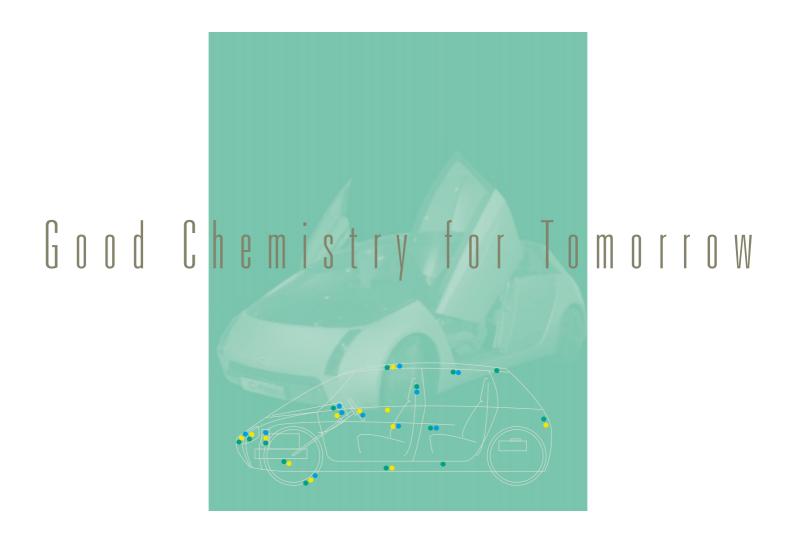
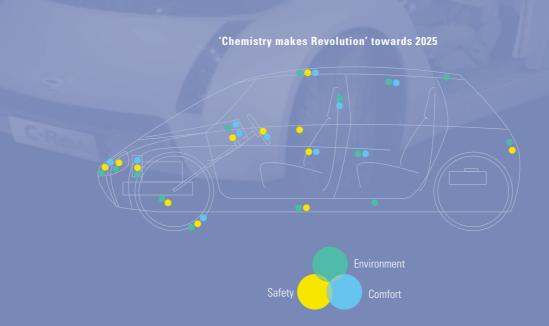
Good **Chemistry** for Tomorrow



The Mitsubishi Chemical Holdings Group (MCHC Group) operates under the Group philosophy of "Good Chemistry for Tomorrow" which expresses the manner in which we create better relationships among people, society and our planet. With three pillars of business: petrochemicals, performance and functional products, and health care, we aim to earn the trust of society for our Group operations.

Automobiles of the Future through Chemistry



The next-generation automotive market is demanding well-rounded, environmentally friendly automobiles that are lighter, more fuel-efficient and emit less CO₂, while also offering greater safety and driving comfort. The MCHC Group strives to break new ground with technology development in this field, focusing on the key factors of environment, safety and comfort. The Group is currently engaged in various automotive materials, composite materials and modules, and will continue to develop innovative products based on its broad-range of technology platforms.

Possibilities of Chemistry for Future Automobiles

- Chemistry as the foundation for reliability



Plastic exterior body panels

Lightweight, painting process improved, attractively designed plastic bodies, that also offer reduced collision damage.





Plastic glazing

Using transparent plastic (e.g. polycarbonate) in place of glass offers such advantages as being lightweight, more safe, better lighting modulation, heat shielding and elaborately attractive designs.



Carbon composite brake discs

Breaking systems improved by high wear resistance of the brake disc brings better safety and results in lighter weight.



Highly functional tires for all-season driving

Offer superior gripping performance of elastomer with excellent temperature sensitivity.



Frames used carbon fiber reinforced plastics

More lightweight, strong and rigid frames.



Sustainable resources

For reducing the environmental load.

Lithium-ion batteries

Highly functional lithium-ion batteries are finding application for prime movers for hybrid electric vehicles.



Dye-sensitized solar cells

Highly efficient, thin and flexible for use in various locations. May also be used as a lithium-ion battery backup.



High-intensity LED materials

Long-lasting, highly durable, highly energy-efficient and compact light sources, allow for the realization of entirely new designs.







Organic EL display materials

Create excellent viewing angle with thin and wide-angle or flexible displays incorporated into interior panels and headrests, and also offer thin, wide and uniform lighting for automotive interior space.



Biometric identification system

Higher security system for passengers as well as the driver.



Integration of data analysis technology and sensor-equipped ubiquitous network system

Highly functional sensors incorporated into seats and the steering wheel monitor various physical information, helping to improve lifestyle habits, optimizing the cabin environment to make driving more comfortable and less nervewracking.



Inorganic humidity control material

Maintains healthy and comfortable automotive interior environment.



High-performance IC with gallium nitride (GaN) substrate

Using GaN substrate instead of silicon substrate is an excellent complement to advanced cockpit electronics and spacious interior space.

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- 4 Interview with the President and the Chairman Continuing the "KAKUSHIN Plan: Phase 2" and Our Vision for Mid-term to Long-Term Growth
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Our strengths explained

Optical Recording Media

Flat Panel Display-Related Components

Products for Environmentally Friendly Vehicles

Toward Personalized Medicine

18 Business Portfolio at a Glance

Operational Highlights by Segment

			Net sales		Operating income	
			Billons of yen	FY2006/2005	Billons of yen	FY2006/2005
20	Review of Operations	Petrochemicals	1,246.4	18.3% up	28.2	8.7% down
		Performance and Functional Products				
		Performance Products	525.7	4.2% down	35.0	24.8% down
		Functional Products	399.5	7.1% up	24.3	6.7% up
		Health Care	304.7	8.6% up	39.6	16.6% up

- 28 Research and Development
- 31 Corporate Social Responsibility
- 32 Compliance and Risk Management
- 33 Corporate Governance
- 36 Board of Directors, Executive Officers and Corporate Auditors
- 37 Financial Section
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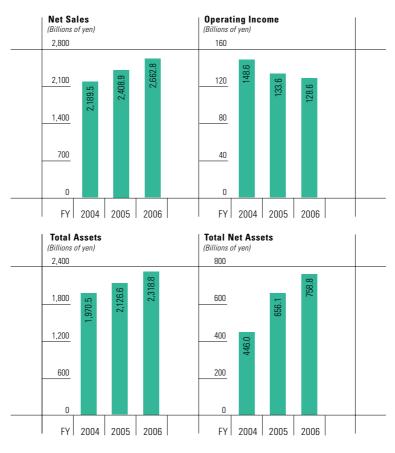
Forward-Looking Statements

The forward-looking statements are based largely on information available as of the date hereof, and are subject to risks and uncertainties that may be beyond company control. Actual results could differ largely, due to numerous factors, including but not limited to the following: Group companies engage in businesses across many different fields, such as petrochemicals, carbon and inorganic products, information and electronics, pharmaceuticals, polymers and processed products, and these businesses are subject to influences such as world demand, exchange rates, price and procurement volume of crude oil and naphtha, trends and market speed in technology innovation, National Health Insurance price revisions, product liabilities, lawsuits, laws and regulations.

