ 317,593	**$ 2,647,808**
Cumulative effects of changes in accounting policies	—	—	—
Restated balance at beginning of year	**317,737**	317,593	**2,647,808**
Disposal of treasury stock	**31**	44	**258**
Reduction in additional paid-in capital due to acquisition of treasury stock from consolidated subsidiary	**(54)**	—	**(450)**
Balance at end of year	**¥ 317,714**	¥ 317,737	**$ 2,647,617**
Retained earnings			
Balance at beginning of year	**¥ 493,611**	¥ 479,083	**$ 4,113,425**
Cumulative effects of changes in accounting policies	**(13,343)**	—	**(111,192)**
Restated balance at beginning of year	**480,268**	479,083	**4,002,233**
Cash dividends	**(17,637)**	(17,700)	**(146,975)**
Net income	**60,859**	32,248	**507,158**
Change in scope of consolidation	**(341)**	—	**(2,842)**
Change in scope of equity method	—	(20)	—
Balance at end of year	**¥ 523,149**	¥ 493,611	**$ 4,359,575**
Treasury stock at cost			
Balance at beginning of year	**¥ (11,756)**	¥ (11,280)	**$ (97,967)**
Cumulative effects of changes in accounting policies	—	—	—
Restated balance at beginning of year	**(11,756)**	(11,280)	**(97,967)**
Purchase of treasury stock	**(2,705)**	(538)	**(22,542)**
Disposal of treasury stock	**16**	62	**133**
Change in scope of consolidation	**(1,791)**	—	**(14,925)**
Balance at end of year	**¥ (16,236)**	¥ (11,756)	**$ (135,300)**
Total shareholders' equity			
Balance at beginning of year	**¥ 849,592**	¥ 835,496	**$ 7,079,933**
Cumulative effects of changes in accounting policies	**(13,343)**	—	**(111,192)**
Restated balance at beginning of year	**836,249**	835,496	**6,968,742**
Cash dividends	**(17,637)**	(17,700)	**(146,975)**
Net income	**60,859**	32,248	**507,158**
Purchase of treasury stock	**(2,706)**	(538)	**(22,542)**
Disposal of treasury stock	**47**	106	**392**
Change in scope of consolidation	**(2,132)**	—	**(17,767)**
Change in scope of equity method	—	(20)	—
Reduction in additional paid-in capital due to acquisition of treasury stock from consolidated subsidiary	**(54)**	—	**(450)**
Balance at end of year	**¥ 874,627**	¥ 849,592	**$ 7,288,558**

The accompanying notes are an integral part of these consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2015	2014	2015
Accumulated other comprehensive income:			
Net unrealized holding gain on other securities			
Balance at beginning of year	¥ 20,748	¥ 13,959	$ 172,900
Cumulative effects of changes in accounting policies	—	—	—
Restated balance at beginning of year	20,748	13,959	172,900
Net change in items other than those in shareholders' equity	19,560	6,789	163,000
Balance at end of year	¥ 40,308	¥ 20,748	$ 335,900
Gain (loss) on deferred hedges			
Balance at beginning of year	¥ 209	¥ 1,018	$ 1,742
Cumulative effects of changes in accounting policies	—	—	—
Restated balance at beginning of year	209	1,018	1,742
Net change in items other than those in shareholders' equity	(235)	(809)	(1,958)
Balance at end of year	¥ (26)	¥ 209	$ (217)
Land revaluation surplus			
Balance at beginning of year	¥ 1,581	¥ 1,581	$ 13,175
Cumulative effects of changes in accounting policies	—	—	—
Restated balance at beginning of year	1,581	1,581	13,175
Net change in items other than those in shareholders' equity	101	—	842
Balance at end of year	¥ 1,682	¥ 1,581	$ 14,017
Foreign currency translation adjustments			
Balance at beginning of year	¥ 25,556	¥ (31,639)	$ 212,967
Cumulative effects of changes in accounting policies	—	—	—
Restated balance at beginning of year	25,556	(31,639)	212,967
Net change in items other than those in shareholders' equity	34,391	57,195	286,592
Balance at end of year	¥ 59,947	¥ 25,556	$ 499,558
Remeasurements of defined benefit plans			
Balance at beginning of year	¥ 3,117	¥ (4,912)	$ 25,975
Cumulative effects of changes in accounting policies	—	—	—
Restated balance at beginning of year	3,117	(4,912)	25,975
Net change in items other than those in shareholders' equity	1,338	8,029	11,150
Balance at end of year	¥ 4,455	¥ 3,117	$ 37,125
Total accumulated other comprehensive income			
Balance at beginning of year	¥ 51,211	¥ (19,993)	$ 426,758
Cumulative effects of changes in accounting policies	—	—	—
Restated balance at beginning of year	51,211	(19,993)	426,758
Net change in items other than those in shareholders' equity	55,155	71,204	459,625
Balance at end of year	¥ 106,366	¥ 51,211	$ 886,383
Warrants			
Balance at beginning of year	¥ 496	¥ 565	$ 4,133
Cumulative effects of changes in accounting policies	—	—	—
Restated balance at beginning of year	496	565	4,133
Net change in items other than those in shareholders' equity	(25)	(68)	(208)
Balance at end of year	¥ 471	¥ 496	$ 3,925
Minority interests in consolidated subsidiaries			
Balance at beginning of year	¥ 413,571	¥ 387,248	$ 3,446,425
Cumulative effects of changes in accounting policies	(3,807)	—	(31,725)
Restated balance at beginning of year	409,764	387,248	3,414,700
Net change in items other than those in shareholders' equity	197,373	26,323	1,644,775
Balance at end of year	¥ 607,137	¥ 413,571	$ 5,059,475
Total net assets			
Balance at beginning of year	¥ 1,314,870	¥ 1,203,316	$ 10,957,250
Cumulative effects of changes in accounting policies	(17,150)	—	(142,917)
Restated balance at beginning of year	1,297,720	1,203,316	10,814,333
Cash dividends	(17,637)	(17,700)	(146,975)
Net income	60,859	32,248	507,158

Purchase of treasury stock	**(2,705)**	(538)	**(22,542)**
Disposal of treasury stock	**47**	106	**392**
Change in scope of consolidation	**(2,132)**	—	**(17,767)**
Change in scope of equity method	—	(20)	—
Reduction in additional paid-in capital due to acquisition of treasury stock from consolidated subsidiary	**(54)**	—	**(450)**
Net change in items other than those in shareholders' equity	**252,503**	97,458	**2,104,192**
Balance at end of year	**¥ 1,588,601**	¥ 1,314,870	**$ 13,238,342**

The accompanying notes are an integral part of these consolidated financial statements.

Note: Reduction in additional paid-in capital due to acquisition of treasury stock from consolidated subsidiary
MCHC deducted taxes applicable to gains on transfers of shares in consolidated subsidiaries from capital surplus based on the Practical Guidelines for Tax Effect Accounting on the Consolidated Financial Statements (Report No. 6 of the JICPA Accounting System Committee). This was in keeping with the acquisition of the Company's shares from a consolidated subsidiary, Taiyo Nippon Sanso Corporation, and was pursuant to a resolution of the Board of Directors on February 4, 2015 in accordance with the provisions of Article 156-1 and Article 163 of the Companies Act of Japan.

Consolidated Statements of Cash Flows

Mitsubishi Chemical Holdings Corporation and Consolidated Subsidiaries
Years ended March 31

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2015	2014	**2015**
Cash flows from operating activities:			
Income before income taxes and minority interests in consolidated subsidiaries	**¥165,621**	¥116,594	**$1,380,175**
Adjustments for:			
Depreciation and amortization	**151,253**	131,571	**1,260,442**
Amortization of goodwill	**21,144**	14,708	**176,200**
Interest expense	**17,599**	16,390	**146,658**
Interest and dividend income	**(12,164)**	(9,893)	**(101,367)**
Equity in (earnings) losses of affiliates, net	**(3,843)**	382	**(32,025)**
Foreign exchange (gains) losses, net	**(672)**	(3,501)	**(5,600)**
Impairment loss	**31,183**	3,133	**259,858**
Provision for prospective loss on removal of fixed assets	**7,769**	887	**64,742**
Contribution for prospective loss on removal of fixed assets	**—**	3,080	**—**
(Gain) loss on step acquisitions, net	**(34,144)**	(930)	**(284,533)**
(Gain) loss on sales and retirement of noncurrent assets, net	**(6,334)**	1,987	**(52,783)**
(Gain) loss on sales of investment securities, net	**6,162**	(12,982)	**51,350**
(Increase) decrease in trade receivables	**4,302**	4,762	**35,850**
(Increase) decrease in inventories	**58,975**	(18,335)	**491,458**
Increase (decrease) in trade payables	**(38,092)**	(38,377)	**(317,433)**
Increase (decrease) in provision for retirement benefits	**—**	(126,713)	**—**
Increase (decrease) in net defined benefit liabilities	**8,326**	132,669	**69,383**
Other, net	**6,454**	11,030	**53,783**
Subtotal	**383,539**	226,462	**3,196,158**
Interest and dividend income received	**14,378**	12,697	**119,817**
Interest expenses paid	**(18,057)**	(16,258)	**(150,475)**
Income taxes paid	**(50,084)**	(45,874)	**(417,367)**
Net cash provided by operating activities	**329,776**	177,027	**2,748,133**
Cash flows from investing activities:			
Payment for time deposits	**(29,365)**	(11,874)	**(244,708)**
Proceeds from repayment of time deposits	**7,967**	10,808	**66,392**
Purchase of short-term investment securities	**(122,300)**	(38,000)	**(1,019,167)**
Proceeds from sales and redemption of securities	**95,871**	60,371	**798,925**
Purchase of property, plant and equipment	**(157,265)**	(132,182)	**(1,310,542)**
Proceeds from sales of property, plant and equipment	**15,587**	7,073	**129,892**
Purchase of intangible assets	**(3,423)**	(2,910)	**(28,525)**
Purchase of investment securities	**(4,583)**	(67,421)	**(38,192)**
Proceeds from sales and redemption of investment securities	**14,639**	40,182	**121,992**
Purchase of investments in subsidiaries resulting in change in scope of consolidation	**(70,527)**	(25,564)	**(587,725)**
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	**4,467**	—	**37,225**
Payment for investments in capital of subsidiaries and affiliates	**(18,377)**	—	**(153,142)**
(Increase) decrease in loans receivable, net	**(6,826)**	112	**(56,883)**
Purchase of long-term prepaid expenses	**(6,990)**	(3,648)	**(58,250)**
Other, net	**3,902**	3,264	**32,517**
Net cash used in investing activities	**(277,223)**	(159,789)	**(2,310,192)**

The accompanying notes are an integral part of these consolidated financial statements.

Cash flows from financing activities:			
Increase (decrease) in short-term debt, net	**93,773**	56,149	**781,442**
Proceeds from issuance of long-term debt	**202,702**	201,123	**1,689,183**
Repayment of long-term debt	**(262,845)**	(235,035)	**(2,190,375)**
Proceeds from stock issuance to minority shareholders	**2,602**	5,437	**21,683**
Cash dividends paid	**(17,637)**	(17,700)	**(146,975)**
Cash dividends paid to minority shareholders	**(17,602)**	(16,508)	**(146,683)**
Purchase of treasury stock	**(38)**	(120)	**(317)**
Proceeds from sales of treasury stock	**36**	5	**300**
Other, net	**(3,052)**	(1,658)	**(25,433)**
Net cash used in financing activities	**(2,061)**	(8,307)	**(17,175)**
Effect of exchange rate changes on cash and cash equivalents	**11,807**	17,505	**98,392**
Net increase (decrease) in cash and cash equivalents	**62,299**	26,436	**519,158**
Cash and cash equivalents at beginning of the year	**179,556**	153,120	**1,496,300**
Net increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	**1,200**	—	**10,000**
Cash and cash equivalents at end of period (Note 11)	**¥243,055**	¥ 179,556	**$2,025,458**

The accompanying notes are an integral part of these consolidated financial statements.

Notes to Consolidated Financial Statements

Mitsubishi Chemical Holdings Corporation and Consolidated Subsidiaries
March 31, 2015

Note 1

Significant Accounting Policies

(a) Basis of Presentation

The accompanying consolidated financial statements are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan and are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects from the application and disclosure requirements of International Financial Reporting Standards. In presenting the accompanying consolidated financial statements, certain items have been reclassified for the convenience of readers outside Japan. As permitted, amounts of less than one million yen have been omitted. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and in U.S. dollars) do not necessarily agree with the sum of the individual amounts. Certain amounts from the prior year have been reclassified to conform to the current year's presentation.

(b) Principles of Consolidation and Accounting for Investments in Unconsolidated Subsidiaries and Affiliates

The accompanying consolidated financial statements include the accounts of MCHC and all significant subsidiaries over which substantial control is exerted either through majority ownership of voting stock and/or by other means. Investments in certain unconsolidated subsidiaries and significant affiliates are accounted for by the equity method. Other investments in unconsolidated subsidiaries and affiliates are stated at cost or less. Where there has been a permanent decline in the value of such investments, MCHC has written them down to reflect the impairment.

All significant intercompany balances and transactions have been eliminated in consolidation. On acquisition, the assets and liabilities of the consolidated subsidiaries are valued at fair value.

Goodwill on acquisition of underlying net equity in consolidated subsidiaries and the excess of cost over fair value in affiliates accounted for by the equity method is amortized on a straight-line basis over a period of less than 20 years depending on the source.

(c) Securities

Investment securities are classified as either held-to-maturity debt securities or other securities. Held-to-maturity debt securities are either amortized or accumulated to face value. Other securities with quoted market prices are carried at market value. The difference between the acquisition cost and the carrying value of other securities, including unrealized gain and loss, net of the applicable income taxes, is recognized as a component of net assets and is reflected as "Net unrealized holding gain or loss on other securities." The cost of other securities sold is computed by the moving average method. Other securities without quoted market prices are stated at cost based on the moving average method.

Held-to-maturity debt securities due within one year are presented as "Current assets" in the accompanying consolidated balance sheets. All other securities are presented as "Investments and other assets" in the accompanying consolidated balance sheets.

(d) Derivative Transactions

Derivative transactions are measured at fair value.

(e) Inventories

Finished goods, work in process, raw materials, and other inventory assets are stated principally at cost based on the average cost. Supplies (excluding packaging materials and deteriorated assets) are stated primarily at cost based on the moving average method.

Balance sheet amounts are calculated by writing down their book values in accordance with decreases in profitability.

(f) Property, Plant and Equipment

Property, plant and equipment is stated at cost. Depreciation of property, plant and equipment is principally calculated using the straight-line method.

Principal estimated useful lives of the assets are as follows:

Buildings:	3–50 years
Machinery and equipment:	4–20 years

(g) Allowance for Doubtful Accounts

Allowance for doubtful accounts is provided for at an amount estimated with reference to individual accounts deemed uncollectible plus an amount calculated by a historical rate based on the actual uncollectible amounts in prior years.

(h) Accrued Bonuses to Employees

To provide for payments of bonuses to its employees, bonuses and related social insurance premium are accrued and recorded at the amount expected to be paid. The corresponding balances of ¥39,286 million ($327,383 thousand) and ¥35,501 million are included in "Accrued expenses" in the accompanying consolidated balance sheets as of March 31, 2015 and 2014, respectively.

(i) Reserves for Possible Losses in Connection with Litigation

Reserves for possible losses in connection with litigation are set aside for payments to settle lawsuits and in preparation for payments that may arise in the future.

1. Reserve for Health Management Allowances for HIV Compensation

Balances of ¥1,700 million ($14,167 thousand) and ¥1,576 million are included in "Other noncurrent liabilities" in the accompanying consolidated balance sheets as of March 31, 2015 and 2014, respectively.