Consolidated Financial Highlights

Years ended March 31

		Millions of yen		Millions of U.S. dollars
		FY 2006	FY 2005	FY 2006
For the year:	Net sales	¥2,622,820	¥2,408,945	\$22,227.3
	Operating income	128,589	133,619	1,089.7
	Income before income taxes	137,802	115,070	1,167.8
	Net income	100,338	85,569	850.3
At year-end:	Total assets	2,318,832	2,126,612	19,651.1
	Total net assets	758,752	656,060	6,430.1
	ROA (%)	6.1	5.6	
	ROE (%)	14.6	15.5	_
		Yen		U.S. dollars
Per share:	Net income	¥73.25	¥69.51	\$0.62
	Cash dividends	14.00	14.00	0.12



Notes: 1. U.S. dollar amounts are converted, for convenience only, at the rate of ¥118=U.S.\$1.00

- 2. Financial results of Mitsubishi Chemical Holdings Corporation for the year ended March 31, 2006 (FY2005), comprise Mitsubishi Chemical Corporation's consolidated financial results for the first half and Mitsubishi Chemical Holdings Corporation's consolidated financial results for the second half of the year.
- 3. Net income per share of Mitsubishi Chemical Holdings Corporation for FY2005 is calculated based on the weighted-average number of common shares of Mitsubishi Chemical Corporation for the first half and the weighted-average number of common shares of Mitsubishi Chemical Holdings Corporation for the second half of the year. The number of common shares of Mitsubishi Chemical Corporation is adjusted to the basis of common shares of Mitsubishi Chemical Holdings Corporation by utilizing the stock exchange ratio.
- 4. Prior to FY2005, total net assets represents "shareholders' equity." Only in this summary, "shareholders' equity" represents the sum of total shareholders' equity and total valuation, translation adjustments and other.
- 5. ROA is calculated based on income before income taxes.
- 6. ROE is calculated as net income divided by average shareholders' equity.
- 7. Cash dividends per share of Mitsubishi Chemical Holdings Corporation for FY2005 (¥14.00) consist of ¥6.00 of Mitsubishi Chemical Corporation for the first half, which is adjusted to the basis of Mitsubishi Chemical Holdings Corporation by utilizing the stock exchange ratio, and ¥8.00 of Mitsubishi Chemical Holdings Corporation for the second half of the year.
- 8. The numbers contained in this report related to the financial statement from page one to 36 are rounded to the nearest decimal, while numbers contained in pages 37 to 69 are truncated to the nearest billion yen.



Handing over the Reins and Aiming for New Growth

Targets of "KAKUSHIN Plan: Phase 2"

FY2007

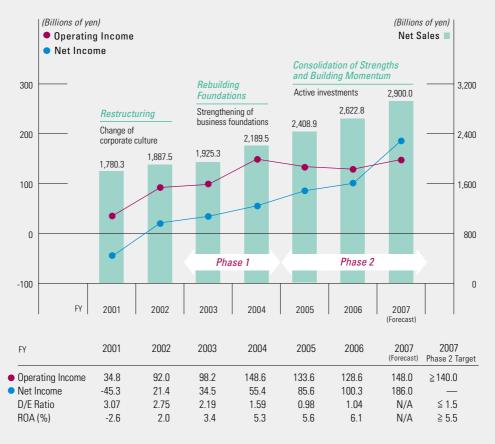
Operating Income ≥ ¥140 billion

ROA (income before income taxes) $\geq 5.5\%$

D/E Ratio ≦1.5

Continuing the "KAKUSHIN Plan: Phase 2" and Our Vision for Mid- to Long-Term Growth

Progress of the "KAKUSHIN Plan: Phase 2"



"KAKUSHIN Plan: Phase 2" Progress and Results

The "KAKUSHIN Plan" is a five-year management plan with a two-step approach that lays out a vision with specific targets for the Mitsubishi Chemical Holdings Group (MCHC Group) through the fiscal year ending March 31, 2008 (FY2007). In the "KAKUSHIN Plan: Phase 1," which implemented in FY2003–FY2004, we laid the groundwork for rebuilding our business foundation, and in the "KAKUSHIN Plan: Phase 2" (Phase 2), being implemented in FY2005–FY2007, we are consolidating our strengths and building momentum for sustainable growth.

"KAKUSHIN" refers to the implementation of changes and represents our determination to make a quantum leap through continuous innovation and renovation. Phase 2 incorporates the concept that "change is the key to growth." We are accelerating selection and focus in petrochemicals, performance and functional products, and healthcare, which are the three pillars of the Group.

Strategic alliance in the pharmaceutical business

A major task in Phase 2 is expansion of the pharmaceutical business, which is the core business of the Group. We intend to develop Mitsubishi Pharma Corporation (MPC) as a global research-driven pharmaceutical company by achieving critical mass in R&D via a merger. MPC and Tanabe Seiyaku Co., Ltd. (Tanabe Seiyaku), along with MCHC, have reached final agreement on a merger that will take effect on October 1, 2007. We believe this merger will accelerate our goal to become a distinctive global pharmaceutical company.

Strategic reorganizations

To continue as a preferred solution partner in an increasingly competitive and complex business environment, the MCHC Group will restructure and consolidate its four functional products businesses. The newly integrated company will be formed on April 1, 2008.

Capital Investment and Investments and Loans in Progress

	(Billions of yen)	(%)	(Launch/Decision in FY2005-FY2006)
	Three-year Plan	Progress	Major Items
Petrochemicals	160	88	Increase of production capacity Purified terephthalic acid (India) Polycarbonate (Kurosaki) Polypropylene (PP) (Kashima) Ethylene (Mizushima) Performance polymers for air bag covers (USA)
			Acquisition ■ PP compounds ■ Advanced Plastics Compounds Company → Wholly owned subsidiary
Performance and Functional Products	150	58	Information and Electronics New production Next-generation optical discs Increase of production capacity Organic photo conductors (USA, Singapore) Chemical toners (Yokkaichi) Materials and components for liquid crystal displays (Polyester films, color resists, phosphors, carbon fibers) Automobiles New production Alumina fibers (MAFTEC®) (Sakaide) Acquisition Japan Epoxy Resins Co., Ltd. Wholly owned subsidiary Others Acquisition Food ingredients business
Health Care	40	54	Renewal Facilities for pharmaceuticals, diagnostics and testing, etc. Integration Three healthcare businesses
Corporate/Others	80	83	Establishment Customer Laboratory (Yokkaichi) Mitsubishi Chemical China Commerce Limited TOB Mitsubishi Plastics, Inc.
Total	430	73	

Mitsubishi Chemical Medience Corporation was formed on April 1, 2007, as a first step to realize our healthcare road map to personalized and preventive medicine and address the new medical needs of society.

The Automotive Solutions is an internal organization that was established on April 1, 2007, to strengthen groupwide marketing to the automotive industry.

Investments

We have decided to increase the amount of capital investment and investments and loans to further accelerate growth in the Performance and Functional Products Segment.

Tasks ahead

In Phase 2, the strategy for Petrochemicals Segment is to globally develop "concentration" businesses with competitive technologies, especially in Asia, and to reinforce the competitiveness of the domestic petrochemical complexes. In order to strengthen the base materials for high-value-added products, the Group has already implemented utilization of diversified feedstock and has started to promote petrochemical complex integration through cooperation among refinaries, petrochemicals and fine chemicals companies.

Volatility remains, however, and stable profitability has yet to be attained in a part of petrochemical businesses. Japanese petrochemical companies have economically utilized all fractions from naphtha. As petrochemical businesses require substantial capital investment, and the production expansion in the Middle East and other countries, we must further revise our business models. Continuing globalization will require Japanese petrochemical complexes to be restructured by collaboration among related industries.

Our results confirm that we are on track to meet our Phase 2 targets. Our Phase 2 objectives are to achieve operating income of ¥140 billion or more, ROA of 5.5% or better and a D/E ratio of 1.5 or less.

Visualizing Our Strengths as the Company of Chemistry

Product commercialization through innovative breakthroughs in R&D is, in reality, becoming increasingly difficult. We believe that to create products that are altogether new or have new functionality to satisfy increasingly diverse and complex customer needs requires a broad range of technologies and a host of product families that can be combined.

As the company of chemistry, we are sometimes referred to as a conglomerate. In fact, we are confident that our accumulated know-how in a wide range of products and businesses, as well as the sheer number of core product families and technology platforms that we have created, has a direct connection with new product developments and new business opportunities.

To visualize our strengths as a solution partner with diversity in products and depth in technology, we have set up a gateway for collaborative activities with our customers, including the Chemistry Plaza and the Customer Laboratory in Yokkaichi, which is part of the Yokkaichi Collaborative Innovation Center.

We believe dialogue in every aspect with our customers at the early stage of product development will help build the momentum to capture profitable business opportunities.

With the Stream of the Times



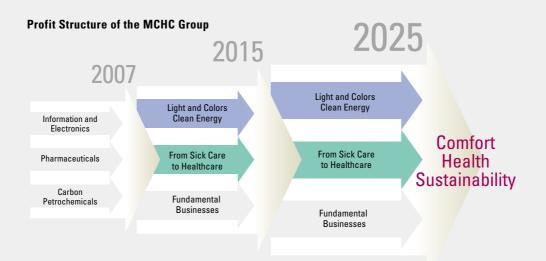
Creating a New Mid-term Management Plan That Looks to 2025

Our next three-year management plan, which will start in April 2008, is being developed to incorporate a long-term perspective. We intend to set a target direction for 2025 and draw a road map to 2015. Products such as optical recording media, organic photo conductor (OPC) drums and carbon fiber products, all of which are driving sales and profits now, are the results of R&D successes initiated 20 years ago. Formulating a strategy with a long-term outlook requires a clear concept. After careful deliberation, we have adopted comfort, health and sustainability as the keywords for our corporate activities. Our new business development projects in these three areas will focus on the following—comfort: solid-state lighting and displays; health: sick care to healthcare by combining pharmaceuticals and diagnostics; and sustainability: polymers for automobiles, sustainable resources and lithium-ion battery materials for hybrid electric vehicles. We expect these efforts to deliver additional earnings by around 2015.

We are confident that our polymers will continue to contribute to making vehicles lighter and that our lithium-ion battery materials for hybrid electric vehicles will help reduce energy consumption. Given the inevitability of global climate change, reducing CO2 emissions is essential. The role of solar cells will likely expand as a result. We intend to bring organic solar cells into practical use, even though we think it may take at

Focus on Growing Markets (2015)

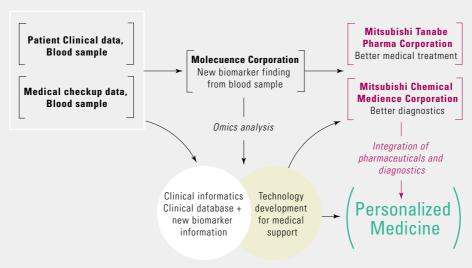




least 20 years. As another aspect of using sunlight, production of hydrogen from water with photocatalysts will become much more important as a sustainable and renewable source of energy. We would like to make our efforts to accomplish such significant breakthroughs.

Personalized medicine will provide medical treatment more fit for individual conditions such as genetic background or disease stage by combining pharmaceuticals and diagnostics. Such services require expertise in drug discovery, diagnostics and clinical testing, and information technology. In our Group, Mitsubishi Chemical Medience Corporation is developing diagnostics and testing businesses, whereas Mitsubishi Tanabe Pharma Corporation will handle drug discovery. Also, we have experience forming partnerships with leading-edge IT companies. As few other companies can offer this combined skill set, we are prepared to demonstrate our strengths in the area of personalized medicine.

Cooperation toward Personalized Medicine by the MCHC Group



To Our Stakeholders The fiscal year ended March 31, 2007 (FY2006), was the second

year of the "KAKUSHIN Plan: Phase 2" (Phase 2), the three-year mid-term management plan we introduced in

April 2005. During the FY2006, we revised product prices in line with hikes in raw material costs and executed

strategic investments in accordance with Phase 2.

The net sales grew to ¥2,622.8 billion yen by mainly price adjustment of petrochemical products in

response to the raw material price hike. Operating income came to ¥128.6 billion yen due to factors such as the

weakened market prices of some petrochemical products and the effect of the price difference in inventories of

raw material. Improvement in extraordinary items pushed up net income to ¥100.3 billion.

The basic policy for Mitsubishi Chemical Holdings Corporation for profit distribution and dividends is to

give our shareholders continued dividends according to the business results, while considering stable dividends

for mid- and long-term perspectives and expanding reserves for the future business development. We paid a

year-end dividend of ¥7 per share considering business performance of the fiscal year ended March 31, 2007,

which resulted in a full year dividend of ¥14 per share, combining the interim divided of ¥7 per share.

The year ending March 31, 2008 (FY2007), is an important turning point for the Mitsubishi Chemical

Holdings Group. This is the final year for our mid-term management plan, Phase 2. On April 1, 2007,

Yoshimitsu Kobayashi has taken over the reins from Ryuichi Tomizawa, and manages the Group's execution of

businesses. We are currently formulating a new three year management plan which will start from April 1,

2008 under the supervision of Yoshimitsu Kobayashi.

For future growth and good customer relationships, it is essential that we leverage the collective strengths

of the Group, and we will further upgrade our compliance efforts and corporate social responsibilities. We

believe that contributing to the growth of our customers through businesses will enhance our corporate value

as a whole.

Ryuichi Tomizawa

Representative Director,

Member of the Board, Chairman

Yoshimitsu Kobayashi

Representative Director,

Member of the Board, President

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Business Strengths

Optical Recording Media Since the 1991 development and launch of the world's first 3.5-inch MO disk, we have been a world leader in the field of optical recording media, steadily developing and launching a variety of formats. The Mitsubishi Kagaku Media/Verbatim Group holds the world's leading market share for recordable CDs, as well as DVDs. In particular, we have held the top position for recordable DVDs for five consecutive years*1. In 2006, we launched the world's first HD DVD-R, next-generation optical recording media, and also launched another next-generation media format, the Blu-ray Disc, during 2006. Through our development and manufacturing expertise we have built up over many years, we have earned a high level of trust and distinction in the pursuit of next-generation optical recording media. We will continue to meet unfolding future needs, to maintain our leadership position.

Verbatim HODVOR

Flat Panel Display-related Components The market for flat panel televisions is expanding as the devices rapidly gain popularity. Sales of liquid crystal display (LCD) panels are generally expected to surpass 100 million units by 2010, chiefly for use in televisions. Worldwide demand for plasma displays is also growing.

The Mitsubishi Chemical Holdings Group delivers unique and competitive components to the flat panel display (FPD) industry, including PET films, carbon fiber products, phosphors for cold cathode fluorescent lamps, color resists and housings.

Mitsubishi Polyester Film Corporation is the leading supplier of PET films for FPDs such as diffusion sheets, prism sheets and in other applications. For plasma televisions, the films are employed in such applications as anti-reflective films, electromagnetic shield, and near-infrared ray shielding films.

As television panels grow in size, the carbon fiber products of Mitsubishi Chemical Functional Products, Inc. are becoming indispensable, owing to their durability, strength, light weight and excellent quick vibration damping.

Products for Environmentally Friendly Vehicles The Mitsubishi

Chemical Holdings Group delivers broad-range products for the automotive industry. One unique product is alumina fiber *MAFTEC**. The global scale of the alumina fiber market totals 4,000 to 5,000 tons, with demand increasing mainly for application as retaining materials in catalytic converters. With heightened environmental awareness and stiffer vehicle emission regulations, demand is currently expanding in Japan, as well as in Europe and other countries where diesel-powered vehicles are becoming more pervasive. Increased demand is also anticipated in the BRICs countries, South Korea and other nations where vehicle emission regulations are growing more stringent. Mitsubishi Chemical Functional Products, Inc., is leveraging its technical and quality advantages in alumina fibers to expand its market share. Alumina fibers possess superior heat insulating, heat resisting, wind resisting and cushioning properties—retaining their cushioning properties even at 1,200°C—making them ideal for use as support mats for ceramic monoliths. In gasoline-powered vehicles, alumina fibers are used in the catalytic support mat just behind the engine, while in diesel-powered vehicles they are used in diesel particulate filters (DPFs). We believe that more vehicles will be equipped with DPFs to reduce particulate emissions in the future, leading to further demand for alumina fibers.



Toward Personalized Medicine The trend toward personalized medicine is expected to gain momentum as pharmaceuticals and diagnostics gradually integrate to provide better medication, reduce healthcare costs and better respond to other medical needs of society. Mitsubishi Chemical Holdings Corporation established Mitsubishi Chemical Medience Corporation in April 2007 as part of its strategy for the age of personalized medicine. This has created new business avenues for enhancing the value of medical treatment and responding to society's medical demands, such as the need for early diagnosis of cancer, through the provision of various diagnostic methods (diagnostic devices and reagents, as well as clinical testing) and supporting pharmaceutical companies in drug discovery (non-clinical trials and clinical studies).