To provide for future payments of health management allowances and settlement payments (including attorney fees) in connection with a lawsuit for damages filed by plaintiffs infected with HIV, the consolidated subsidiary, Mitsubishi Tanabe Pharma Corporation (MTPC) has set aside an estimated amount for such future payments.

2. Reserve for HCV Litigation

Balances of ¥2,036 million ($16,967 thousand) and ¥2,634 million are included in "Other noncurrent liabilities" in the accompanying consolidated balance sheets as of March 31, 2015 and 2014, respectively.

To provide for losses that may arise in the future from a settlement of lawsuits filed by plaintiffs infected with HCV (hepatitis C virus), MTPC has set aside an estimated amount for payments related to such settlement based on estimates of the number of people receiving relief and the amount of relief payments required under a law which stipulates that relief be provided to people who contacted hepatitis C from specific fibrinogen products or specific coagulation factor IX products.

3. Reserve for Health Management Allowances for Sub-acute Myelo-Optical Neuropathy (SMON) Compensation

Balances of ¥2,731 million ($22,758 thousand) and ¥2,976 million are included in "Other noncurrent liabilities" in the accompanying consolidated balance sheets as of March 31, 2015 and 2014, respectively.

MTPC pays health management allowances and nursing expenses for plaintiffs covered under the compromise settlement reached in the SMON litigation.

MTPC has made a provision in the accompanying consolidated financial statements for the estimated future medical treatment payments to be made over the remaining lives of the parties entitled to such payments under the compromise settlement.

(j) Reserve for Periodic Repairs

Several consolidated subsidiaries provide for costs of periodic repairs of production facilities in plants and oil tanks. The corresponding balances of ¥8,617 million ($71,808 thousand) and ¥9,279 million are included in "Other current liabilities" and "Other noncurrent liabilities" in the accompanying consolidated balance sheets as of March 31, 2015 and 2014, respectively.

(k) Directors' Retirement Benefits
Accrued lump-sum retirement benefits for directors, executive officers and corporate auditors are determined based on internal regulations. The corresponding balances of ¥2,258 million ($18,817 thousand) and ¥1,316 million are included in "Other noncurrent liabilities" in the accompanying consolidated balance sheets as of March 31, 2015 and 2014, respectively.

(l) Reserve for Costs Associated with Liquidation of Subsidiaries and Affiliates
Several consolidated subsidiaries provide for estimated costs derived from liquidation of its subsidiaries and affiliates. The corresponding balances of ¥476 million ($3,967 thousand) and ¥1,511 million are included in "Other noncurrent liabilities" in the accompanying consolidated balance sheets as of March 31, 2015 and 2014, respectively.

(m) Reserve for Prospective Loss on Removal of Fixed Assets
Several consolidated subsidiaries provide for prospective loss on removal of fixed assets. The corresponding balances of ¥8,527 million ($71,058 thousand) and ¥4,900 million are included in "Other current liabilities" and "Other noncurrent liabilities" in the accompanying consolidated balance sheets as of March 31, 2015 and 2014, respectively.

(n) Provision for Environmental Measures
Provision is made to cover estimated future losses from environmental measures work. Balances of ¥2,338 million ($19,483 thousand) and ¥2,339 million are included in "Other noncurrent liabilities" in the accompanying consolidated balance sheets as of March 31, 2015, and 2014, respectively.

(o) Retirement Benefits

1. Period attribution method for expected post-retirement benefit obligation

The Group uses the benefit formula standard as the period attribution method through the end of the fiscal year ended March 31, 2015 to calculate the expected post-retirement benefit obligation.

2. Amortization method for actuarial gain or loss, service cost and differences from accounting policy transitions
The Group amortizes actuarial gains or losses beginning in the year following that in which they are incurred by using the straight-line method over a certain period (in principle, five years) that is shorter than the remaining average service period from the date incurred. The Group amortizes prior service cost by using the straight-line method over a certain period (in principle, five years) that is shorter than the remaining average service period from the date incurred. Differences from accounting policy transitions are charged over an average of 15 years, in principle.

(Change in Accounting Policy)
(1) Adoption of retirement benefit accounting standards, etc.
From the fiscal year ended March 31, 2015, MCHC applied the main clause of Article 35 of the "Accounting Standard for Retirement Benefits" and the main clause of Article 67 of the "Guidance on Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan (ASBJ) Statement No. 26, May 17, 2012) and (ASBJ Guidance No. 25, March 26, 2015). MCHC accordingly reviewed its methods for calculating retirement benefit obligations and service costs and changed its period attribution method for projected retirement benefits from the straight-line method to the benefit formula standard. It also changed the method for determining the discount rate from one based on the approximate average remaining service period of employees to a single weighted average discount rate reflecting the projected timing and amount of the retirement benefits. The Accounting Standard for Retirement Benefits and its guidance are applied with transitional treatments stipulated in Article 37 of the Accounting Standard for Retirement Benefits. As of April 1, 2014, the impact of the changes in methods for calculating retirement benefit obligations and service costs was reflected in retained earnings. This resulted in a ¥13,343 million ($111,192 thousand) reduction in retained earnings as of April 1, 2014. The impacts on earnings and segment information for the year ended March 31, 2015 were immaterial. The impact on per-share information is presented in the relevant sections.

(p) Foreign Currency Translation

Current and noncurrent monetary assets and liabilities denominated in foreign currencies of MCHC and its domestic consolidated subsidiaries are translated into yen at the exchange rates in effect at the balance sheet date. Gains and losses arising from foreign exchange differences are credited or charged to income in the year in which they are made or incurred.

(q) Foreign Currency Financial Statements

The balance sheet accounts of foreign consolidated subsidiaries and affiliates are translated into yen at the exchange rates in effect at the balance sheet date, except for the components of net assets excluding minority interests, which are translated at their historical exchange rates. Revenue and expense accounts of foreign consolidated subsidiaries and affiliates are translated into yen at the average exchange rates in effect during the year.

Translation adjustments resulting from the process of translating the financial statements of foreign consolidated subsidiaries and affiliates into yen are accumulated and presented under "Minority interests in consolidated subsidiaries" and "Foreign currency translation adjustments" as a component of net assets.

(r) Principal Hedge Accounting Methods

1. Hedge accounting method

The Group defers recognition of gains or losses related to fair or appraised value hedges. For receivables and payables denominated in foreign currencies, such as those with foreign exchange contracts, deferral hedging is used where satisfying deferral hedging criteria, while specific matching is used for interest rate swaps meeting specific matching criteria.

2. Hedging instruments and targets

The Group uses foreign exchange contracts and currency swaps to reduce exposure to foreign exchange risks arising from transactions denominated in foreign currencies, notably imports and exports, financing, and funds management. The Group similarly uses interest rate swaps to lower exposure to interest rate fluctuations in financing and funds management transactions. The Group also uses commodity futures contracts to hedge against the risks of fluctuations in the purchase costs of raw materials.

3. Hedging policy

The Group maintains a policy of limiting the use of derivative transactions to actual demand and does not engage in such transactions for speculative purposes. The Group minimizes credit risk stemming from breaches of contract of counterparties by restricting its use of derivative transactions to financial institutions with high credit ratings.

4. Method of assessing hedge effectiveness

The Group has confirmed that the hedging instruments and targets used in executing derivative transactions nearly match crucial requirements, and it can offset the effects of market fluctuations on and after implementing hedges.

The Group decides on whether to engage in planned transactions after assessing whether or not such transactions are extremely feasible.

(s) Amortization of Goodwill

Goodwill is amortized on a straight-line basis over less than 20 years, depending on the source. Goodwill related to the launch of consolidated subsidiary Mitsubishi Tanabe Pharma Corporation is being amortized over 15 years. Goodwill from making Mitsubishi Plastics, Inc., into a wholly owned subsidiary is being amortized over 10 years. Goodwill from making Mitsubishi Rayon Co., Ltd. and Qualicaps Co., Ltd. into wholly owned consolidated subsidiaries and Taiyo Nippon Sanso Corporation into a consolidated subsidiary is being amortized over 20 years.

(t) Cash Equivalents

All highly liquid investments, generally with a maturity of three months or less when purchased, which are readily convertible into known amounts of cash and are so near maturity that they represent only an insignificant risk of any change in value attributable to changes in interest rates, are considered cash equivalents.

(u) Research and Development

Expenses related to research and development activities are charged to income as incurred.

(v) Distribution of Retained Earnings

Cash dividends are recorded in the fiscal year in which they are approved at the relevant shareholders' meeting or, in the case of interim dividends, the respective years in which they are declared by the Board of Directors.

(w) Income Taxes

Deferred income taxes are recognized by the asset and liability method under which deferred tax assets and liabilities are determined based on the differences between financial reporting and the tax bases of the assets and liabilities, and are measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.

A valuation allowance is provided against the deferred tax assets where it is considered more likely than not that they will not be realized.

Additional Information

Several Consolidated Subsidiaries' Year-end Switched to March 31

During the fiscal year ended March 31, 2015, Medicago Inc. and 7 other companies switched their fiscal year-end from December 31 to March 31. The Company thus prepared consolidated financial statements based on the financial statements for those companies for the 12 months ended December 31, 2014, and three months through March 31, 2015.

Accounting Standards Yet to Be Applied

Accounting Standard for Business Combinations

- Revised Accounting Standard for Business Combinations (ASBJ Statement No. 21, September 13, 2013)
- Revised Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22, September 13, 2013)
- Revised Accounting Standard for Business Divestitures (ASBJ Statement No. 7, September 13, 2013
- Revised Accounting Standard for Earnings Per Share (ASBJ Statement No. 2, September 13, 2013)
- Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, September 13, 2013)
- Revised Guidance on Accounting Standard for Earnings Per Share (ASBJ Guidance No.4, September 13, 2013)

(1) Outline

The principal accounting standard revisions were 1) accounting for changes in a parent's holdings in a subsidiary when control is retained in the acquisition of additional shares in that subsidiary, 2) the corresponding accounting for acquisition costs, 3) net income disclosure and revising terminology from minority interests to non-controlling interests, and 4) provisional accounting.

(2) Date of application

The changes will be applied from the beginning of the fiscal year ending March 31, 2016. Provisional accounting will apply to business combinations occurring on or after the start of the fiscal year ending March 31, 2016.

(3) Effects of adoption of the accounting standards, etc.

The effects of the adoption of the accounting standard are currently being evaluated.

Note 2

U.S. Dollar Amounts

MCHC and its domestic consolidated subsidiaries maintain their accounting records in Japanese yen. The U.S. dollar amounts are included solely for convenience and have been translated, as a matter of arithmetical computation only, at the rate of ¥120 to U.S.$1.00, the approximate exchange rate prevailing on the Tokyo foreign exchange market at March 31, 2015. This translation should not be construed as a representation that yen amounts actually represent, or have been, or could be, converted into U.S. dollars at this, or any other rate.

Note 3

Impairment Losses

In principle, the MCHC Group maintains its grouping of assets in terms of operational, manufacturing process, and regional relevance based on business units. The Group recognizes impairment losses for idle assets by individual asset. In the fiscal year ended March 31, 2015, the Group posted ¥31,183 million ($259,858 thousand) in impairment losses as part of other expenses. The main assets for which impairment losses were recognized are as follows:

Use	Location	Category	Impairment loss
Terephthalic acid production facilities	MCC PTA India Corp. Private Limited (West Bengal State, India)	Machinery and equipment, Others	¥10,430 million ($86,917 thousand)
Pharmaceuticals research facilities	Kazusa Plant of Mitsubishi Tanabe Pharma Corporation (Kisarazu-City, Chiba Prefecture)	Land, Buildings, Structures, Others	¥4,432 million ($36,933 thousand)
Pharmaceuticals production facilities	Kashima Plant of Mitsubishi Tanabe Pharma Corporation and Mitsubishi Tanabe Pharma Factory Ltd. (Kamisu-City, Ibaraki Prefecture)	Buildings, Structures, Machinery and equipment, Vehicles, Others	¥2,161 million ($18,008 thousand)
Anode materials production facilities	Qingdao Anode Kasei Co., Ltd. (Shandong Province, China)	Construction in progress, Others	¥1,742 million ($14,517 thousand)
Cathode materials production facilities	Mizushima Plant of Mitsubishi Chemical Co., Ltd. (Kurashiki-City, Okayama Prefecture)	Machinery and equipment, Buildings, Structures, Others	¥1,739 million ($14,492 thousand)
Exclusive right for sales of ethical drugs	Mitsubishi Tanabe Pharma Corporation (Chuo-Ku, Osaka)	Distributorship	¥1,600 million ($13,333 thousand)
Facilities for pharmaceuticals business management and sales	Hirano-Cho No. 1 building of Mitsubishi Tanabe Pharma Corporation (Chuo-Ku, Osaka)	Land, Buildings, Structures	¥1,215 million ($10,125 thousand)
Industrial gases production facilities	Leeden National Oxygen, Ltd. (Pahang State, Malaysia)	Machinery and equipment	¥1,189 million ($9,908 thousand)

Composition of Impairment Losses

Terephthalic acid production facilities

The impairment loss of ¥10,430 million ($86,917 thousand) includes ¥9,196 million ($76,633 thousand) for machinery and equipment, and ¥1,234 million ($10,283 thousand) for others.

The profitability of the terephthalic acid production facilities of MCC PTA India Corp. Private Limited declined substantially owing to sluggish market conditions. Prospects for a turnaround were low, making it unlikely that some investments would be recoverable. The book value was thus reduced to the recoverable amount. That amount was based on the value in use and calculated by discounting future cash flows by 11.9%.

Pharmaceuticals research facilities

The impairment loss of ¥4,432 million ($36,933 thousand) includes ¥1,870 million ($15,583 thousand) for land, ¥1,845 million ($15,375 thousand) for buildings and structures, and ¥717 million ($5,975 thousand) for others.

With a decision to close the Kazusa Plant, the facilities are expected to be idle, so the book value was reduced to the recoverable amount. That amount is the net selling price, and is based on reasonably calculated prices (including real estate appraisals, etc.).

Pharmaceuticals production facilities

The impairment loss of ¥2,161 million ($18,008 thousand) includes ¥1,048 million ($8,733 thousand) for buildings and structures, ¥901 million ($7,508 thousand) for machinery and equipment, and vehicles, and ¥212 million ($1,767 thousand) for others. The book value of production and other facilities of Mitsubishi Tanabe Pharma Corporation and Mitsubishi Tanabe Pharma Factory Ltd. was reduced to the recoverable amount in line with the decision to sell the Kashima Plant. That amount is the net selling price, and is based on the projected selling price.

Anode materials production facilities

The impairment loss of ¥1,742 million ($14,517 thousand) includes ¥1,620 million ($13,500 thousand) for construction in progress, and ¥122 million ($1,017 thousand) for others.

Sales volumes from the anode materials production facilities of Qingdao Anode Kasei Co., Ltd., in China failed to grow, and were significantly below initial targets. Management revised sales targets after concluding that significant increases were unlikely in the near future, as a result of which the book value was reduced to the recoverable amount for some facilities because management did not envisage that some of them would be used under future production plans.

Cathode materials production facilities

The impairment loss of ¥1,739 million ($14,492 thousand) includes ¥1,207 million ($10,058 thousand) for machinery and equipment, ¥502 million ($4,183 thousand) for buildings and structures, and ¥30 million ($250 thousand) for others.

With sales volumes sluggish at cathode materials production facilities, management concluded that significant increases were unlikely in the near future and decided to halt operations at these facilities after reviewing groupings. As a result, the book value was reduced to the recoverable amount because it was unlikely that investments could be recovered. The recoverable amount was based on the usage value. The discounted future cash flows were negative, so the discount rate is not presented.

Exclusive right for sales of ethical drugs

The impairment loss of ¥1,600 million ($13,333 thousand) includes ¥1,600 million ($13,333 thousand) for investments of other assets.

Management lowered the book value of the exclusive right for sales of ethical drugs to the recoverable amount (nominal value, etc.), as the future estimated cash flow for this right was less than the book value.

Facilities for pharmaceuticals business management and sales

The impairment loss of ¥1,215 million ($10,125 thousand) includes ¥1,161 million ($9,675 thousand) for land, and ¥54 million ($450 thousand) for buildings and structures.

Mitsubishi Tanabe Pharma Corporation consolidated and relocated head office functions during the year ended March 31, 2015. As the Hirano-cho No. 1 building was to become an idle asset owing to such factors as consolidation and relocation, management lowered the book value to the recoverable amount. That amount is the net selling price, and is based on reasonably calculated prices (including real estate appraisals, etc.).

Industrial gases production facilities

The impairment loss of ¥1,189 million ($9,908 thousand) includes ¥1,189 million ($9,908 thousand) for machinery and equipment.

Leeden National Oxygen, Ltd. in Malaysia lowered the book value of idle gases production facilities to the recoverable amount. That amount is the net selling price, and is based on reasonably calculated prices (including market valuations, etc.).

Note 4

Contingent Liabilities

MCHC and its consolidated subsidiaries were guarantors for the following borrowings principally incurred by unconsolidated subsidiaries, affiliates and others:

	Gross including third parties' liabilities		Net MCHC's and consolidated subsidiaries' own liabilities	
	Millions of yen	Thousands of U.S. dollars	Millions of yen	Thousands of U.S. dollars
Guarantees	**¥23,411**	**$195,092**	**¥22,915**	**$190,958**
Stand-by guarantees	**155**	**1,292**	**138**	**1,150**

Trademark Infringement Lawsuit

The consolidated subsidiary Verbatim Corporation (US) was sued for trademark infringement in Brazil. In May 2007, a court in Manaus, in the Brazilian state of Amazonas, ruled in favor of the plaintiff and ordered Verbatim Corporation to pay 377 million Brazilian real, or ¥14,031 million ($116,925 thousand). Verbatim Corporation, believing that no trademark infringement took place, and dissatisfied with the fact that reasons for recognizing the plaintiff's monetary claim were not disclosed, immediately filed an appeal with Brazil's Supreme Court. In February 2008, the Supreme Court ruled in favor of Verbatim Corporation and returned the case to the Manaus court for retrial.

In the following proceedings, the court ruled against Verbatim. However, dissatisfied with the ruling, Verbatim made a special appeal to Brazil's Supreme Court, requesting that the case be tried in that court. In June 2011, the Supreme Court dismissed the charges of trademark infringement filed against Verbatim, and overruled the lower court's order for Verbatim to pay the abovementioned damages. However, in April 2012 the plaintiff requested that the Supreme Court clarify its ruling, and the Company cannot deny the possibility that the plaintiff will oppose this ruling in the future.

Note 5

Selling, General and Administrative Expenses

For the years ended March 31, 2015 and 2014, the following items were recorded in the consolidated statements of income:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2015	March 31, 2014	**March 31, 2015**
Transportation costs	**¥102,210**	¥ 89,676	**$ 851,750**
Labor costs	**163,530**	135,977	**1,362,750**
Research and development	**132,217**	134,260	**1,101,808**

Notes: 1. Labor costs include a provision for bonuses of ¥15,238 million ($126,983 thousand) and ¥14,316 million for the years ended March 31, 2015 and 2014, respectively.

2. "Research and development" includes expenditures on personnel, and depreciation and amortization of research facilities.

Note 6

Supplementary Information for Consolidated Statements of Comprehensive Income

	Millions of yen		Thousands of U.S. dollars
	March 31, 2015	March 31, 2014	**March 31, 2015**
Net unrealized holding gain (loss) on other securities:			
Amount arising during the period	**¥ 39,527**	¥ 12,503	**$ 329,392**
Reclassification adjustment	**(3,991)**	(5,152)	**(33,258)**
Before tax effect	**35,536**	7,351	**296,133**
Tax effect	**(11,237)**	186	**(93,642)**
Net unrealized holding gain (loss) on other securities	**¥ 24,299**	¥ 7,537	**$ 202,492**
Gain (loss) on deferred hedges:			
Amount arising during the period	**¥ 633**	¥ 1,518	**$ 5,275**
Reclassification adjustment	**(1,318)**	(3,440)	**(10,983)**
Amount of acquisition cost adjustment	**(210)**	(114)	**(1,750)**
Before tax effect	**(895)**	(2,036)	**(7,458)**
Tax effect	**333**	824	**2,775**
Gain (loss) on deferred hedges	**¥ (562)**	¥ (1,212)	**$ (4,683)**
Foreign currency translation adjustments:			
Amount arising during the period	**¥ 41,575**	¥ 58,774	**$ 346,458**
Reclassification adjustment	**(842)**	43	**(7,017)**
Before tax effect	**40,733**	58,817	**339,442**
Tax effect	**—**	—	**—**
Foreign currency translation adjustments	**¥ 40,733**	¥ 58,817	**$ 339,442**
Remeasurements of defined benefit plans:			
Amount arising during the period	**¥ 8,234**	¥ 2,025	**$ 68,617**
Reclassification adjustment	**(1,601)**	—	**(13,342)**
Before tax effect	**6,633**	2,025	**55,275**
Tax effect	**(2,289)**	(595)	**(19,075)**
Remeasurements of defined benefit plans	**¥ 4,344**	¥ 1,430	**$ 36,200**
Other comprehensive income (loss) for affiliates accounted for using equity method:			
Amount arising during the period	**¥ 11,085**	¥ 7,451	**$ 92,375**
Reclassification adjustment	**(2,657)**	(266)	**(22,142)**
Other comprehensive income (loss) for affiliates accounted for using equity method:	**8,428**	7,185	**70,233**
Other comprehensive income (loss), net	**¥ 77,242**	¥ 73,757	**$ 643,683**

Note 7

Supplementary Information for Consolidated Statements of Changes in Net Assets

(a) Type and Number of Outstanding Shares

	Year ended March 31, 2015			
	Number of shares (Thousands)			
	Balance at beginning of year	Increase in shares during the year	Decrease in shares during the year	Balance at end of year
Type of shares				
Issued stock:				
Common stock	**1,506,288**	**—**	**—**	**1,506,288**
Total	**1,506,288**	**—**	**—**	**1,506,288**
Treasury stock:				
Common stock[1, 2]	**34,268**	**7,446**	**90**	**41,624**
Total	**34,268**	**7,446**	**90**	**41,624**

1. A 7,446 thousand increase in the number of shares of common stock held in treasury was as follows:
   - Purchases of fractional shares of less than one unit: 71 thousand
   - Increase associated with transition from equity method affiliate to consolidated subsidiary: 2,401 thousand
   - Increase attributable to acquisition of treasury stock from consolidated subsidiary: 4,972 thousand
2. A 90 thousand decrease in the number of shares of common stock held in treasury was as follows:
   - Sales of fractional shares of less than one unit: 1 thousand
   - Withdrawal related to the exercise of stock options: 61 thousand
   - Consolidated subsidiary sales of treasury stock: 26 thousand

(b) Warrants

			Number of outstanding shares (Thousands)				
	Description	Type of outstanding shares	Balance at beginning of year	Increase (Decrease)	Balance at end of year	Millions of yen	Thousands of U.S. dollars
MCHC	Warrants as stock options			—		**¥471**	**$3,925**
Consolidated subsidiaries	—			—		—	—
Total				—		**¥471**	**$3,925**

(c) Dividends

(1) Dividends paid to shareholders

Date of approval	Resolution approved by	Type of shares	Amount (Millions of yen)	Amount (Thousands of U.S. dollars)	Amount per share (Yen)	Amount per share (U.S. dollars)	Entitlement date	Effective date
June 25, 2014	Annual general meeting of shareholders	Common stock	¥8,849	$73,742	¥6	$0.05	March 31, 2014	June 26, 2014
October 31, 2014	Board of Directors	Common stock	¥8,849	$73,742	¥6	$0.05	September 30, 2014	December 2, 2014

Note: The discrepancy between the dividend amount and dividends from retained earnings in the consolidated statements of changes in net assets reflects the elimination of dividends for MCHC stock held by consolidated subsidiaries.

(2) Dividends whose entitlement date was in the year ended March 31, 2015, and whose effective date will be in the subsequent fiscal year

Date of approval	Resolution approved by	Type of shares	Amount (Millions of yen)	Amount (Thousands of U.S. dollars)	Paid from	Amount per share (Yen)	Amount per share (U.S. dollars)	Entitlement date	Effective date
June 24, 2015	Annual general meeting of shareholders	Common stock	¥10,253	$85,442	Retained earnings	¥7	$0.06	March 31, 2015	June 25, 2015

Note: The Japanese Corporate Law provices that an amount equal to 10% of the amount to be distributed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the common stock account. Such distributions can be made at any time by resolution of the shareholders, or by the Board of Directors if certain conditions are met, but neither the capital reserve nor the legal reserve is available for distributions.

Note 8

Lease Transactions

At March 31, 2015 and 2014, as lessee, noncancellable operating lease obligations were accounted for as follows:

Future minimum lease payments for the remaining lease periods

	Millions of yen		Thousands of U.S. dollars
	March 31, 2015	March 31, 2014	**March 31, 2015**
Due within one year	**¥11,762**	¥ 9,188	**$ 98,017**
Due after one year	**22,462**	19,077	**187,183**
	¥34,224	¥28,265	**$ 285,200**

At March 31, 2015 and 2014, as lessor, finance leases other than those deemed to transfer the ownership of the leased assets to the lessees were accounted for as operating leases, and the details were as follows:

Acquisition costs, accumulated depreciation, accumulated impairment loss and balance at year-end

	Millions of yen		Thousands of U.S. dollars
	March 31, 2015	March 31, 2014	**March 31, 2015**
Buildings			
Acquisition costs	**¥920**	¥920	**$7,667**
Accumulated depreciation	**429**	404	**3,575**
Accumulated impairment loss	**—**	—	**—**
Balance at year-end	**¥491**	¥516	**$4,092**

Future minimum sublease income for the remaining lease periods

	Millions of yen		Thousands of U.S. dollars
	March 31, 2015	March 31, 2014	**March 31, 2015**
Due within one year	**¥ 66**	¥ 66	**$ 550**
Due after one year	**215**	281	**1,792**
	¥ 281	¥ 347	**$ 2,342**

Sublease income, amortization expense, depreciation expense and impairment loss

	Millions of yen		Thousands of U.S. dollars
	March 31, 2015	March 31, 2014	**March 31, 2015**
Sublease income	**¥66**	¥66	**$ 550**
Amortization expense amount	**—**	—	**—**
Depreciation expense amount	**24**	24	**200**
Impairment loss on leased assets	**¥—**	¥—	**$ —**

Note: Depreciation expense is calculated using the straight-line method with the lease period as the useful life with a nil residual value.

At March 31, 2015 and 2014, noncancellable operating lease receivables were accounted for as follows:

Future minimum sublease income for the remaining lease periods

	Millions of yen		Thousands of U.S. dollars
	March 31, 2015	March 31, 2014	**March 31, 2015**
Due within one year	**¥ 250**	¥153	**$ 2,083**
Due after one year	**2,196**	425	**18,300**
	¥ 2,446	¥578	**$20,383**

Note 9

Financial Instruments

Overview

(1) Policy for Financial Instruments

MCHC's policy is to manage highly stable financial assets, centered on investments in short-term deposits, and raise funds largely by obtaining bank loans, issuing commercial papers and corporate bonds. MCHC deployed a cash management system to facilitate intragroup lending and borrowing and use funds more efficiently and reduce financial costs, engaging in intragroup lending and borrowing. Other policies are to ensure that derivatives transactions purely accommodate actual demand and to refrain from speculative trading.

(2) Financial Instruments and Risks

Trade receivables are exposed to customer credit risk. As MCHC operates globally, foreign currency denominated trade receivables are subject to foreign exchange fluctuations. MCHC hedges the resulting risks, net of trade payables in those currencies, with forward foreign exchange contracts. Marketable and investment securities are subject to market risk. Those securities mainly comprise held-to-maturity debt securities and shares in other companies with which the Group does business or has capital affiliations.

Most trade payables are due within one year. While partly exposed to foreign exchange risks from imports of raw materials and other items, MCHC hedges with forward foreign exchange contracts as it does with trade receivables.

Borrowings and corporate bonds are to secure the funding needed for operations and capital investments. Some of these instruments are subject to interest rate fluctuation risks, which MCHC hedges using interest rate swaps.

MCHC engages in various types of derivatives transaction. They include forward foreign exchange contracts and currency swaps to hedge foreign exchange fluctuation risks associated with foreign currency denominated trade receivables and payables, borrowings and loans. MCHC also uses interest rate swaps to hedge fluctuations in interest rates on borrowings and loans, as well as commodity futures contracts to hedge the risks of price fluctuations from raw materials purchases.

(3) Financial Instrument Risk Management Structure

a. Credit Risk Management (including risks of customers breaching contracts)
In keeping with its credit management rules, MCHC regularly monitors the statuses of key customers with outstanding trade and long-term receivables and oversees dates and balances while endeavoring to swiftly identify and ameliorate collection concerns that could stem from deteriorating financial positions or other factors.

The credit risks of held-to-maturity debt securities are insignificant, as MCHC's portfolio includes only instruments with high credit ratings.

MCHC minimizes credit risks relating to counterparty breaches of contract with derivatives by transacting solely with highly creditworthy financial institutions.

The maximum credit risk amount at March 31, 2015, is the balance sheet value of financial assets exposed to such risks.

b. Market Risk Management (foreign exchange and interest rate risks)
Where necessary, MCHC uses forward exchange contracts and currency swaps to hedge foreign currency denominated operating receivables, debt and loans. It uses interest rate swaps to minimize the risks of interest payment fluctuations for debt and corporate bonds.

MCHC regularly assesses the prices of marketable and investment securities and the financial positions of issuers (business partners). It factors in relationships with business partners in constantly reviewing the necessity of instruments other than held-to-maturity debt securities.

In keeping with internal rules on transaction rights and limitations, reports on the contract balances and market prices of derivative transactions are submitted regularly to the director in charge of such matters.

c. Funding-Related Liquidity Risk Management (risk of inability to settle by payment dates)
MCHC is exposed to liquidity risk for customer credit and debt, managing them by producing and managing funding plans.

(4) Supplementary Explanation of the Estimated Fair Value of Financial Instruments

The fair value of financial instruments is based on their quoted market price, if available. When there is no quoted market price available, fair value is reasonably estimated. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in different fair value.

Estimated Fair Value of Financial Instruments

The carrying value of financial instruments in the consolidated balance sheets as of March 31, 2015 and 2014, and estimated fair value are shown in the following table. The table below excludes instruments whose fair value is extremely difficult to determine.

	Millions of yen		
March 31, 2015	Carrying value	Fair value	Difference
Cash and deposits	¥ 236,186	¥ 236,186	¥ —
Trade receivables	759,850	759,850	—
Marketable and investment securities:			
Held-to-maturity debt securities	12,450	12,780	330
Shares of affiliates	6,832	4,002	(2,830)
Other marketable securities	325,607	325,607	—
Total assets	¥1,340,925	¥1,338,425	¥ (2,500)
Trade payables	¥ 459,345	¥ 459,345	¥ —
Short-term loans	518,985	518,985	—
Current portion of long-term loans	178,627	178,627	—
Commercial papers	26,000	26,000	—
Bonds due in one year or less	20,040	20,040	—
Corporate bonds	305,010	311,297	6,287
Long-term loans	554,933	558,736	3,803
Total liabilities	¥2,062,940	¥2,073,030	¥10,090
Derivatives transactions:			
Hedge accounting not applied	¥ (217)	¥ (217)	¥ —
Hedge accounting applied	102	102	—
Total derivatives transactions	¥ (115)	¥ (115)	¥ —

Note: Net receivables and payables from derivatives transactions are presented, with net payables in totals shown in parentheses.