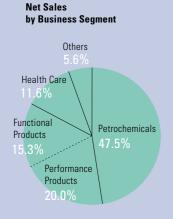
Mitsubishi Pharma Corporation will merge with Tanabe Seiyaku Co., Ltd. in October 2007, to reach critical mass in our R&D efforts for drug discovery and development and accelerate global expansion. We strive to build a global pharmaceutical company with top-level R&D capabilities and a combination of pharmaceuticals and diagnostics capabilities.



Petrochemicals

Performance and Functional Products

Key Statistics (FY2006)



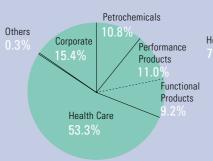


Functional

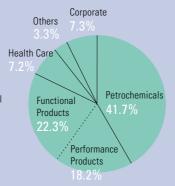
Products

Operating Income by

R&D Expenditures by Business Segment







Health Care

The Petrochemicals Segment provides a variety of polymers, monomers and basic chemicals. Utilizing our unique strengths in marketing, product development and production technology, our derivative products respond to advanced and specific client needs. Making every effort to boost our competitiveness and profitability, we are aggressively expanding our business presence, especially in robust Asian markets.

Purified terephthalic acid (PTA), polypropylene, polycarbonate/phenol chain, 1,4-butandiol (1,4-BG), polytetramethylene ether glycol (PTMG), other derivatives

- Major supplier in the global market: PTA, polycarbonate, 1,4-BG/PTMG
- Broad lineup of polymers



he performance products businesses deliver a variety of high-value-added products in the fields of information and electronics; environment and energy; carbon-related businesses; and food ingredients. Known for the Verbatim brand in recording media, we are pursuing a leadership position in the Blu-ray Disc and HD DVD markets.

Optical recording media, organic photo conductors (OPCs), chemical toners, display materials, Li-ion battery materials, carbon products, environment-related materials/services, food ingredients

- Leader in recordable DVDs for five consecutive years
- Competitive business platforms in "Light and Colors"



Functional Products

The functional products businesses boast considerable accumulated knowledge in polymer processing and composite technology, as well as carbon chemistry, and handles a broad range of processed resin and film products. In recent years, polyester films, plastic-metal composite plates, polyvinyl chloride plates and carbon fiber products have been contributing to business performance, particularly for liquid crystal display (LCD) businesses.

Polyester films, food packaging materials, carbon fiber, alumina fiber, civil engineering materials, construction materials, agricultural materials, plastic pipes

- Major supplier of polyester films for LCDs
- High-value-added food packaging materials
- World's largest supplier of pitch-type carbon
- World's largest supplier of alumina fibers



Carbon fiber robot hands

Mitsubishi Pharma Corporation (from October 2007, Mitsubishi Tanabe Pharma Corporation) forms the core of the Health Care Segment, where our R&D capabilities are significantly strong. Leveraging our competitive advantage to have diagnostics and safety assessment areas, Mitsubishi Chemical Medience Corporation, we are cultivating our expertise in the emerging field of personalized medicine by integrating the pharmaceuticals and diagnostic functions.

RADICUT® holds the top position in Japan for acute cerebral infarction drugs

- Pharmaceuticals in neuropsychiatry, circulatory system and metabolism
- Support for drug discovery

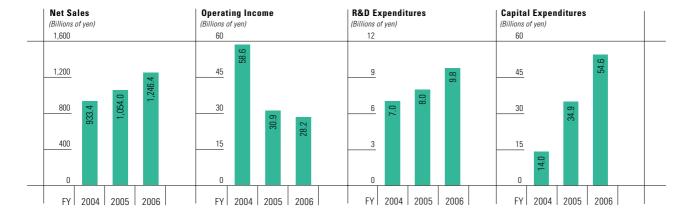


RADICUT®

Review of Operations

Petrochemicals Segment

Basic petrochemicals, chemical products, synthetic fiber raw materials, synthetic resins and performance polymers continue to enjoy strong demand in Japan and overseas, and with a product price correction to account for rising raw material and fuel costs, net sales reached ¥1,246.4 billion, a 18.3% increase over the previous fiscal year. Operating income totaled ¥28.2 billion, a 8.7% decrease, due to weakened overseas markets for purified terephthalic acid and other chemicals, as well as mechanical trouble at manufacturing facilities.



Highlights

- Mitsubishi Chemical Corporation decided to newly construct a polycarbonate resin production facility (60,000 tons per year) and a diphenyl polycarbonate production facility (100,000 tons per year) at its Kurosaki Plant. (April)
- Mitsubishi Chemical Corporation acquired the remaining shares of Mytex Polymers General Partnership and Mytex Polymers Asia Pacific Pte Ltd., from ExxonMobil Chemical Company, bringing the two companies under 100% capital investment by Mitsubishi Chemical Corporation. (June)
- Ningbo Mitsubishi Chemical Co., Ltd. completed construction and commenced commercial production of a purified terephthalic acid in the Daxie Development Zone, Zhejiang Province, China. (February)

The grand opening ceremony for the PTA plant of Ningbo Mitsubishi Chemical Co., Ltd.



Expand profits by developing our "concentration" businesses globally and reinforcing our core businesses in Japan

he Mitsubishi Chemical Holdings Group's basic strategy for the Petrochemicals Segment is to leverage our human resources and technological capabilities to the fullest to expand profits by developing our "concentration" businesses globally and reinforcing our core businesses in Japan.

Our four "concentration" businesses are polypropylene (PP)/performance polymers, purified terephthalic acid (PTA), polycarbonate (PC)/phenol chain and C4 chemicals: 1,4-butandiol (1,4-BG) and polytetramethylene ether glycol (PTMG). In these businesses, we are vigorously expanding and pursuing growth opportunities in Asia and other growth markets. The Group will make the Kashima Plant and the Mizushima Plant into leading Asian petrochemical complexes, maintaining and enhancing our core domestic businesses.

Global Expansion of Core Businesses

Polypropylene & performance polymers

Polypropylene & performance polymers

Purified terephthalic acid

Polycarbonate/phenol chain

Polycarbonate/phenol chain

Polycarbonate/phenol chain

Pocus: Automobile-use compounds

Strategic Initiatives — capacity expansion in the Kashima Plant (PP 300KT from 20 FY2008)

— buy out PP compounds JV from ExxonMobil Chemical Company (USA and Singapore)
— capacity expansion of performance polymer for air bag covers in USA (from 30 FY2007)
— new compound plant in China (from 10 FY2008)

Strategic Initiatives — new plant in China (600KT from 10 FY2007)
— capacity expansion in India (800KT from 30 FY2008)

Focus: Automobile-use products

Strategic Initiatives — capacity expansion in the Kurosaki Plant (40KT from 10 FY2008)
— feasibility study under way for PC resin & bisphenol-A in China

Focus: Business expansion in Asia, which looks set for growth

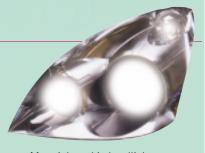
Strategic Initiatives – under review

Good Chemistry

Novaduran®

C4 chemicals

Leading to increased demand in the automotive field

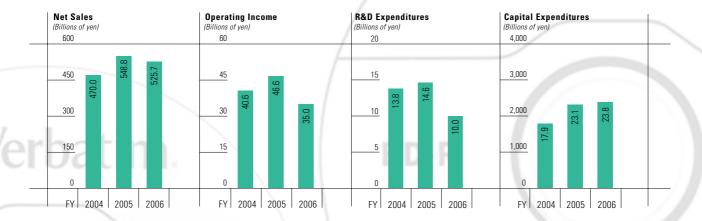


Material used in headlight assemblies

PBT is a resin with excellent insulating properties, heat resistance and dimensional accuracy, and is expected to experience 8% annual growth in Asia. The superior chemical and oil resistance of *Novaduran*® is leading to increased demand in the automotive field as cars incorporate more electronic components. The product is finding uses in electronic control units and cases for sensors and other parts positioned near the engine compartment, as well as cable connectors and other components. *Novaduran*®'s flame retardant grade ignition resistance has also received plaudits in the electrical and electronics fields, where it is being employed in increasingly compact relays (electronic circuit boards). More recently, *Novaduran*® is enjoying greater utilization in multilayer films for food packaging, linings for beverage cans and other food packaging applications, owing to the product's ability to retain aromas.

Performance and Functional Products Segment Performance Products

Increase in sales vollume, despite declines in sales prices in DVDs, OPCs and toners, led to **net sales of ¥525.7 billion**, a **4.2% decrease** compared with the preceding fiscal period. **Operating income dropped 24.8% to ¥35.0 billion**, due to a price difference in inventories and weakened export market for coking coal business.



Highlilghts

- Mitsubishi Chemical Corporation launched the production and sales of "ICG Series," new high-capacity anodes for lithium-ion batteries. (April)
- Mitsubishi Chemical Corporation expanded a chemical toner production facility and started commercial production at the Yokkaichi Plant. (June)
- Mitsubishi Kagaku Media Co., Ltd. launched the sale of next-generation DVDs: HD DVD-R, HD DVD-R for DL, BD-R and BD-RE. (July)

Vehicle-mounted Li-ion



Business Strategy

Sustain attractive new business/product pipelines as drivers for growth

The Mitsubishi Chemical Holdings Group will reinforce its competitive advantages in DVDs, organic photo conductors (OPCs) and toners in the electronic information sector and maintain its leading share position. In addition to the current businesses, we are focusing on new business development in solid-state lighting, displays, battery meterials, and nano carbons.

The Group will continue to apply its comprehensive and unique technologies for new product development to provide high-value-added materials, components and services, focusing on the areas of information and electronics, environment and energy and living necessities.

Acceleration of new product development in the Performance and Functional Products Segment

Actions

Strengthen high-value-added businesses through dialogue with customers

- Change business models
 (e.g. Optical recording media)
- Original and/or unique solution
 (e.g. Coal tar pitch-based carbon fiber, MAFTEC®)
- Begin dialogue fastest and set high quality standard fastest (e.g. PET release films, Li-ion battery materials)

Good Chemistry

Ryoto® Sugar Ester

A wide variety of food emulsifiers – a top brand in the industry

Pyoto[®] Sugar Ester is a safe, non-ionic surfactant manufactured from natural sugars and fatty acids derived from vegetable and palm oils. By selectively combining stearic acid, palmitic acid and other types of fatty acids, we supply a wide variety of functional emulsifiers to a broad range of customers for use in products as diverse as beverages, breads, cakes, chocolates and dairy products, making *Ryoto*[®] Sugar Ester one of the top brands in the industry. We are actively introducing new products for other applications, such as *SURFHOPE*[®] SE, developed exclusively for use in pharmaceuticals and cosmetics.

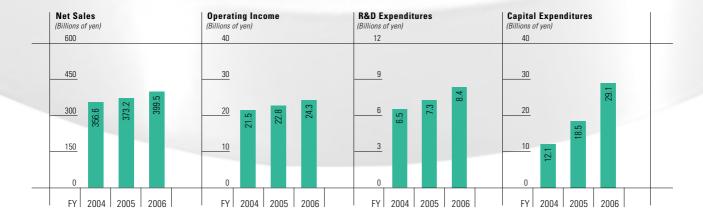
Ryoto® Sugar Ester is used in controlling oil and separation of milk beverages, as a food emulsifier.



Performance and Functional Products Segment

Functional Products

PET films performed well, primarily in protective films for liquid crystal displays. Moreover, resin injection molded products and other information electronics materials, as well as carbon fibers, alumina fibers and other industrial materials and construction materials, showed steady sales, reflecting positive trends in demand and in the industry overall. Net sales reached ¥399.5 billion, a 7.1% year-on-year increase, and operating income came to ¥24.3 billion, increasing 6.7%.



Highlights

- Mitsubishi Polyester Film Corporation commenced operations of a new line of films for industrial use at its Shiga Plant. (July)
- Mitsubishi Chemical Functional Products, Inc. constructed a new production facility for alumina fibers at its Sakaide Plant and started the operation. (November)
- Mitsubishi Plastics, Inc., decided to establish a new facility for engineering plastic films at the Nagahama Plant to increase the production capacity, in response to demand expansion of engineering plastic films for IT. (November)

Carbon composite brake

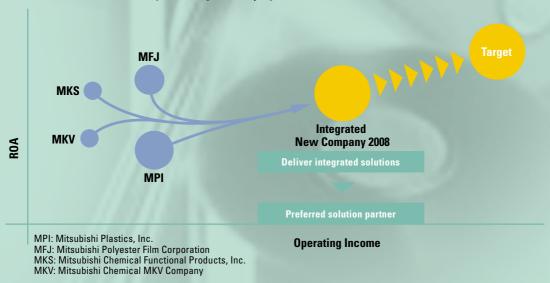


Business Strategy

Becoming good partners for our customers in a wider array of fields

Customers in the functional products field are demanding precise solutions to handle more diverse, advanced and complex needs. Accordingly, four functional products businesses of Mitsubishi Chemical Holdings Group (MCHC Group) will be strategically restructured and integrated as a wholly owned subsidiary of MCHC on April 1, 2008. The newly integrated company will maximize synergies by actively sharing the business expertise that has until now been cultivated separately by each company. The integrated company will be able to more rapidly and accurately respond to customer needs, with the goal of becoming good partners for our customers in a wider array of fields.

Sustainable Growth and Profitability of the Integrated Company



Good Chemistry

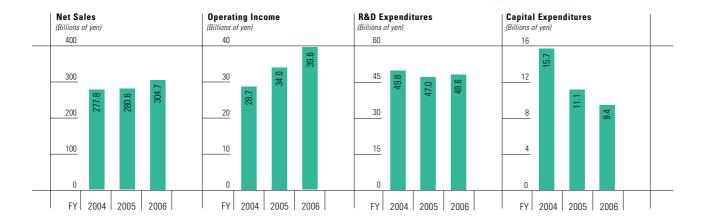
Carbon fibers will find increasing application

DIALEAD® is a coal tar pitch-based carbon fiber. DIALEAD® is expanding its application and has become an indespensable product for liquid crystal display (LCD) industry as the LCD panel size increases. Low deflection and quick vibration damping properties of DIALEAD® is perfectly suited for use as robot Carbon fiber rollers hands in LCD assembly by enabling stable carry and reduction of tact time.

Another application appreciated in LCD industry is for carbon fiber rollers, used for uniform treatments of glass/film surfaces and high precision coatings. Precise movement control and high speed production of films are enabled by DIALEAD®'s low deflection, ultra high precise rotation, and low rotational inertia.

Health Care Segment

In pharmaceuticals, net sales decreased from the impact of the National Health Insurance price revision, despite growth in sales of major products. Reclassification of active pharmaceutical intermediate business into the segment led to **net sales of ¥304.7 billion**, a **8.6% increase** over the previous business year. **Operating income jumped 16.6% to ¥39.6 billion**, owing to a decrease in sales commissions and other selling, general and administrative expenses.