	Millions of yen		
March 31, 2014	Carrying value	Fair value	Difference
Cash and deposits	¥ 137,664	¥ 137,664	¥ —
Trade receivables	615,737	615,737	—
Marketable and investment securities:			
Held-to-maturity debt securities	12,034	12,055	21
Shares of affiliates	83,580	99,016	15,436
Other marketable securities	256,917	256,917	—
Total assets	¥1,105,932	¥1,121,389	¥15,457
Trade payables	¥ 413,405	¥ 413,405	¥ —
Short-term loans	357,838	357,838	—
Current portion of long-term loans	117,579	117,579	—
Commercial papers	35,000	35,000	—
Bonds due in one year or less	55,040	55,040	—
Corporate bonds	225,050	230,803	5,753
Long-term loans	467,679	475,831	8,152
Total liabilities	¥1,671,591	¥1,685,496	¥13,905
Derivatives transactions:			
Hedge accounting not applied	¥ 19	¥ 19	¥ —
Hedge accounting applied	618	618	—
Total derivatives transactions	¥ 637	¥ 637	¥ —

Note: Net receivables and payables from derivatives transactions are presented, with net payables in totals shown in parentheses.

	Thousands of U.S. dollars		
March 31, 2015	Carrying value	Fair value	Difference
Cash and deposits	$ 1,968,217	$ 1,968,217	$ —
Trade receivables	6,332,083	6,332,083	—
Marketable and investment securities:			
Held-to-maturity debt securities	103,750	106,500	2,750
Shares of affiliates	56,933	33,350	(23,583)
Other marketable securities	2,713,392	2,713,392	—
Total assets	$11,174,375	$11,153,542	$ (20,833)
Trade payables	$ 3,827,875	$ 3,827,875	$ —
Short-term loans	4,324,875	4,324,875	—
Current portion of long-term loans	1,488,558	1,488,558	—
Commercial papers	216,667	216,667	—
Bonds due in one year or less	167,000	167,000	—
Corporate bonds	2,541,750	2,594,142	52,392
Long-term loans	4,624,442	4,656,133	31,692
Total liabilities	$17,191,167	$17,275,250	$ 84,083
Derivatives transactions:			
Hedge accounting not applied	$ (1,808)	$ (1,808)	$ —
Hedge accounting applied	850	850	—
Total derivatives transactions	$ (958)	$ (958)	$ —

Note: Net receivables and payables from derivatives transactions are presented, with net payables in totals shown in parentheses.

1. Method to Determine the Estimated Fair Values of Financial Instruments and Other Matters Related to Securities and Derivatives Transactions

Assets

Cash and deposits

Book value is used, as it approximates market value because of the short maturities of these instruments.

Trade receivables

Book value is used, as it approximates market value because of the short maturities of these instruments.

Marketable and investment securities

The fair value of stocks is based on quoted market prices, while the fair value of debt securities is based on quoted market prices or the prices provided by the financial institutions with which MCHC conducts transactions. Book value is used for negotiable certificates of deposit and commercial papers, as it approximates market value because of the short settlements of these instruments. For information on securities classified by holding purpose, please refer to Note 10, Securities.

Liabilities

Trade payables, short-term loans, current portion of long-term loans, commercial papers, and bonds due in one year or less.

Book value is used, as it approximates market value because of the short maturities of these instruments.

Corporate bonds

The market price of corporate bonds is based on the quoted market price.

Long-term loans

Market value is based on the present value of principal and interest, discounted using current assumed rates for similar new loans.

Long-term loans are subject to special procedures for interest rate swaps (see Note 12, Derivative Financial Instruments and Hedge Accounting) and the total principal and interest for these swaps are discounted using rationally estimated interest rates for similar new loans.

Derivative Transactions

Please refer to Note 12, Derivative Financial Instruments and Hedge Accounting.

2. Financial Instruments for which it is Extremely Difficult or Impossible to Determine the Fair Value

	Millions of yen		Thousands of U.S. dollars
	March 31, 2015	March 31, 2014	**March 31, 2015**
Unlisted shares	**¥136,249**	¥91,152	**$1,135,408**
Investment securities	**2,410**	2,486	**20,083**

These instruments are omitted from marketable and investment securities because they have no market price and it is extremely difficult or impossible to estimate forward cash flows or assess their fair value.

3. Projected Redemptions of Monetary Claims and Marketable Securities Due after March 31, 2015

	Millions of yen			
March 31, 2015	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	**¥ 236,186**	**¥ —**	**¥—**	**¥ —**
Trade receivables	**759,850**	**—**	**—**	**—**
Marketable and investment securities				
Held-to-maturity debt securities				
(1) Government bonds	**—**	**2,932**	**—**	**—**
(2) Others	**—**	**3,500**	**—**	**6,000**
Other securities with maturities				
(1) Government bonds	**7,300**	**6,400**	**—**	**—**
(2) Others	**120,500**	**—**	**—**	**—**
Total	**¥1,123,836**	**¥12,832**	**¥—**	**¥6,000**

	Millions of yen			
March 31, 2014	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	¥ 137,664	¥ —	¥—	¥ —
Trade receivables	615,737	—	—	—
Marketable and investment securities				
Held-to-maturity debt securities				
(1) Government bonds	—	2,512	—	—
(2) Others	—	3,500	—	6,000
Other securities with maturities				
(1) Government bonds	50,300	6,400	—	—
(2) Others	56,000	—	—	—
Total	¥ 859,701	¥ 12,412	¥—	¥6,000

	Thousands of U.S. dollars			
March 31, 2015	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	**$ 1,968,217**	**$ —**	**$—**	**$ —**
Trade receivables	**6,332,083**	**—**	**—**	**—**
Marketable and investment securities				
Held-to-maturity debt securities				
(1) Government bonds	**—**	**24,433**	**—**	**—**
(2) Others	**—**	**29,167**	**—**	**50,000**
Other securities with maturities				
(1) Government bonds	**60,833**	**53,333**	**—**	**—**
(2) Others	**1,004,167**	**—**	**—**	**—**
Total	**$ 9,365,300**	**$106,933**	**$—**	**$50,000**

4. Scheduled Repayments of Corporate Bonds, Long-Term Loans and Other Interest-Bearing Debt after March 31, 2014

	Millions of yen					
March 31, 2015	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Short-term loans	**¥518,985**	**¥ —**	**¥ —**	**¥ —**	**¥ —**	**¥ —**
Current portion of long-term loans	**178,627**	**—**	**—**	**—**	**—**	**—**
Commercial papers	**26,000**	**—**	**—**	**—**	**—**	**—**
Bonds due in one year or less	**20,040**	**—**	**—**	**—**	**—**	**—**
Corporate bonds	**—**	**40,010**	**40,000**	**65,000**	**60,000**	**100,000**
Long-term loans	**—**	**138,612**	**137,144**	**97,765**	**106,295**	**75,117**
Total	**¥743,652**	**¥ 178,622**	**¥ 177,144**	**¥ 162,765**	**¥166,295**	**¥ 175,117**

	Millions of yen					
March 31, 2014	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Short-term loans	¥357,838	¥ —	¥ —	¥ —	¥ —	¥ —
Current portion of long-term loans	117,579	—	—	—	—	—
Commercial papers	35,000	—	—	—	—	—
Bonds due in one year or less	55,040	—	—	—	—	—
Corporate bonds	—	20,040	30,010	30,000	50,000	95,000
Long-term loans	—	138,828	87,625	93,495	68,980	78,751
Total	¥565,457	¥ 158,868	¥ 117,635	¥ 123,495	¥ 118,980	¥ 173,751

	Thousands of U.S. dollars					
March 31, 2015	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Short-term loans	**$4,324,875**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**
Current portion of long-term loans	**1,488,558**	**—**	**—**	**—**	**—**	**—**
Commercial papers	**216,667**	**—**	**—**	**—**	**—**	**—**
Bonds due in one year or less	**167,000**	**—**	**—**	**—**	**—**	**—**
Corporate bonds	**—**	**333,417**	**333,333**	**541,667**	**500,000**	**833,333**
Long-term loans	**—**	**1,155,100**	**1,142,867**	**814,708**	**885,792**	**625,975**
Total	**$6,197,100**	**$ 1,488,517**	**$ 1,476,200**	**$ 1,356,375**	**$ 1,385,792**	**$ 1,459,308**

Note 10

Securities

Held-to-maturity debt securities are measured at amortized cost in the accompanying balance sheets.

However, certain held-to-maturity debt securities have fair value. The carrying value, gross unrealized gains, gross unrealized losses and estimated fair value of held-to-maturity debt securities at March 31, 2015 and 2014, are summarized as follows:

	Millions of yen			
March 31, 2015	Carrying value	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Held-to-maturity debt securities:				
Government bonds	**¥ 2,949**	**¥264**	**¥ —**	**¥ 3,213**
Corporate bonds	**—**	**—**	**—**	**—**
Other debt securities	**9,501**	**193**	**(127)**	**9,567**
	¥12,450	**¥457**	**¥(127)**	**¥12,780**

	Millions of yen			
March 31, 2014	Carrying value	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Held-to-maturity debt securities:				
Government bonds	¥ 2,532	¥284	¥ —	¥ 2,816
Corporate bonds	—	—	—	—
Other debt securities	9,502	32	(295)	9,239
	¥12,034	¥316	¥(295)	¥12,055

	Thousands of U.S. dollars			
March 31, 2015	Carrying value	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Held-to-maturity debt securities:				
Government bonds	**$ 24,575**	**$ 2,200**	**$ —**	**$ 26,775**
Corporate bonds	**—**	**—**	**—**	**—**
Other debt securities	**79,175**	**1,608**	**(1,058)**	**79,725**
	$103,750	**$ 3,808**	**$(1,058)**	**$106,500**

Other marketable securities with quoted market prices are measured at fair value. Differences between fair value and acquisition costs are recorded as a component of net assets. The differences at March 31, 2015 and 2014, are summarized as follows:

	Millions of yen				
				(Breakdown)	
March 31, 2015	Acquisition costs	Fair value	Net differences	Gross gains	Gross losses
Other marketable securities:					
Equity securities	**¥ 93,933**	**¥190,721**	**¥96,788**	**¥97,090**	**¥(302)**
Government bonds	**1**	**3**	**2**	**2**	**—**
Corporate bonds	**—**	**—**	**—**	**—**	**—**
Other debt securities	**134,561**	**134,883**	**322**	**324**	**(2)**
	¥228,495	**¥325,607**	**¥97,112**	**¥97,416**	**¥(304)**

March 31, 2014	Millions of yen Acquisition costs	Fair value	Net differences	(Breakdown) Gross gains	Gross losses
Other marketable securities:					
Equity securities	¥135,131	¥200,008	¥64,877	¥65,599	¥(722)
Government bonds	43,371	43,473	102	102	—
Corporate bonds	13,400	13,436	36	44	(8)
Other debt securities	—	—	—	—	—
	¥191,902	¥256,917	¥65,015	¥65,745	¥(730)

March 31, 2015	Thousands of U.S. dollars Acquisition costs	Fair value	Net differences	(Breakdown) Gross gains	Gross losses
Other marketable securities:					
Equity securities	**$ 782,775**	**$ 1,589,342**	**$806,567**	**$809,083**	**$(2,517)**
Government bonds	**8**	**25**	**17**	**17**	**—**
Corporate bonds	**—**	**—**	**—**	**—**	**—**
Other debt securities	**1,121,342**	**1,124,025**	**2,683**	**2,700**	**(17)**
	$ 1,904,125	**$ 2,713,392**	**$809,267**	**$811,800**	**$(2,533)**

Sales of other securities for the fiscal year ended March 31, 2015 are shown below:

	Millions of yen Sales	Gains	Losses
Year ended March 31, 2015	**¥11,265**	**¥ 6,027**	**¥ (27)**

	Thousands of U.S. dollars Sales	Gains	Losses
Year ended March 31, 2015	**$93,875**	**$50,225**	**$(225)**

Investment securities of unconsolidated subsidiaries and affiliates at March 31, 2015 are shown below:

	Millions of yen	Thousands of U.S. dollars
March 31, 2015	**¥116,181**	**$968,175**

Note 11

Supplementary Cash Flow Information

Cash and cash equivalents as of March 31, 2015 and 2014, are reconciled to the accounts reported in the consolidated balance sheets as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2015	March 31, 2014	**March 31, 2015**
Cash and deposits	**¥236,186**	¥137,664	**$1,968,217**
Time deposits with maturities of more than three months	**(30,131)**	(6,208)	**(251,092)**
Cash equivalents included in securities[1]	**37,000**	48,100	**308,333**
Cash and cash equivalents	**¥243,055**	¥179,556	**$2,025,458**

1. This represents short-term, highly liquid investments readily convertible into cash held by overseas subsidiaries.

Assets and liabilities of acquired company which became consolidated subsidiary via stock acquisition

The composition of the assets acquired and liabilities assumed of Taiyo Nippon Sanso Corporation upon consolidation in line with the acquisition of stock and the relationship between the acquisition cost for Taiyo Nippon Sanso shares and the net expenditure on the acquisition are as follows:

	Millions of yen	Thousands of U.S. dollars
Current assets	**¥229,682**	**$1,914,017**
Noncurrent assets	**489,735**	**4,081,125**
Goodwill	**83,206**	**693,383**
Current liabilities	**(161,904)**	**(1,349,200)**
Noncurrent liabilities	**(266,544)**	**(2,221,200)**
Minority interests	**(155,368)**	**(1,294,733)**
Total cost of stock acquisition	**218,807**	**1,823,392**
Consolidated book value before additional acquisition	**(78,800)**	**(656,667)**
Gain on step acquisition	**(34,144)**	**(284,533)**
Cash and cash equivalents	**(36,613)**	**(305,108)**
Less: Purchase of investments in subsidiaries resulting in change in scope of consolidation	**¥ 69,250**	**$ 577,083**

Note 12

Derivative Financial Instruments and Hedge Accounting

Derivative Transactions

1. Derivative Transactions (Hedge accounting not applied)

(1) Currency-related transactions

	Millions of yen			
Year ended March 31, 2015	Notional value	Maturing after one year	Fair value	Appraised gains/losses
Off-market transactions				
Forward exchange agreements				
Put				
U.S. dollars	**¥24,324**	**¥—**	**¥(207)**	**¥(207)**
Euros	**357**	**—**	**8**	**8**
Yen	**9**	**—**	**0**	**0**
Call				
U.S. dollars	**38**	**19**	**7**	**7**
Thai baht	**150**	**—**	**0**	**0**
Currency swaps				
Receive U.S. dollars, pay Thai baht	**1,473**	**0**	**(25)**	**7**

	Millions of yen			
Year ended March 31, 2014	Notional value	Maturing after one year	Fair value	Appraised gains/losses
Off-market transactions				
Forward exchange agreements				
Put				
U.S. dollars	¥ 244	¥ —	¥ (1)	¥ (1)
Euros	24,265	—	(86)	(86)
Currency swaps				
Receive U.S. dollars, pay Euros	5,533	4,058	134	134
Receive U.S. dollars, pay Thai baht	2,524	1,262	(28)	(28)

	Thousands of U.S. dollars			
Year ended March 31, 2015	Notional value	Maturing after one year	Fair value	Appraised gains/losses
Off-market transactions				
Forward exchange agreements				
Put				
U.S. dollars	**$202,700**	**$—**	**$(1,725)**	**$(1,725)**
Euros	**2,975**	**—**	**67**	**67**
Yen	**75**	**—**	**0**	**0**
Call				
U.S. dollars	**317**	**158**	**58**	**58**
Thai baht	**1,250**	**—**	**0**	**0**
Currency swaps				
Receive U.S. dollars, pay Thai baht	**12,275**	**0**	**(208)**	**58**

Note: Fair value calculations are based on quoted prices from financial and other institutions with which MCHC conducts transactions.