Highlights

- The Mitsubishi Chemical Holdings Group including Mitsubishi Pharma Corporation established MP Healthcare Venture Management, Inc., in Boston, Massachusetts, United States, to invest in bio-ventures for creation of innovative drugs and acquiring of technologies for personalized medicine. (August)
- Mitsubishi Pharma Corporation agreed in principle to merge with Tanabe Seiyaku Co., Ltd., on October 1, 2007.
 (February)
- Mitsubishi Pharma Corporation's *Urso*® Tablet (50 mg/100 mg), an agent for improving hepatic, biliary and digestive functions, was granted approval in Japan for the additional indication of improvement of liver function in chronic liver disease due to the hepatitis C virus. (March)

Strive toward integrated health care with an eye toward personalized medicine

We have committed to scientific progress, advancement in medical care, and creation of innovative products both in pharmaceutical and diagnostic areas that benefit people's health worldwide. As a first step to realize our road map to personalized medicine and preventive medicine, in order to answer increasing new medical needs in society, we will strengthen our pharmaceutical business by accelerating overseas business development and combining pharmaceuticals and diagnostics, and will create new value in medicine. Mitsubishi Chemical Holdings Corporation strongly believes that the merger between Mitsubishi Pharma Corporation and Tanabe Seiyaku Co., Ltd. effective October 1, 2007 will accelerate the purpose of creating a distinctive global pharmaceutical company.

For a Stronger Discovery Research Capability Personalized Medicine Targeted Medicine Mass Medicine Healthcare Disease Management **Business Business Pharmaceutical Products** Mitsubishi Chemical Medience Mitsubishi Tanabe Pharma Clinical testing, Support for drug discovery Pharmaceuticals, R&D Promotions/Sales Mitsubishi Chemical Group Science and Technology Research Center Analysis (Bio) Molecuence Promotions/sales Production Biomarker research, Bioinformatics Mitsubishi Kagaku Institute of Life Sciences Accumulation of information/investment

Good Chemistry

Urso® Tablets (50 mg/100 mg)

50th year as a long-selling agent for improving hepatic, biliary and digestive functions

Urso® was released in 1957 by the former Tokyo Tanabe Seiyaku and has entered its 50th year as a long-selling agent for improving hepatic, biliary and digestive functions. The medicine's origins trace back to a Chinese herbal medicine used since ancient times to treat of disease of the liver, gall bladder and other digestive organs. Currently, *Urso*® is formulated by chemical synthesis from cholic acid. Originally used mainly as a cholagogue, numerous research findings have been reported at the Bile Acid Research Meetings. Since its release, many researchers have investigated *Urso*® to eluci-

date the mechanisms of its diverse effects. The research has led to the identification of a series of additional indications: as a gallstone dissolving agent in 1978, as a treatment for primary biliary cirrhosis in 1999 and as an improvement of liver function in chronic liver disease due to hepatitis *C* virus in March 2007.





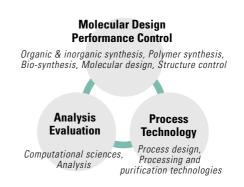
How can R&D become a powerful engine for profitability and growth in our Group? This is a challenge we face everyday.

Under the Group philosophy of "Good Chemistry for Tomorrow", the Mitsubishi Chemical Holdings Group (MCHC Group) aims to deliver the most innovative products in a timely manner. Commitment, creativity and diligence have characterized the Group's R&D experience and provided the foundations for continuous growth, which is leading to its present preeminent position as Japan's largest integrated chemical company. Since our establishment, we have continually created innovative products and technologies in various areas, such as phenol chain, purified terephthalic acids, C4 chemicals, organic photo conductors (OPCs), chemical toners, lithium-ion battery materials, compound semiconductors, optical recording media and pharmaceuticals.

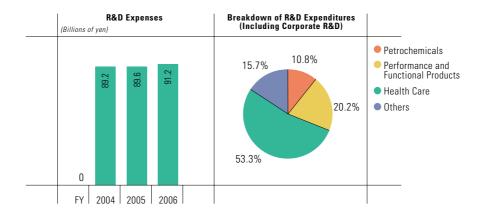
There are currently two major challenges in the Group's R&D activities. One is to bridge R&D strategies into alignment with the business strategies of the Group. The other is to construct competitively advantageous technology platforms.

R&D Strength of the Group

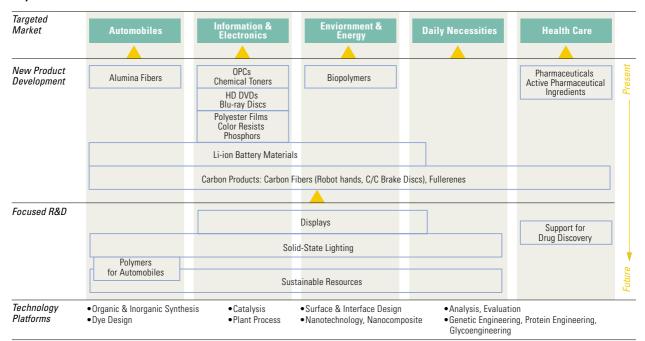
Integration of technology and product innovation



As the Group focuses on a product-driven business model, establishing technological competence and competitiveness and creating seamless innovation processes are keys to accelerate the delivery of solutions to our customers.



Major R&D Activities for Sustainable Growth



Human resources are the most important assets for the Group. Our researchers have contributed to the success of a number of the Group's business areas and are continuously promoting R&D to achieve greater successes in the future. Our researchers are also recognized for their distinguished works by academia.

Focused R&D Projects

Displays

Build a pipeline in materials and components for devices with organic coatings, such as organic electroluminescence displays.

Solid-State Lighting

Accelerate the commercialization of materials such as GaN substrates and phosphors to become a major supplier in this field.

Support for Drug Discovery

Accelerate drug design by studying protein-molecular interaction using NMR and X-ray analysis.

Polymers for Automobiles

Become the preferred solution partner for automotive manufacturers based on the polymer technologies and integrated sollution capabilities of the Group.

Sustainable Resources

Become a pioneer in developing environmentally sound products from plant resources by utilizing technologies such as biosynthesis, catalysis and synthesis/processing of polymers.

Collaboration with Our Customers

Collaborative development with our customers has started, especially in polymers for automotive use, in the Customer Laboratory which is a part of the newly established the Yokkaichi Collaborative Innovation Center.



Towards Personalized Medicine

In order to discover new biomarkets for diagnostics, target discovery, and clinical development, Molecuence Corporation has been established on April 1, 2007. The company focuses on biomarkers for cancers, stroke and lifestyle related diseases.

Mitsubishi Kagaku Institute of Life Sciences

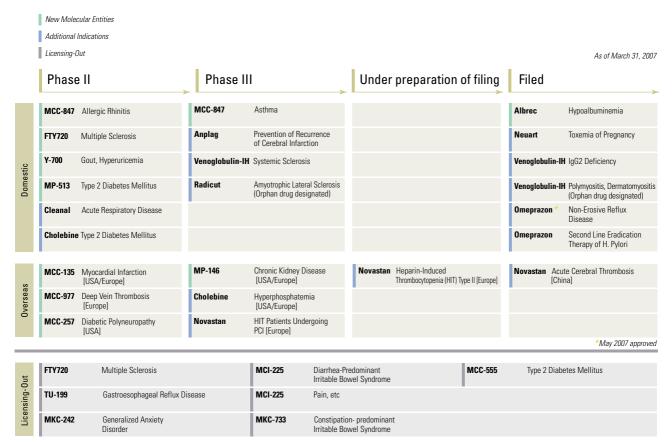
This research center has been producing breakthroughs in the areas of molecular biology and genetics. It focuses on fundamental research for a better understanding and treating of human diseases. The Cell Structure and Diseases Research Group identified a novel molecular mechanisms which maintain the structure of intracellular organelles such as Golgi and ER during interphase of cell cycle. These findings will lead to a new approach of drug discovery and diagnosis.



Pharmaceutical Pipeline of Mitsubishi Pharma Corporation

In the biopharmaceuticals field, a reliable and efficient production system has now been established for *ALBREC*, the world's first example of a recombinant human albumin, which now awaits approval for domestic manufacture. *Cholebine*® is being marketed in Japan for the treatment of hypercholesterolemia and development as a therapeutic agent for type II diabetes mellitus is currently being carried out in Japan. In international markets development is also

proceeding for treatment of hyperphosphatemia in patients with end stage renal disease (ESRD) requiring dialysis. Mitsubishi Pharma Corporation's therapeutic development is targeted at providing a full range of treatment for patients with moderate to end stage chronic kidney disease (CKD) on dialysis. Further global development (with KUREHA CORPORATION) of MP-146 aiming to provide a therapeutic agent to delay the progression of ESRD from moderate to severe CKD has commenced.