2. Hedged Derivative Transactions

(1) Currency-related transactions

Year ended March 31, 2015	Hedged items	Millions of yen: Notional amounts	Maturing after one year	Fair value
Hedge accounting method				
Principle-based accounting				
Forward exchange agreements				
Call				
U.S. dollars	Accounts payable trade	**¥10,732**	**¥—**	**¥160**
British pounds	Accounts payable trade	**686**	**—**	**23**
Malaysian ringgit	Accounts payable trade	**161**	**53**	**4**
Yen	Accounts payable trade	**155**	**—**	**1**
Hedge accounting method				
Forward exchange deferral accounting				
Forward exchange contracts				
Put				
U.S. dollars	Accounts receivable trade	**26,624**	**—**	*
Euros	Accounts receivable trade	**11,200**	**—**	*
Malaysian ringgit	Accounts receivable trade	**664**	**—**	*
Call				
U.S. dollars	Accounts payable trade	**1,374**	**—**	*
Euros	Accounts payable trade	**160**	**—**	*
Taiwan dollars	Accounts payable trade	**1,624**	**—**	*
Swiss franc	Accounts payable trade	**46**	**—**	*
Singapore dollars	Accounts payable trade	**4**	**—**	*
Currency swaps				
Receive yen, pay U.S. dollars	Long-term debt	**50**	**—**	*
Receive Singapore dollars, pay yen	Long-term debt	**30**	**—**	*

Year ended March 31, 2014	Hedged items	Millions of yen: Notional amounts	Maturing after one year	Fair value
Hedge accounting method				
Principle-based accounting				
Forward exchange agreements				
Put				
U.S. dollars	Accounts receivable trade	¥ 152	¥ —	¥ 1
Euros	Accounts receivable trade	588	—	(3)
British pounds	Accounts receivable trade	96	—	0
Call				
U.S. dollars	Accounts payable trade	8,836	—	794
Canadian dollars	Accounts payable trade	652	—	8
Malaysian ringgit	Accounts payable trade	1,187	160	55
Yen	Accounts payable trade	783	—	(54)
Currency swaps				
Receive yen, pay U.S. dollars	Long-term debt	613	—	9
Currency options				
Put				
U.S. dollars	Accounts payable trade	118	—	1
Call				
U.S. dollars	Accounts payable trade	118	—	(0)
Hedge accounting method				
Forward exchange deferral accounting				
Forward exchange contracts				
Put				
U.S. dollars	Accounts receivable trade	1,685	—	*
Euros	Accounts receivable trade	1,545	—	*

Year ended March 31, 2015	Hedged items	Thousands of U.S. dollars		
		Notional amounts	Maturing after one year	Fair value
Hedge accounting method				
Principle-based accounting				
Forward exchange agreements				
Call				
U.S. dollars	Accounts payable trade	**$ 89,433**	**$ —**	**$1,333**
British pounds	Accounts payable trade	**5,717**	**—**	**192**
Malaysian ringgit	Accounts payable trade	**1,342**	**442**	**33**
Yen	Accounts payable trade	**1,292**	**—**	**8**
Hedge accounting method				
Forward exchange deferral accounting				
Forward exchange contracts				
Put				
U.S. dollars	Accounts receivable trade	**221,867**	**—**	*
Euros	Accounts receivable trade	**93,333**	**—**	*
Malaysian ringgit	Accounts receivable trade	**5,533**	**—**	*
Call				
U.S. dollars	Accounts payable trade	**11,450**	**—**	*
Euros	Accounts payable trade	**1,333**	**—**	*
Taiwan dollars	Accounts payable trade	**13,533**	**—**	*
Swiss franc	Accounts payable trade	**383**	**—**	*
Singapore dollars	Accounts payable trade	**33**	**—**	*
Currency swaps				
Receive yen, pay U.S. dollars	Long-term debt	**417**	**—**	*
Receive Singapore dollars, pay yen	Long-term debt	**250**	**—**	*

Notes: 1. Fair value calculations are based on quoted prices from financial and other institutions with which MCHC conducts transactions.

2. MCHC accounts for forward exchange deferrals by together accounting for hedged long-term debt* and trade receivables* and payables*, and thus presents fair values that include the fair values of those instruments.

3. With deferral accounting procedures for currency swaps, MCHC accounts for hedged long-term debt* and trade receivables* and payables*, and thus presents fair values that include the fair values of the relevant long-term debt.

(2) Interest-related transactions

Year ended March 31, 2015	Hedged items	Millions of yen		
		Notional amounts	Maturing after one year	Fair value
Hedge accounting method				
Principle-based accounting				
Interest rate swaps				
Pay fixed rate, receive floating rate	Long-term debt	**¥ 7,001**	**¥ 3,732**	**¥(87)**
Special accounting procedures for interest rate swaps				
Interest rate swaps				
Pay fixed rate, receive floating rate	Long-term debt	**192,109**	**86,378**	*
Combined accounting procedures for interest rate and currency swaps (special and deferral accounting procedures)				
Interest rate and currency swaps				
Pay fixed rate, receive floating rate Receive U.S. dollars, pay yen	Long-term debt	**5,700**	**5,700**	*
Pay floating rate, receive floating rate Receive U.S. dollars, pay yen	Long-term debt	**8,300**	**8,300**	*

Year ended March 31, 2014	Hedged items	Millions of yen Notional amounts	 Maturing after one year	 Fair value
Hedge accounting method				
Principle-based accounting				
Interest rate swaps				
Pay fixed rate, receive floating rate	Long-term debt	¥ 8,558	¥ 6,054	¥(187)
Special accounting procedures for interest rate swaps				
Interest rate swaps				
Pay fixed rate, receive floating rate	Long-term debt	175,531	146,797	*
Combined accounting procedures for interest rate and currency swaps (special and deferral accounting procedures)				
Interest rate and currency swaps				
Pay fixed rate, receive floating rate Receive U.S. dollars, pay yen	Long-term debt	5,700	5,700	*
Pay floating rate, receive floating rate Receive U.S. dollars, pay yen	Long-term debt	8,300	8,300	*

Year ended March 31, 2015	Hedged items	Thousands of U.S. dollars Notional amounts	 Maturing after one year	 Fair value
Hedge accounting method				
Principle-based accounting				
Interest rate swaps				
Pay fixed rate, receive floating rate	Long-term debt	**$ 58,342**	**$ 31,100**	**$(725)**
Special accounting procedures for interest rate swaps				
Interest rate swaps				
Pay fixed rate, receive floating rate	Long-term debt	**1,600,908**	**719,817**	*
Combined accounting procedures for interest rate and currency swaps (special and deferral accounting procedures)				
Interest rate and currency swaps				
Pay fixed rate, receive floating rate Receive U.S. dollars, pay yen	Long-term debt	**47,500**	**47,500**	*
Pay floating rate, receive floating rate Receive U.S. dollars, pay yen	Long-term debt	**69,167**	**69,167**	*

Notes: 1. Fair value calculations are based on quoted prices from financial and other institutions with which MCHC conducts transactions.

2. With special accounting procedures for interest rate swaps and combined (special and deferral) accounting procedures for interest rate and currency swaps, MCHC accounts for hedged long-term debt* and trade receivables* and payables*, and thus presents fair values that include the fair values of the relevant long-term debt.

(3) Commodity-related Transactions

Year ended March 31, 2015	Hedged items	Millions of yen Notional amounts	 Maturing after one year	 Fair value
Hedge accounting method				
Principle-based accounting				
Forward transactions for aluminum ingots				
Put	Aluminum ingot trading	**¥215**	**¥—**	**¥1**

Year ended March 31, 2014	Hedged items	Millions of yen Notional amounts	 Maturing after one year	 Fair value
Hedge accounting method				
Principle-based accounting				
Forward transactions for aluminum ingots				
Put	Aluminum ingot trading	¥176	¥—	¥(6)

Year ended March 31, 2015	Hedged items	Thousands of U.S. dollars Notional amounts	 Maturing after one year	 Fair value
Hedge accounting method				
Principle-based accounting				
Forward transactions for aluminum ingots				
Put	Aluminum ingot trading	**$1,792**	**$—**	**$8**

Note: Fair value calculations are based on quoted prices from financial and other institutions with which MCHC conducts transactions.

Note 13

Pension and Severance Plans

Information on pension and severance plans for the years ended March 31, 2015, and 2014 are shown below:

1. Overview

Consolidated subsidiaries adopt or combine cash balance pension plans, corporate pension plans, and welfare pension plans as defined benefits plans, and/or lump-sum retirement benefits and defined contribution plans.

Consolidated subsidiaries may pay premium benefits to employees on retirement.

Some domestic consolidated subsidiaries have established retirement benefits trusts.

2. Defined Benefit Plans

(1) Reconciliation of retirement benefit obligations at beginning and end of year

	Millions of yen		Thousands of U.S. dollars
	March 31, 2015	March 31, 2014	**March 31, 2015**
Retirement benefit obligations at beginning of year	**¥575,390**	¥561,031	**$4,794,917**
Cumulative effects of changes in accounting policies	**25,960**	—	**216,333**
Restated balance at beginning of year	**601,350**	561,031	**5,011,250**
Service cost	**18,350**	15,901	**152,917**
Interest expense	**8,556**	13,098	**71,300**
Actuarial gain or loss	**28,163**	6,410	**234,692**
Retirement benefit payments	**(39,178)**	(36,891)	**(326,483)**
Prior service cost	**31**	(2,482)	**258**
Effect of business combination*	**33,429**	185	**278,575**
Other	**3,630**	18,138	**30,250**
Retirement benefit obligations at end of year	**¥654,331**	¥575,390	**$5,452,758**

Notes: 1 Some domestic consolidated subsidiaries use the simplified method to calculate retirement benefit obligations.
2. Other includes translation differences for foreign subsidiaries.
3. The increase in the fiscal year ended March 31, 2015, is attributable to the inclusion of Taiyo Nippon Sanso Corporation and its subsidiaries in the scope of consolidation.

(2) Reconciliation of plan assets at beginning and end of year

	Millions of yen		Thousands of U.S. dollars
	March 31, 2015	March 31, 2014	**March 31, 2015**
Plan assets at beginning of year	**¥484,924**	¥448,115	**$4,041,033**
Expected return on assets	**13,019**	12,364	**108,492**
Actuarial gains and losses	**37,142**	25,001	**309,517**
Contributions from employer	**13,143**	14,500	**109,525**
Retirement benefit payments	**(31,251)**	(29,079)	**(260,425)**
Effect of business combination*	**34,882**	75	**290,683**
Other	**1,045**	13,948	**8,708**
Plan assets at end of year	**¥552,904**	¥484,924	**$4,607,533**

Notes: 1. Other includes translation differences for foreign subsidiaries.
2. Includes plans applying the simplified method.
3. The increase in the fiscal year ended March 31, 2015, is attributable to the inclusion of Taiyo Nippon Sanso Corporation and its subsidiaries in the scope of consolidation.

(3) Reconciliation of retirement benefit obligations and plan assets at year-end and net defined benefit liabilities and assets in consolidated balance sheets

	Millions of yen		Thousands of U.S. dollars
	March 31, 2015	March 31, 2014	**March 31, 2015**
Retirement benefit obligations of funded plans	**¥593,811**	¥519,350	**$4,948,425**
Plan assets	**(552,904)**	(484,924)	**(4,607,533)**
	40,907	34,426	**340,892**
Retirement benefit obligations of unfunded plans	**60,520**	56,040	**504,333**
Net liabilities and assets in consolidated balance sheets	**¥101,427**	¥ 90,466	**$ 845,225**

	Millions of yen		Thousands of U.S. dollars
	March 31, 2015	March 31, 2014	**March 31, 2015**
Net defined benefit liabilities	**¥132,921**	¥ 121,706	**$1,107,675**
Net defined benefit assets	**(31,494)**	(31,240)	**(262,450)**
Net liabilities and assets in consolidated balance sheets	**¥101,427**	¥ 90,466	**$ 845,225**

Note: Includes plans applying the simplified method.

(4) Retirement benefit costs and charges by category

	Millions of yen		Thousands of U.S. dollars
	March 31, 2015	March 31, 2014	**March 31, 2015**
Service cost*	**¥18,063**	¥15,663	**$150,525**
Interest expense	**8,556**	13,098	**71,300**
Expected return on plan assets	**(13,019)**	(12,364)	**(108,492)**
Amortization of actuarial gains and losses	**(2,300)**	9,554	**(19,167)**
Amortization of prior service cost	**2,199**	2,490	**18,325**
Amortization of transition amount under post-employment benefit accounting	**770**	817	**6,417**
Retirement benefit costs of defined benefit plans	**¥14,269**	¥29,258	**$118,908**

Notes: 1. Employee contributions to defined benefits plans are deducted.

2. The retirement benefit expenses of consolidated subsidiaries using the simplified method are stated in service cost.

3. In addition to the above retirement benefit costs, the Company recorded ¥727 million ($6,058 thousand) and ¥3,426 million for the years ended March 31, 2015 and 2014, respectively, for special retirement expenses.

(5) Remeasurements of defined benefit plans

Components (before tax effect) of remeasurements of defined benefit plans are as follows.

	Millions of yen		Thousands of U.S. dollars
	March 31, 2015	March 31, 2014	**March 31, 2015**
Actuarial gains and losses	**¥3,298**	¥—	**$27,483**
Prior service cost	**2,565**	—	**21,375**
Transition amount under post-employment benefit accounting	**770**	—	**6,417**
Total	**¥6,633**	¥—	**$55,275**

(6) Accumulated remeasurements of defined benefit plans

Components (before tax effect) of remeasurements of defined benefit plans are as follows.

	Millions of yen		Thousands of U.S. dollars
	March 31, 2015	March 31, 2014	**March 31, 2015**
Unrecognized actuarial gains and losses	**¥7,106**	¥3,808	**$59,217**
Unrecognized prior service cost	**(142)**	(2,707)	**(1,183)**
Unrecognized transition amount under post-employment benefit accounting	**—**	(770)	**—**
Total	**¥6,964**	¥ 331	**$58,033**

(7) Plan assets

① Main components of plan assets

Ratios for main components of plan assets are as follows.

	March 31, 2015	March 31, 2014
Bonds	48%	47%
Stocks	30%	34%
Life insurance company general accounts	13%	12%
Other	9%	7%
Total	100%	100%

Note: Retirement benefit trusts for corporate pension plans account for 10% of the plan assets total as of March 31, 2015 and 2014, respectively.

② Methodology for setting expected long-term rates of return
The long-term expected rates of return for plan assets are determined by considering current and projected plan asset allocations and current and anticipated long-term rates of return from diverse plan assets.

(8) Actuarial assumptions
The principal actuarial assumptions (represented by weighted averages) at the end of fiscal years ended March 31, 2015 and 2014 were as follows.

	March 31, 2015	March 31, 2014
Discount rate	Principally 0.6%	Principally 2.0% or 1.8%
Expected long-term rate of return on plan assets	Principally 2.0% or 2.5%	Principally 2.0% or 2.5%

Note: Assumed rates of salary increases are principally 1.4% to 5.0%.

3. Defined Contribution Plans

The required contributions of the Company and consolidated subsidiaries to defined contribution plans totaled ¥4,190 million ($34,917 thousand) and ¥4,985 million as of March 31, 2015 and 2014, respectively.

Note 14

Stock-Based Compensation Plan

Stock option expenses of ¥17 million ($142 thousand) are included in general and administrative expenses for the year ended March 31, 2015. There were no stock option expenses in the year ended March 31, 2014.

Information on stock-based compensation plans at March 31, 2015, is shown below:

	2014 plan	2014 plan
Grantees	2 directors of MCHC	3 executive officers of MCHC
		1 retiring director of a subsidiary
		1 retiring executive officer of a subsidiary
Type of stock	Common stock	Common stock
Date of grant	September 12, 2014	September 12, 2014
Number of shares granted	16,000	20,500
Exercisable period	from September 13, 2014 to September 12, 2034	from September 13, 2014 to September 12, 2034

There were no stock-based compensation plans granted during the fiscal year ended March 31, 2014.

	2012 plan	2012 plan
Grantees	3 directors of MCHC	1 executive officer of MCHC
Type of stock	Common stock	Common stock
Date of grant	September 12, 2012	September 12, 2012
Number of shares granted	21,500	4,500
Exercisable period	from September 13, 2012 to September 12, 2032	from September 13, 2012 to September 12, 2032

	2011 plan	2011 plan
Grantees	2 directors of MCHC	1 executive officer of MCHC
		1 retiring director of MCHC
Type of stock	Common stock	Common stock
Date of grant	September 14, 2011	September 14, 2011
Number of shares granted	48,000	27,000
Exercisable period	from September 15, 2011 to September 14, 2031	from September 15, 2011 to September 14, 2031

	2010 plan	2010 plan	2010 plan
Grantees	3 directors of MCHC	1 executive officer of MCHC	4 directors of a subsidiary
		1 retiring director of MCHC	12 executive officers of a subsidiary
			4 retiring executive officers of a subsidiary
Type of stock	Common stock	Common stock	Common stock
Date of grant	September 14, 2010	September 14, 2010	September 15, 2010
Number of shares granted	44,700	20,500	144,450
Exercisable period	from September 15, 2010 to September 14, 2030	from September 15, 2010 to September 14, 2030	from September 16, 2010 to September 15, 2030

There were no stock-based compensation plans granted during the fiscal year ended March 31, 2010.

	2008 plan	2008 plan	2008 plan
Grantees	3 directors of MCHC	1 retiring director of MCHC	1 director of a subsidiary
			1 retiring director of a subsidiary
			20 executive officers of a subsidiary
			4 retiring executive officers of a subsidiary
Type of stock	Common stock	Common stock	Common stock
Date of grant	September 10, 2008	September 10, 2008	September 12, 2008
Number of shares granted	32,650	12,800	227,700
Exercisable period	from September 11, 2008 to September 10, 2028	from September 11, 2008 to September 10, 2028	from September 13, 2008 to September 12, 2028

	2007 plan	2007 plan	2007 plan
Grantees	2 directors of MCHC	1 executive officer of MCHC	1 director of a subsidiary
		2 retiring directors of MCHC	1 retiring director of a subsidiary
			20 executive officers of a subsidiary
			5 retiring executive officers of a subsidiary
Type of stock	Common stock	Common stock	Common stock
Date of grant	December 12, 2007	December 12, 2007	December 14, 2007
Number of shares granted	39,700	49,450	311,100
Exercisable period	from December 13, 2007 to December 12, 2027	from December 13, 2007 to December 12, 2027	from December 15, 2007 to December 14, 2027

	2006 plan	2006 plan	2006 plan	2005 plan
Grantees	3 directors of MCHC	1 executive officer of MCHC	2 directors of a subsidiary	7 directors of a subsidiary
		1 retiring director of MCHC	1 retiring director of a subsidiary	19 executive officers of a subsidiary
			19 executive officers of a subsidiary	3 retiring executive officers of a subsidiary
			4 retiring executive officers of a subsidiary	
Type of stock	Common stock	Common stock	Common stock	Common stock
Date of grant	December 13, 2006	December 13, 2006	December 15, 2006	July 1, 2005
Number of shares granted	70,400	28,200	331,000	466,050
Exercisable period	from December 14, 2006 to December 13, 2026	from June 28, 2007 to June 27, 2027	from December 16, 2006 to December 15, 2026	from June 28, 2006 to June 27, 2026

Number, movement and price of stock options were as follows:

1. Number of stock options

Number of shares

	2005 plan	2006 plan	2007 plan	2008 plan	2010 plan	2011 plan	2012 plan	2014 plan
Before vesting								
Outstanding as of March 31, 2014	58,200	84,000	117,600	148,200	176,650	75,000	26,000	—
Granted	—	—	—	—	—	—	—	36,500
Expired	—	—	—	—	—	—	—	—
Vested	—	15,600	25,900	20,750	14,700	—	—	—
Outstanding as of March 31, 2015	58,200	68,400	91,700	127,450	161,950	75,000	26,000	36,500
After vesting								
Outstanding as of March 31, 2014	10,350	20,700	59,650	60,800	22,750	—	—	—
Vested	—	15,600	25,900	20,750	14,700	—	—	—
Rights exercised	—	18,150	25,900	5,350	12,450	—	—	—
Expired	—	—	—	—	—	—	—	—
Outstanding as of March 31, 2015	10,350	18,150	59,650	76,200	25,000	—	—	—

Note: Number of stock options are listed after conversion to share numbers

2. Price information

Yen

	2005 plan	2006 plan	2007 plan	2008 plan	2010 plan	2011 plan	2012 plan	2014 plan
Exercise price	1	1	1	1	1	1	1	1
Average share price on exercising options	—	469.3	542.2	616.5	502.6	—	—	—
Fair valuation on grant date	—	682	887	514	396	486	281	485

U.S. dollars

	2005 plan	2006 plan	2007 plan	2008 plan	2010 plan	2011 plan	2012 plan	2014 plan
Exercise price	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Average share price on exercising options	—	3.91	4.52	5.14	4.19	—	—	—
Fair valuation on grant date	—	5.68	7.39	4.28	3.30	4.05	2.34	4.04

3. Method for estimating fair value of stock options

Options pricing model used: Black-Scholes model
Main basic factors and estimation method:

	2014 stock options
Share price volatility (note 1)	32.386%
Expected term (note 2)	4.92 years
Expected dividends (note 3)	¥12 ($0.1) per share
Risk-free interest rate (note 4)	0.174%

Notes: 1. Calculated based on the daily share price over the past four years and 11 months (closing price each trading day from October 9, 2009, to September 12, 2014).
2. Using a period up to the expected average exercise time from the grant date.
3. Based on interim and year-end dividends of ¥6 per share each in fiscal year ended March 31, 2014.
4. The yield on government bonds for the expected term.

4. Since it is fundamentally difficult to reasonably estimate the number of options that will expire in the future, the Company uses a method that only reflects actual expiration numbers.

Note 15

Income Taxes

At March 31, 2015 and 2014, significant components of deferred tax assets and liabilities were as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2015	March 31, 2014	**March 31, 2015**
Deferred tax assets:			
Tax loss carryforwards	**¥ 150,560**	¥ 149,091	**$ 1,254,667**
Net defined benefit liabilities	**40,007**	38,485	**333,392**
Accrued bonuses to employees	**13,519**	11,994	**112,658**
Impairment loss on fixed assets	**10,203**	6,247	**85,025**
Depreciation	**7,185**	5,138	**59,875**
Write-downs of investment securities	**6,655**	6,977	**55,458**
Unrealized profit on sale of fixed assets	**6,594**	5,560	**54,950**
Loss on liquidation of subsidiaries and affiliates	**6,048**	6,637	**50,400**
Other	**67,593**	55,589	**563,275**
Gross deferred tax assets	**¥ 308,364**	¥ 285,718	**$ 2,569,700**
Valuation allowance	**(128,271)**	(105,555)	**(1,068,925)**
Total deferred tax assets	**¥ 180,093**	¥ 180,163	**$ 1,500,775**
Deferred tax liabilities:			
Accelerated tax depreciation	**¥ (61,764)**	¥ (28,262)	**$ (514,700)**
Valuation of assets	**(56,479)**	(27,715)	**(470,658)**
Valuation gain on investment securities	**(35,483)**	(32,994)	**(295,692)**
Tax deductible reserve	**(7,919)**	(4,285)	**(65,992)**
Other	**(15,769)**	(12,727)	**(131,408)**
Total deferred tax liabilities	**¥ (177,414)**	¥ (105,983)	**$ (1,478,450)**
Net deferred tax assets	**¥ 2,679**	¥ 74,180	**$ 22,325**

At March 31, 2015 and 2014, deferred tax assets and liabilities included in the consolidated balance sheets are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2015	March 31, 2014	**March 31, 2015**
Deferred income taxes—current	**¥ 36,482**	¥ 31,014	**$ 304,017**
Deferred income taxes—noncurrent	**62,804**	77,543	**523,367**
Other current liabilities	**(262)**	(374)	**(2,183)**
Deferred tax liabilities-noncurrent	**(96,345)**	(34,003)	**(802,875)**

A reconciliation of the statutory tax rates to the effective tax rates for the years ended March 31, 2015 and 2014, was as follows:

	March 31, 2015	March 31, 2014
Statutory tax rate	**35.6%**	38.0%
Increase (decrease) in taxes resulting from:		
Increase in valuation allowance for cumulative losses of consolidated subsidiaries	**8.3**	10.7
Downward revision of term-end deferred income tax assets owing to tax reforms	**4.3**	1.3
Amortization of goodwill	**3.8**	4.9
Permanent differences	**2.2**	1.6
Gain on step acquisitions, net	**(7.3)**	(0.3)
Tax credits for research and development costs	**(3.2)**	(5.6)
Difference of statutory tax rate in overseas subsidiaries	**(2.5)**	(2.9)
Other	**0.6**	0.6
Effective tax rate	**41.8%**	48.3%

(Impact of Change in Corporate Tax Rate)
March 31, 2015, saw the enactments of a Partial Amendment of the Income Tax Act (Act No. 9 of 2015) and the Partial Revision of the Local Corporation Tax Act (Act No. 2 of 2015), which changed corporate tax rates as of the start of the fiscal year beginning April 1, 2015. The resulting deferred tax assets and liabilities in the year ended March 31, 2015 were calculated using the applicable statutory tax rates after the rate revisions for fiscal years in which it is expected that the temporary differences would be resolved.

From the fiscal year starting on April 1, 2015, the tax loss carry-forward system limited the proportion of the carry-forward of income before deductions to 65%. The proportion will be declined to 50% from the year starting on April 1, 2017.

As a result of these factors, deferred income tax assets (net of deferred income tax liabilities) were ¥3,639 million ($30,325 thousand) lower at year-end than under the previous method, while deferred income taxes and the net unrealized holding gain (loss) on other securities were ¥7,167 million ($59,725 thousand) and ¥3,595 million ($29,958 thousand) higher.

Note 16

Business Combinations, Etc.

1. Acquisition of Taiyo Nippon Sanso Corporation

(Business Combination through Acquisition)

MCHC and its equity-method affiliate, Taiyo Nippon Sanso Corporation (TNSC) executed a master agreement to enhance their capital and business alliances and improve their corporate values based on resolutions of their respective boards of directors' meetings held on May 13, 2014. MCHC made a tender offer for the common shares of TNSC from September 30 through November 5, 2014 (hereinafter, the "Tender Offer"), with a view to acquiring a majority of voting rights in that company.

As a result of the Tender Offer, MCHC and consolidated subsidiary Mitsubishi Chemical together obtained a majority of voting rights in TNSC, which thereby became a consolidated subsidiary as of November 12, 2014.

(1) Overview of Business Combination

1. Name and business of acquired company
   Name: Taiyo Nippon Sanso Corporation
   Business: Production and sales of industrial gases and related equipment and devices
2. Main reason for business combination
   As described in 1. Acquisition of Taiyo Nippon Sanso Corporation
3. Date of business combination
   November 12, 2014
4. Legal form of business combination
   Acquisition of shares for cash
5. Percentages of voting rights acquired
   Percentage of voting rights held immediately before business combination: 27.0%
   Percentage of voting rights added on business combination date: 23.6%
   Percentage of voting rights held upon acquisition: 50.6%

(2) The acquired company's financial results included in the consolidated statement of income correspond to the following period:
October 1, 2014, to March 31, 2015.

(3) Acquisition cost of the company and its breakdown

	Millions of yen	Thousands of U.S. dollars
	March 31, 2015	March 31,2015
Consideration for acquisition	¥218,209	$1,818,408
Expenses directly related to acquisition	598	4,983
Acquisition cost	¥218,807	$1,823,392

Shares held (27.0%) before acquiring control of acquired company are posted at market value as of the deemed control acquisition date (October 1, 2014).

(4) Difference between acquisition cost of acquired company and the total costs of individual transactions leading to obtaining control
¥34,144 million ($284,533 thousand)

(5) Amount of goodwill recognized, reason for recognition, method of amortization, and period of amortization

1. Amount of goodwill recognized
   ¥83,206 million ($693,383 thousand)
2. Reason for recognition
   Goodwill was recognized due to the difference between the Company's interest in the acquired company and the acquisition cost.

3. Method of amortization and period of amortization
Straight-line method over 20 years

(6) Amount of assets acquired and liabilities assumed on the date of business combination and its breakdown

	Millions of yen	Thousands of U.S. dollars
	March 31, 2015	**March 31,2015**
Current assets	**¥ 229,682**	**$1,914,017**
Noncurrent assets	**489,735**	**4,081,125**
Total assets	**¥ 719,417**	**$5,995,142**
Current liabilities	**¥ 161,904**	**$1,349,200**
Noncurrent liabilities	**266,544**	**2,221,200**
Total liabilities	**¥ 428,448**	**$3,570,400**

(7) Estimated impact on Consolidated Statements of Income for year ended March 31, 2015, and method of calculating such impact assuming that the business combination was completed on the first day of year ended March 31, 2015

	Millions of yen	Thousands of U.S. dollars
	March 31, 2015	**March 31, 2015**
Net sales	**¥ 268,911**	**$2,240,925**
Operating income	**15,309**	**127,575**
Income before income taxes and minority interests in consolidated subsidiaries	**12,866**	**107,217**
Net income	**¥ 1,214**	**$ 10,117**

Note: Method for calculating estimates
Based on the consolidated sales and income information of TNSC from April 1, 2014, through September 30, 2014, estimates reflect amortization of the goodwill that was recognized at the time of the business combination on the assumption that the goodwill had arisen on the first day of the fiscal year ended March 31, 2015.
These estimates are unaudited.

Note 17

Per Share Information

	Yen	U.S. dollars
	March 31, 2015	March 31, 2015
Net assets	¥ 669.77	$ 5.58
Net income —Basic	41.40	0.35
—Diluted	41.37	0.34

1. The basis for calculating net income per share for the year ended March 31, 2015 and diluted net income per share was as follows:

	Millions of yen	Thousands of U.S. dollars
Net income per share	March 31, 2015	March 31, 2015
Net income	¥ 60,859	$507,158
Net income applicable to common shares	60,859	507,158
Average number of common shares during period (thousands of shares)	1,469,998	—
Increase in number of common shares: (thousands of shares)	842	—
Bonds with subscription rights to shares	—	—
Warrants	842	—

2. The basis for calculating net assets per share as of March 31, 2015 was as follows:

	Millions of yen	Thousands of U.S. dollars
Net assets per share	March 31, 2015	March 31, 2015
Total net assets	¥1,588,601	$13,238,342
Amounts deducted from total net assets:	607,608	5,063,400
Warrants	471	3,925
Minority interests in consolidated subsidiaries	607,137	5,059,475
Net assets applicable to common shares	980,993	8,174,942
Number of common shares at the end of the fiscal year used in calculation of net assets per share (thousands of shares)	1,464,664	—

Note: As described in Change in Accounting Policy, the Company applied accounting treatment included in Accounting Standard for Retirement Benefits and adhered to transitional treatment provisions of Article 37 of the Accounting Standard for Retirement Benefits.