Corporate Social Responsibility



Our aim is to be a Group that lives up to public expectations and enhances public confidence in our activities

The Mitsubishi Chemical Holdings Group (MCHC Group) recognizes that public confidence is the cornerstone of its business activities. Accordingly, in our drive to fulfill our corporate social responsibility, we aim to use our accumulated technologies and knowledge centered on the chemical and healthcare industries as a foundation for business activities that provide value and services to society. This approach enables us to contribute to the realization of a prosperous and healthy society. Our goal is to be an organization capable of meeting the expectations of society and earning public confidence.

To achieve these aims, we continuously scrutinize all our business activities from the standpoint of whether they provide value to society and whether they enable us to gain society's confidence, and adjust our corporate direction accordingly. The MCHC Group's philosophy of "Good Chemistry for Tomorrow" means creating better relationships among people, society and our planet. As we put this principle into practice, we are contributing to the realization of a sustainable society.

Environmental Efforts

Our responsible care (RC) activities are of vital importance for continued sustainable development as the company of chemistry in a relationship of trust with society. Since determining our Environmental and Safety Policy in 1995, we have aggressively promoted RC activities. Moreover, development of our Groupwide activities is supported by five pillars that are rooted in the Mitsubishi Chemical Group RC Policy that was established in 2003: environmental protection, safety preservation and accident prevention, occupational health and safety, safety of chemical products and quality assurance.

Human Rights and Employment

We are striving to create a workplace where all Group employees can work with a sense of challenge and satisfaction to realize their individuality in an atmosphere of mutual respect.

In all aspects of our dealings with people—recruitment, employment, treatment of staff and personnel development—we apply a basic policy that spans respect for human rights, acceptance of diversity and intolerance for discrimination and enforced labor. Through this approach, we aspire to be a vital and challenging corporate group, in which motivation and ambition are recognized and rewarded.

The United Nations Global Compact

Since May 2006, The MCHC Group has participated in Global Compact, the world's largest voluntary responsibility initiative advocated by the United Nations to promote responsible corporate citizenship. We endeavor to implement through our



business activities the 10 principles propounded by the Global Compact in Japan and overseas.

Educational Support Projects in Asia and Africa

Using the opportunities presented by participation in the UN's Global Compact initiative, the MCHC Group is supporting educational programs to contribute as a global citizen to solving worldwide problems. This scheme is conducted in collaboration with the UN-recognized nongovernmental organization Plan International and focuses on construction of schools in communities in Nepal and Sierra Leone in a bid to tackle the problem of world poverty.

Compliance and Risk Management

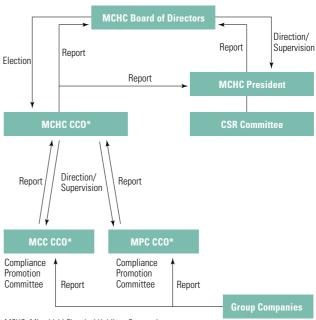
Compliance Initiatives

The MCHC Group is striving to ensure and promote compliance as a top priority management issue. To this end, we formulated the Mitsubishi Chemical Holdings Group Corporate Ethics and Mitsubishi Chemical Holdings Group Compliance Code of Conduct as fundamental guidelines for compliance. Based on the Mitsubishi Chemical Holdings Group Compliance Promotion Regulations and other related regulations, the Group has established its own compliance promotion programs, spanning compliance promotion systems, publicity and education and training programs, auditing and monitoring systems, and compliance hotlines. Moreover, chief compliance officers (CCOs) are appointed to ensure appropriate execution and management of these activities.

Risk Management Measures

The President is ultimately responsible for risk management. Based on the Mitsubishi Chemical Holdings Group Risk Management Basic Regulations and other related regulations, we have established a risk management system that is run and managed appropriately for prevention of major risks in the execution of the MCHC Group's business activities and damage limitation in the eventuality that such risks materialize.

Group Compliance Promotion Organization



MCHC: Mitsubishi Chemical Holdings Corporation MCC: Mitsubishi Chemical Corporation

MPC: Mitsubishi Pharma Corporation
*CCOs are members of CSR Committee.

Corporate Governance

As MCHC works to enhance its corporate value, it views expediting decision-making at the operational level and efficiency and speed in business execution, clarifying responsibilities, securing compliance and reinforcing risk management as the utmost priorities in corporate governance from the standpoint of group management control.

1. MCHC Organization

MCHC's basic organization of management comprises the Board of Directors, the Management Committee, the CSR Promotion Committee, Statutory Auditors and the Board of Auditors.

MCHC has introduced an executive officer system to delineate managerial responsibilities and the role of directors. In addition, we have established in-house regulations to stipulate the authority of each legislative and decision-making body and position, including the Board of Directors, and the activities under the control of each division. This approach ensures swift and proper decision-making and execution of business.

A. Board of Directors

Based on Board of Directors Regulations and other related regulations, the Board of Directors carries out decision-making relating to important MCHC management issues and fundamental group management matters, in addition to supervising the execution of duties by directors. The Board of Directors meets, in principle, once a month. As of the issue date of the Annual Securities Report, the Board of Directors is composed of eight directors (three who also hold the position of executive officer). Furthermore, to build a management system that allows rapid response to changes in the operating environment and to delineate clearly managerial responsibilities and the role of directors, the term of office for members of the Board of Directors is set at one year.

B.Management Committee

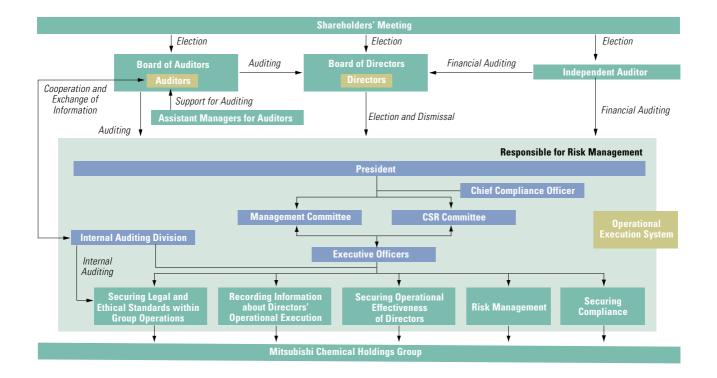
The Management Committee was founded to assist the President and Representative Director in his decision-making, and carries out deliberations on such important facets of business execution as investments and loans for MCHC and the MCHC Group companies. Important management items that are deliberated require resolution by the Board of Directors before execution. The Management Committee, which convenes approximately once a month, comprises the President, directors, standing executive officers and corporate auditors.

C.CSR Committee

The CSR Committee was founded to assist the President in his decision-making, and carries out deliberations on such important facets of corporate social responsibility (CSR) promotion as compliance, risk management, safety, environmental strategies, human rights education and social contribution for MCHC and Group companies. The CSR Promotion Committee meets, in principle, twice a year and otherwise as needed. Members comprise officers involved with CSR from MCHC and directly funded affiliates, including presidents, executive officers responsible for compliance promotion, risk management executive officers and officers responsible for RC.

D.Statutory Auditors and Board of Auditors

The Statutory Auditors and Board of Auditors are MCHC's auditing and supervisory bodies. The Board of Auditors meets, in principle, once a month. As of the issue date of the Annual Securities Report, MCHC maintained five corporate auditors, including three external auditors.



2. Internal Control System and Risk Management System

At a meeting of the Board of Directors on May 11, 2006, a resolution was passed on a basic policy for enhancing the internal control system based on Japanese Company Law Article 362 and Company Law Enforcement Regulations Article 100. An outline of this basic policy is given below. We are reinforcing and improving our internal control system, risk management system and other mechanisms based on this basic policy.