As a result, net assets per share decreased ¥9.85 ($0.08) as of March 31, 2015.

Note 18

Short-Term Debt and Long-Term Debt

At March 31, 2015 and 2014, short-term debt of MCHC and its consolidated subsidiaries consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2015	March 31, 2014	**March 31, 2015**
Short-term loans principally from banks and other financial institutions at average interest rate of: 0.889% at March 31, 2015, and 0.995% at March 31, 2014	**¥518,985**	¥357,838	**$4,324,875**
Commercial papers	**26,000**	35,000	**216,667**
	¥544,985	¥392,838	**$4,541,542**

At March 31, 2015 and 2014, long-term debt of MCHC and its consolidated subsidiaries consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2015	March 31, 2014	**March 31, 2015**
Debt issued by MCHC:			
0.499% notes due 2016	**¥ 20,000**	¥ 20,000	**$ 166,667**
1.204% notes due 2021	**10,000**	10,000	**83,333**
0.366% notes due 2017	**15,000**	15,000	**125,000**
0.556% notes due 2019	**10,000**	10,000	**83,333**
0.439% notes due 2017	**15,000**	15,000	**125,000**
0.665% notes due 2019	**10,000**	10,000	**83,333**
0.615% notes due 2018	**20,000**	20,000	**166,667**
0.985% notes due 2020	**10,000**	10,000	**83,333**
1.226% notes due 2023	**10,000**	10,000	**83,333**
0.319% notes due 2018	**10,000**	10,000	**83,333**
0.604% notes due 2020	**15,000**	15,000	**125,000**
0.918% notes due 2023	**15,000**	15,000	**125,000**
0.319% notes due 2019	**25,000**	—	**208,333**
0.482% notes due 2021	**15,000**	—	**125,000**
0.800% notes due 2024	**15,000**	—	**125,000**
Debt issued by MCC:			
1.90% notes due 2014	**¥ —**	¥ 10,000	**$ —**
2.02% notes due 2014	**—**	10,000	**—**
2.01% notes due 2016	**20,000**	20,000	**166,667**
2.05% notes due 2016	**10,000**	10,000	**83,333**
2.03% notes due 2018	**20,000**	20,000	**166,667**
2.02% notes due 2019	**10,000**	10,000	**83,333**
1.20% notes due 2014	**—**	15,000	**—**
Debt issued by consolidated subsidiaries other than MCC, due 2021 or before at interest rates ranging from 0.319% to 1.94% at March 31, 2015, and 2014, respectively.	**50,050**	25,090	**417,083**
Loans, principally from banks and insurance companies due 2014 to 2033:			
Collateralized	**9,357**	10,058	**77,975**
Non-collateralized	**724,203**	575,200	**6,035,025**
	¥ 1,058,610	¥ 865,348	**$ 8,821,750**
Less current portion	**(198,667)**	(172,619)	**(1,655,558)**
	¥ 859,943	¥ 692,729	**$ 7,166,192**

Note: The average interest rates of loans were as follows:
March 31, 2015
Current portion 1.500%
Less current portion 1.391%

Secured assets as of March 31, 2015 and 2014, are shown below:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2015	March 31, 2014	March 31, 2015
Buildings	¥ 9,858	¥ 8,711	$ 82,150
Land	10,343	9,987	86,192
Machinery and equipment	78,553	75,438	654,608
Total	¥ 98,754	¥94,136	$ 822,950

Secured liabilities as of March 31, 2014 and 2013, are shown below:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2015	March 31, 2014	March 31, 2015
Short-term debt	¥ 7,658	¥ 8,228	$ 63,817
Long-term debt	4,883	6,002	40,692
Trade payables	366	682	3,050
Total	¥12,907	¥14,912	$ 107,558

The aggregate annual maturities of long-term debt are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
	March 31, 2015	March 31, 2015
2016	¥178,622	$1,488,517
2017	177,144	1,476,200
2018	162,765	1,356,375
2019	166,295	1,385,792
2020 and thereafter	175,117	1,459,308
	¥859,943	$7,166,192

Note 19

Segment Information 1. Overview of Reporting Segments

The Company's reporting segments comprise financial information that can be segregated, and the Board of Directors regularly assess this information in deciding how to allocate resources and evaluate results.

MCHC is a holding company for six key businesses. They are Mitsubishi Chemical Corporation, Mitsubishi Tanabe Pharma Corporation, Mitsubishi Plastics, Inc., Mitsubishi Rayon Co., Ltd., Life Science Institute, Inc., and Taiyo Nippon Sanso Corporation. MCHC coordinates Group operations, categorizing each company's businesses by product and managing its portfolio based on those categories. Accordingly, MCHC's segments comprise product-specific business categories. The five principal reporting segments are Electronics Applications, Designed Materials, Health Care, Chemicals, and Polymers.

The main products in each reporting segment are as follows.

Reporting Segment	Main Products
Electronics Applications	Recording media, Information and electronics-related materials, Imaging supplies
Designed Materials	Food ingredients, Battery materials, Fine chemicals, Polymer processing products, Composite materials, Inorganic chemicals, Fibers
Health Care	Pharmaceuticals, Diagnostic reagents and instruments, Clinical testing, Pharmaceutical formulation materials
Chemicals	Basic petrochemicals, Chemical derivatives, Synthetic fiber materials, Carbon products, Industrial gases
Polymers	Synthetic resins

2. Basis for Calculating Sales, Earnings or Losses, Assets, Liabilities, and Other Amounts by Reporting Segment

The Company accounts for its reported business segments as described in Note 1. Inter-segment sales and transfers are based mainly on prevailing market prices.

3. Information on Sales, Earnings or Losses, Assets, Liabilities and Other Financials by Reporting Segment

	Net Sales*			Inter-segment Sales and Transfers		
	Millions of yen		Thousands of U.S. dollars	Millions of yen		Thousands of U.S. dollars
REPORTING SEGMENT	**March 31, 2015**	March 31, 2014	**March 31, 2015**	**March 31, 2015**	March 31, 2014	**March 31, 2015**
Electronics Applications	**¥ 118,752**	¥ 133,675	**$ 989,600**	**¥ 4,895**	¥ 4,232	**$ 40,792**
Designed Materials	**811,399**	799,130	**6,761,658**	**30,245**	25,192	**252,042**
Health Care	**531,933**	523,056	**4,432,775**	**1,985**	2,156	**16,542**
Chemicals	**1,139,395**	955,088	**9,494,958**	**157,010**	179,486	**1,308,417**
Polymers	**834,608**	858,435	**6,955,067**	**77,053**	77,432	**642,108**
Others	**220,191**	229,450	**1,834,925**	**119,807**	124,573	**998,392**
Subtotal	**3,656,278**	3,498,834	**30,468,983**	**390,995**	413,071	**3,258,292**
Adjustments	**—**	—	**—**	**(390,995)**	(413,071)	**(3,258,292)**
Total	**¥3,656,278**	¥3,498,834	**$30,468,983**	**¥ —**	¥ —	**$ —**

* Inter-segment sales and transfers are not included.

	Segment Earnings			Segment Assets		
	Millions of yen		Thousands of U.S. dollars	Millions of yen		Thousands of U.S. dollars
REPORTING SEGMENT	**March 31, 2015**	March 31, 2014	**March 31, 2015**	**March 31, 2015**	March 31, 2014	**March 31, 2015**
Electronics Applications	**¥ (2,725)**	¥ (5,519)	**$ (22,708)**	**¥ 117,474**	¥ 116,108	**$ 978,950**
Designed Materials	**56,090**	47,476	**467,417**	**837,350**	819,837	**6,977,917**
Health Care	**77,012**	67,300	**641,767**	**1,050,987**	1,023,152	**8,758,225**
Chemicals	**9,161**	710	**76,342**	**1,435,730**	670,909	**11,964,417**
Polymers	**26,764**	2,307	**223,033**	**801,479**	799,640	**6,678,992**
Others	**6,462**	5,675	**53,850**	**612,048**	663,686	**5,100,400**
Subtotal	**172,764**	117,949	**1,439,700**	**4,855,068**	4,093,332	**40,458,900**
Adjustments	**(7,083)**	(7,489)	**(59,025)**	**(532,030)**	(613,973)	**(4,433,583)**
Total	**¥165,681**	¥110,460	**$1,380,675**	**¥4,323,038**	¥3,479,359	**$36,025,317**

	Depreciation and Amortization			Amortization of Goodwill		
	Millions of yen		Thousands of U.S. dollars	Millions of yen		Thousands of U.S. dollars
REPORTING SEGMENT	**March 31, 2015**	March 31, 2014	**March 31, 2015**	**March 31, 2015**	March 31, 2014	**March 31, 2015**
Electronics Applications	**¥ 6,134**	¥ 5,677	**$ 51,117**	**¥ 4**	¥ 223	**$ 33**
Designed Materials	**39,864**	38,534	**332,200**	**4,456**	4,030	**37,133**
Health Care	**15,712**	15,969	**130,933**	**8,243**	7,794	**68,692**
Chemicals	**47,346**	28,005	**394,550**	**2,143**	18	**17,858**
Polymers	**37,163**	38,390	**309,692**	**2,735**	2,562	**22,792**
Others	**3,244**	3,161	**27,033**	**59**	81	**492**
Subtotal	**149,463**	129,736	**1,245,525**	**17,640**	14,708	**147,000**
Adjustments	**1,790**	1,835	**14,917**	**—**	—	**—**
Total	**¥151,253**	¥131,571	**$1,260,442**	**¥17,640**	¥14,708	**$147,000**

	Investment in Equity Method Affiliates			Increase in Tangible and Intangible Fixed Assets*		
	Millions of yen		Thousands of U.S. dollars	Millions of yen		Thousands of U.S. dollars
REPORTING SEGMENT	**March 31, 2015**	March 31, 2014	**March 31, 2015**	**March 31, 2015**	March 31, 2014	**March 31, 2015**
Electronics Applications	**¥ 227**	¥ 126	**$ 1,892**	**¥ 5,889**	¥ 6,678	**$ 49,075**
Designed Materials	**11,754**	11,009	**97,950**	**53,354**	51,183	**444,617**
Health Care	**264**	244	**2,200**	**24,608**	20,307	**205,067**
Chemicals	**44,766**	30,060	**373,050**	**45,632**	25,517	**380,267**
Polymers	**39,615**	35,243	**330,125**	**29,325**	25,493	**244,375**
Others	**5,349**	82,009	**44,575**	**3,854**	3,226	**32,117**
Subtotal	**101,975**	158,691	**849,792**	**162,662**	132,404	**1,355,517**
Adjustments	**—**	—	**—**	**2,395**	935	**19,958**
Total	**¥101,975**	¥158,691	**$849,792**	**¥165,057**	¥133,339	**$1,375,475**

* "Increase in Tangible and Intangible Fixed Assets" is equivalent to "Capital Expenditures."

Notes:
1. The Others category is a business segment excluded from reporting segments and mainly encompasses engineering, transportation, and warehousing operations.
2. Adjustments are as follows:
(1) The ¥7,083 million ($59,025 thousand) adjustment for segment earnings or losses includes ¥7,345 million ($61,208 thousand) in corporate costs not allocated to each reporting segment and ¥262 million ($2,183 thousand) in inter-segment eliminations. Corporate costs include expenditures on basic testing, research, and other activities not allocated to reporting segments.
(2) The segment asset adjustment of ¥532,030 million ($4,433,583 thousand) includes corporate assets of ¥211,221 million ($1,760,175 thousand) not allocated to reporting segments and inter-segment eliminations of ¥743,251 million ($6,193,758 thousand).
(3) Adjustments to depreciation and amortization of ¥1,790 million ($14,917 thousand) are corporate costs that are not allocated to reporting segments.
(4) Adjustments to increase in tangible and intangible fixed assets of ¥2,395 million ($19,958 thousand) are capital expenditures against corporate assets that are not allocated to reporting segments.
3. Total segment earnings and adjustments match operating income in the consolidated financial statements.
4. In light of the establishment of consolidated subsidiary Life Science Institute, Inc., from the year ended March 31, 2015 the Company reclassified some businesses (including one consolidated subsidiary) from Health Care to Designed Materials. The Company has reconfigured segment information for the previous fiscal year to reflect the new classification.

4. Related Information

Geographic Information

(1) Sales

	Millions of yen			
	Japan	PRC	Other	Total
Year ended March 31, 2015	**¥2,137,195**	**¥332,259**	**¥1,186,824**	**¥3,656,278**

	Millions of yen			
	Japan	PRC	Other	Total
Year ended March 31, 2014	¥2,031,616	¥354,280	¥1,112,938	¥3,498,834

	Thousands of U.S. dollars			
	Japan	PRC	Other	Total
Year ended March 31, 2015	**$17,809,958**	**$2,768,825**	**$9,890,200**	**$30,468,983**

Note: Sales are based on the locations of customers and categorized according to country or region.

(2) Tangible Fixed Assets

	Millions of yen			
	Japan	U.S.A.	Other	Total
March 31, 2015	**¥902,880**	**¥237,784**	**¥357,482**	**¥1,498,146**

	Millions of yen			
	Japan	U.S.A.	Other	Total
March 31, 2014	¥741,057	¥85,107	¥291,886	¥1,118,050

	Thousands of U.S. dollars			
	Japan	U.S.A.	Other	Total
March 31, 2015	**$7,524,000**	**$1,981,533**	**$2,979,017**	**$12,484,550**

5. Information on Impairment Loss by Reporting Segment

	Impairment Loss		
	Millions of yen		Thousands of U.S. dollars
REPORTING SEGMENT	**March 31, 2015**	March 31, 2014	**March 31, 2015**
Electronics Applications	**¥ 362**	¥ 155	**$ 3,017**
Designed Materials	**4,749**	1,138	**39,575**
Health Care	**10,980**	1,355	**91,500**
Chemicals	**13,278**	217	**110,650**
Polymers	**1,768**	268	**14,733**
Others	**46**	—	**383**
Corporate and Eliminations	**—**	—	**—**
Total	**¥31,183**	¥3,133	**$ 259,858**

6. Information on Amortization of Goodwill and Unamortized Balance by Reporting Segment

	Balance at year-end		
	Millions of yen		Thousands of U.S. dollars
REPORTING SEGMENT	**March 31, 2015**	March 31, 2014	**March 31, 2015**
Electronics Applications	**¥ 8**	¥ 12	**$ 67**
Designed Materials	**44,247**	47,332	**368,725**
Health Care	**78,042**	90,011	**650,350**
Chemicals	**81,346**	16	**677,883**
Polymers	**40,173**	42,749	**334,775**
Others*	**(19)**	(28)	**(158)**
Corporate and Eliminations	**—**	—	**—**
Total	**¥243,797**	¥180,092	**$2,031,642**

Note 20

Related Party Information

1. Transactions with Related Parties

(1) Transactions between related parties and company submitting consolidated financial statements

1. Nonconsolidated subsidiaries and affiliates, etc., of company submitting consolidated financial statements

   Year ended March 31, 2015

   Not applicable

   Year ended March 31, 2014

Category	Name of company or person	Location	Paid-in capital or capitalization (millions of yen)	Details of business or occupation	Percentage of voting rights owned	Relationship with related party	Transaction details	Transaction amount (millions of yen)	Account name	Balance at year-end (millions of yen)
Affiliate	Taiyo Nippon Sanso Corporation	Shinagawa-ku, Tokyo	37,344	Production and sales of industrial gases	Directly: 13 Indirectly: 14	Interlocking directorate	Underwriting of capitalization increase (see note)	30,980	—	—

Note: MCHC underwrote TNSC's issuance of new shares and disposition of treasury shares under a third-party allotment for ¥687 per share.

(2) Transactions between related parties and consolidated subsidiaries of the company submitting consolidated financial statements

Not applicable

2. Notes Regarding Parent Company and Significant Affiliates

Not applicable

Independent Auditor's Report

The Board of Directors
Mitsubishi Chemical Holdings Corporation

We have audited the accompanying consolidated financial statements of Mitsubishi Chemical Holdings Corporation and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2015, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Mitsubishi Chemical Holdings Corporation and its consolidated subsidiaries as at March 31, 2015, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 2.

Ernst & Young ShinNihon LLC

June 24, 2015
Tokyo, Japan

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Major Subsidiaries and Affiliates As of March 31, 2015

Company Name	Major Products or Lines of Business	Capital	Equity Participation (%)
Major Subsidiaries			
Direct Investees			
Mitsubishi Chemical Corporation	Manufacture and marketing of chemical products	¥50.0 billion	100.0
Mitsubishi Tanabe Pharma Corporation	Manufacture and marketing of pharmaceuticals	¥50.0 billion	56.3
Mitsubishi Plastics, Inc.	Manufacture and marketing of polymer processing products	¥21.5 billion	100.0
Mitsubishi Rayon Co., Ltd.	Manufacture and marketing of chemical products	¥53.2 billion	100.0
Life Science Institute, Inc.	Management of the healthcare solutions business	¥3.0 billion	100.0
Taiyo Nippon Sanso Corporation	Manufacture and marketing of industrial gases	¥37.3 billion	50.5 (14.0)
The KAITEKI Institute, Inc.	Research and investigation into future societal trends	¥10 million	100.0
Indirect Investees			
Performance Products Domain			
Electronics Applications Segment			
Verbatim Americas, LLC	Marketing of recording media and computer peripheral equipment	U.S.$87 million	100.0
Verbatim Limited	Marketing of recording media and computer peripheral equipment	€3 million	100.0
Designed Materials Segment			
The Nippon Synthetic Chemical Industry Co., Ltd.	Manufacture and marketing of polymer processing products	¥17.9 billion	50.8
Nippon Kasei Chemical Co., Ltd.	Manufacture and marketing of inorganic chemical products	¥6.5 billion	64.9
J-Film Corporation	Manufacture and marketing of plastic films	¥1.2 billion	87.7
Quadrant AG	Processing and marketing of engineering plastic products	CHF27 million	100.0
Mitsubishi Polyester Film, Inc.	Manufacture and marketing of polyester film	U.S.$29 million	100.0
Mitsubishi Polyester Film GmbH	Manufacture and marketing of polyester film	€160,000	100.0
Health Care Domain			
Health Care Segment			
API Corporation	Manufacture and marketing of active pharmaceutical ingredients and intermediates	¥4.0 billion	100.0
LSI Medience Corporation	Clinical testing and medical support services; marketing of in vitro diagnostic agents	¥3.0 billion	100.0
Qualicaps Co., Ltd.	Manufacture and marketing of capsules for pharmaceuticals and health food, and pharmaceutical processing equipment	¥2.8 billion	100.0
Industrial Materials Domain			
Chemicals Segment			
Kansai Coke and Chemicals Co., Ltd.	Manufacture and marketing of coke	¥6.0 billion	51.0
Nippon Ekitan Corporation	Manufacture and marketing of carbon dioxide	¥0.6 billion	82.9
Thermos K.K.	Manufacture and marketing of house articles such as vacuum flasks	¥0.3 billion	100.0
MCC PTA India Corp. Private Limited	Manufacture and marketing of terephthalic acid	Rs7,392 million	65.9
Ningbo Mitsubishi Chemical Co., Ltd.	Manufacture and marketing of terephthalic acid	RMB1,005 million	90.0
P.T. Mitsubishi Chemical Indonesia	Manufacture and marketing of terephthalic acid	U.S.$146 million	100.0
Leeden National Oxygen Ltd.	Manufacture and marketing of welding equipment and high-pressure gas	SGD$53 million	95.3
MCC PTA Asia Pacific Private Company Ltd.	Marketing of terephthalic acid	U.S.$20 million	100.0
Matheson Tri-Gas, Inc.	Manufacture and marketing of industrial gases	U.S.$42	100.0
Polymers Segment			
Japan Polypropylene Corporation	Manufacture and marketing of polypropylene	¥11.7 billion	65.0
Japan Polyethylene Corporation	Manufacture and marketing of polyethylene	¥7.5 billion	58.0
Lucite International Inc.	Manufacture and marketing of MMA monomers, acrylic sheets and coating materials	U.S.$363 million	100.0
Lucite International UK Limited	Manufacture and marketing of MMA monomers, acrylic sheets and coating materials	£20 million	100.0
Others			
Mitsubishi Chemical Logistics Corporation	Logistics and warehouse services	¥1.5 billion	100.0
Mitsubishi Chemical Engineering Corporation	Engineering and construction services	¥1.4 billion	100.0
Major Affiliates			
Performance Products Domain			
Designed Materials Segment			
Kodama Chemical Industry Co., Ltd.	Manufacturing and marketing of plastic products	¥3.0 billion	20.6
Nitto Kako Co., Ltd.	Manufacture and marketing of rubber and plastic products	¥1.9 billion	36.9
Industrial Materials Domain			
Chemicals Segment			
Kawasaki Kasei Chemicals Ltd.	Manufacture and marketing of chemical derivatives	¥6.2 billion	36.3
Kashima-Kita Electric Power Corporation	Generation and supply of electric power	¥6.0 billion	41.2

Notes: 1. MCC operates businesses in the Performance Products and Industrial Materials domains and Others.
2. MTPC operates businesses in the Health Care domain.
3. MPI operates businesses in the Performance Products domain.
4. MRC operates businesses in the Performance Products and Industrial Materials domains and Others.
5. LSII operates businesses in the Health Care domain through its subsidiaries.
6. TNSC operates businesses in the Industrial Materials domain. The equity participation amount in parentheses ( ) for TNSC indicates the amount owned by MCC.
7. The KAITEKI Institute conducts basic research activities that cannot be classified in any specific domain.
8. Capital reported for each of Verbatim Americas (U.S.A.), Mitsubishi Polyester Film (U.S.A.), and Lucite International (U.S.A.) represents paid-in capital.
9. On July 1, 2014, the segment to which Nitto Kako belongs was changed from Others to the Designed Materials segment.

Global Network As of March 31, 2015

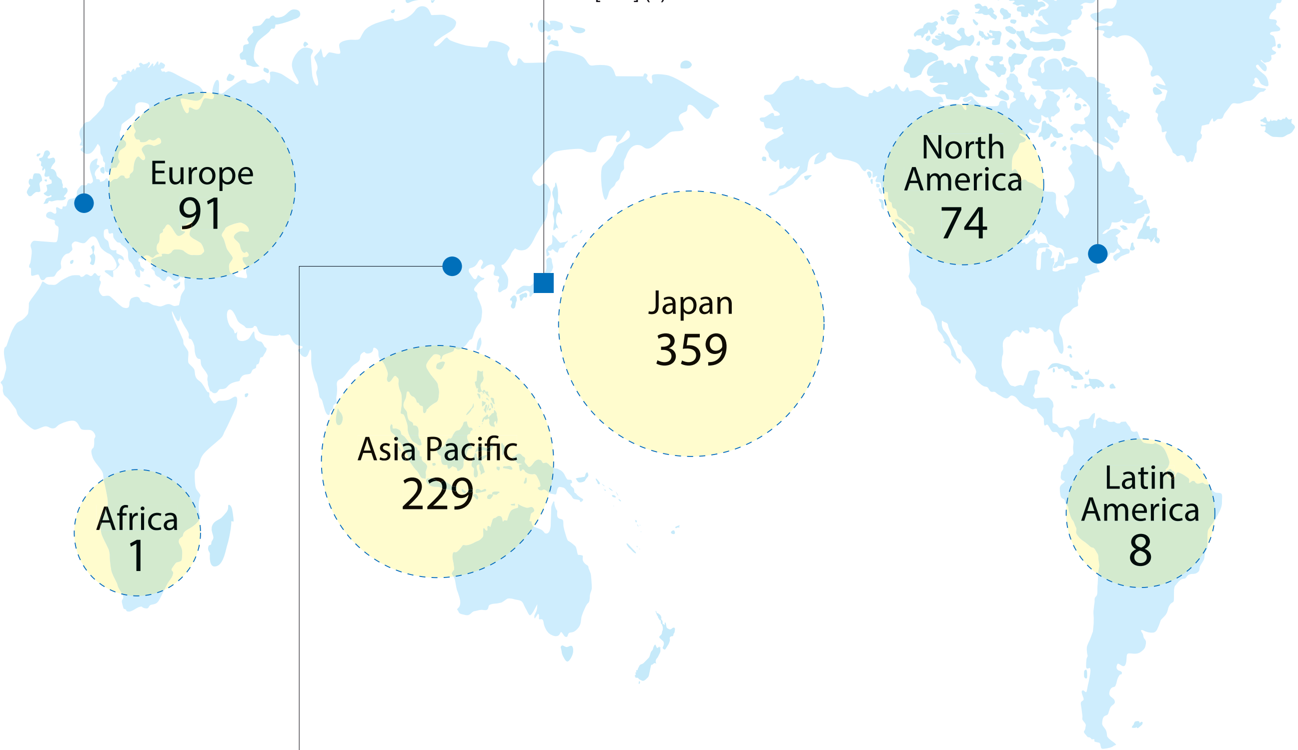
Number of Subsidiaries and Affiliates (Japan): 359

Number of Subsidiaries and Affiliates (Outside Japan): 403

Mitsubishi Chemical Holdings Europe GmbH
Kasteler Strasse 45, 65203 Wiesbaden, Germany
TEL: [+49] (0)611-962-6923

Mitsubishi Chemical Holdings America, Inc.
655 Third Avenue, 15th Floor,
New York, NY 10017, USA
TEL: [+1] 212-672-9400

Mitsubishi Chemical Holdings Corporation
1-1 Marunouchi 1-chome, Chiyoda-ku,
Tokyo 100-8251, Japan
TEL: [+81] (0)3-6748-7200



Mitsubishi Chemical Holdings (Beijing) Co., Ltd.
Room 710, Beijing Fortune Building, Dong San Huan Bei Lu 5,
Chao Yang District, Beijing, 100004, China
TEL: [+86] (0)10-6590-8621

Corporate Data / Stock Information As of March 31, 2015

Mitsubishi Chemical Holdings Corporation

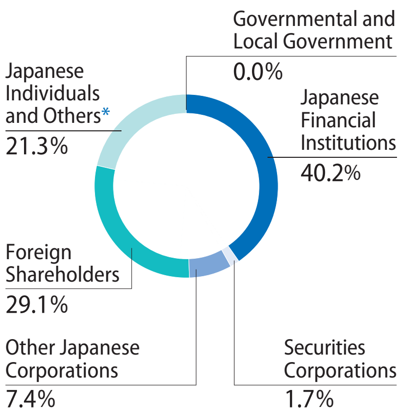
Address of the Head Office	1-1 Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8251
Establishment	October 3, 2005
Paid-in Capital	¥50,000 million
Authorized Shares	6,000,000,000
Outstanding Shares	1,506,288,107
Number of Shareholders	173,524
General Meeting of Shareholders	Annually in June
Stock Listing	Tokyo Stock Exchange
Transfer Agent	Mitsubishi UFJ Trust and Banking Corporation 4-5 Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8212

Major Shareholders

Name	Number of Shares (Thousands)	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	77,607	5.2
Meiji Yasuda Life Insurance Company	64,388	4.3
Japan Trustee Services Bank, Ltd. (Trust account)	58,737	4.0
Nippon Life Insurance Company	42,509	2.9
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	41,105	2.8
Tokio Marine & Nichido Fire Insurance Co., Ltd.	27,775	1.8
Japan Trustee Services Bank, Ltd. (Trust account 4)	23,952	1.6
State Street Bank and Trust Company 505223	19,629	1.3
Taiyo Life Insurance Company	18,838	1.2
The Bank of New York Mellon SA/HV 10	18,770	1.2

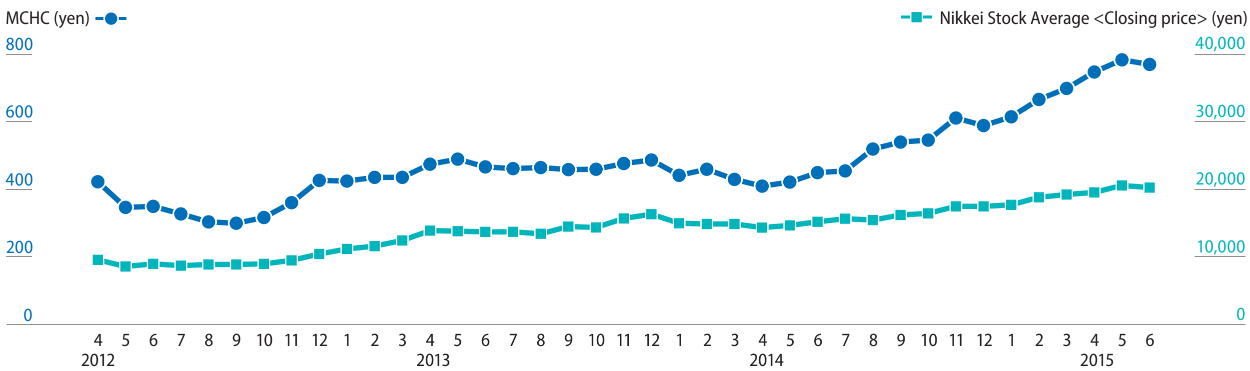
* In addition to the above, the Company holds 41,451 thousand shares as treasury stock but we deducted the treasury stock when calculating the above percentages.

Distribution by Type of Shareholder

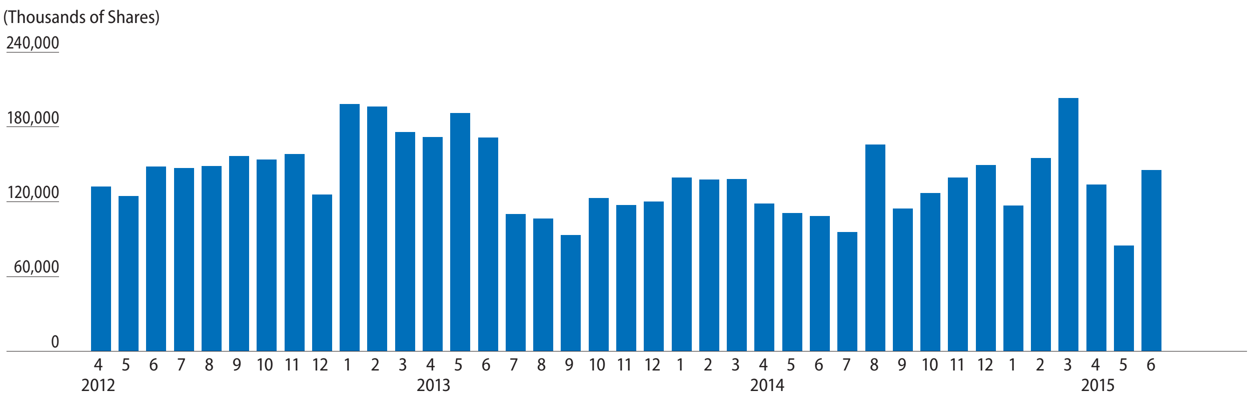


* Shares held by the Company as treasury stock (2.7%) are included in "Individuals and Others."

Share Price



Stock Trading Volume



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