A.System to ensure that directors and employees comply with laws and the Articles of Incorporation in the execution of their duties

- a. The Mitsubishi Chemical Holdings Group Corporate Ethics and the Mitsubishi Chemical Holdings Group Compliance Code of Conduct form the compliance program for MCHC and its subsidiaries under Japanese Company Law.
- b. Based on Board of Directors Regulations and other related regulations, the directors make decisions relating to important group issues at meetings of the Board of Directors, and monitor and supervise the execution of duties by directors on a reciprocal basis. Corporate auditors, based on the Auditing Standards for Corporate Auditors, supervise the execution of duties by directors by attending meetings of the Board of Directors and other important meetings.
- c. Based on the Mitsubishi Chemical Holdings Group Compliance Promotion Regulations and other related regulations, we implement compliance promotion programs throughout the MCHC Group spanning compliance promotion systems, publicity and education and training programs, auditing and monitoring systems, and compliance hotlines. Moreover, we have appointed compliance control officers to ensure appropriate running and management of these activities.

B.Regulations for Risk Management and other systems

The president is ultimately responsible for risk management. Based on the Mitsubishi Chemical Holdings Group Risk Management Basic Regulations and other related regulations, we have established a risk management system that is run and managed appropriately to prevent major risks in the execution of the group's business activities and limit damage if such risks materialize.

C.System to ensure efficient execution of duties by directors

- a. Group strategies and distribution of management resources are determined at meetings of the Board of Directors, in addition to determining and promoting achievement of concrete management targets, such as group mid-term management plans and annual fiscal budgets.
- b. Through the introduction of an executive officer system, we promote the delineation of managerial responsibilities and the role of directors. In addition, we have established inhouse regulations to stipulate the authority of each legislative and decision-making body and position, including the Board of Directors, and the activities under the control of each division. This approach ensures swift and proper decision-making and execution of business.

D.System for information storage and management relating to execution of duties by directors

Based on Documentation Handling Regulations and other related regulations, minutes of meetings of the Board of Directors, resolutions of Management Committee meetings, approval documents and other documentation and electronic records relating to the execution of duties by the Board of Directors are stored and managed in a system that facilitates access to directors and corporate auditors.

E.System to ensure proper business practices throughout the MCHC Group

Based on group management regulations and other related regulations, the MCHC Group shares compliance, risk management and other internal control policies and systems. Furthermore, we ensure proper business practices throughout the MCHC Group through the approval of important issues relating to group management issues, group internal audits and other measures.

F.System to ensure practical execution of the audit by the Corporate Auditors

- Directors and employees report important matters relating to management to corporate auditors in accordance with the Auditing Standards for Corporate Auditors.
- b. At the request of the corporate auditors, personnel can be assigned to assist the audit of the corporate auditors.
 Assignment of personnel to the corporate auditors requires the approval of the corporate auditors.
- c. To otherwise ensure the practical execution of the audit by the corporate auditors, the corporate auditors periodically meet with executive departments, including with the president, and collaborate with the internal control department to exchange information and perform other activities.

3. Internal Audit and Statutory Auditors

A.Internal audit

The internal audit is carried out by the Audit Office based on the Annual Internal Audit Plan as a business audit for MCHC and its domestic and overseas subsidiaries. The Internal Audit Plan and its state of execution and results are reported to the corporate auditors. Moreover, to promote collaboration with the statutory auditors, the Head of the Audit Office, dependent on circumstances, is present when the status of audits is reported to the statutory auditors and the Board of Auditors.

B.Statutory auditors

The Financial Services Agency issued a business-suspension order to ChuoAoyama PricewaterhouseCoopers (now Misuzu Audit Corporation), MCHC's statutory auditors, on May 10, 2006. Accordingly, they lost their qualification to act as the MCHC's statutory auditors on July 1, 2006. Ernst & Young ShinNihon was appointed as temporary statutory auditor, and Misuzu Audit Corporation was additionally appointed as a temporary statutory auditor. MCHC is currently being jointly audited by these two audit corporations.

In consideration of difficulties in Misuzu Audit Corporation continuing to perform MCHC's audit because of changes in personnel, we have appointed Ernst & Young ShinNihon as statutory auditors of MCHC.

In the future, while preserving close collaboration between the statutory auditors and the corporate auditors, along with reports on the audit system, plan, status and results, we will exchange information and opinions necessary to conduct effective and efficient audits.

4. Other

A.Takeover defense

At present, MCHC has not introduced a takeover defense strategy. We are investigating the necessity and content of such a strategy on an ongoing basis.

B. IR Activities

MCHC holds Internet-based conferences covering its operating results for analysts and institutional investors. We also host periodic business briefing sessions and research facility tours. Each year, we also conduct regular individual visits for overseas institutional investors

Board of Directors, Executive Officers and Corporate Auditors

(As of June 26, 2007)



(Seated from left) Ryuichi Tomizawa, Yoshimitsu Kobayashi (Standing from left) Takeshi Komine, Kiyoshi Nakayama, Atsushi Baba, Shotaro Yoshimura, Etsujiro Koge, Kunihiko Shimojuku

Representative Director, Member of the Board, Chairman

Ryuichi Tomizawa

Representative Director, Member of the Board, President

Yoshimitsu Kobayashi

Members of the Board, Managing Executive Officers

Atsushi Baba Chief Compliance Officer, Supervising - Administration; Human Resources; Public Relations; CSR

Shotaro Yoshimura Supervising - Investor Relations; General Manager, Corporate Management Office

Kiyoshi Nakayama Supervising - Health Care Strategy

Members of the Board Etsujiro Koge Takeshi Komine Kunihiko Shimojuku Managing Executive Officer Kenichi Uno

General Manager, Corporate Strategy Office

Executive Officers

Noriyoshi Ohira Hitoshi Ochi Kuniaki Kaga

General Manager, Health Care Strategy Office

Eiji Tanaka

Supervising - Science and Technology Strategy; Intellectual Property Strategy

Noboru Tsuda General Manager, Internal Audit Office

Kiyotaka Hattori Koichi Fujisawa General Manager, Administration and Human Resources Office; General Manager, CSR Office

Shigeyoshi Murase Kazuchika Yamaguchi Corporate Auditors (Full-time)

Takayasu Kishi Hideaki Yoshida Takashi Nishida *

Corporate Auditors

Hiroyasu Sugihara * (Attorney-at-law)

Somitsu Takehara * (Certified public accountant)

*Outside Corporate Auditor

Consolidated Financial Summary

Years ended March 31

			Millio	ons of yen			Millions of U.S. dollars
	Chemica	Mitsubishi nical Holdings Mitsubishi Chemical propartion Corporation			Mitsubishi Chemical Holdings Corporation		
	2007	2006	2005	2004	2003	2002	2007
For the Year:							
Net sales	¥2,622,820	¥2,408,945	¥2,189,462	¥1,925,331	¥1,887,493	¥1,780,346	\$22,227.3
Operating income	128,589	133,619	148,624	98,163	91,962	34,841	1,089.7
Income (loss) before income taxes and minority interests in consolidated subsidiaries	137,802	115,070	106,604	70,804	43,821	(55,444)	1,167.8
Net income (loss)	100,338	85,569	55,372	34,547	21,386	(45,253)	850.3
Capital expenditures	130,855	97,864	67,123	69,331	85,339	99,750	1,109.0
Depreciation and amortization	83,270	88,165	87,708	95,559	103,151	116,279	705.7
R&D expenditures	91,177	89,594	89,215	88,513	91,041	84,588	772.6
Net cash provided by operating activities	63,343	179,723	222,821	144,992	132,480	92,259	536.8
Net cash used in investing activities	(133,434)	(74,365)	(57,642)	(75,707)	(56,071)	(110,185)	(1,130.8)
Net cash provided by (used in) financing activities	74,492	(97,181)	(171,306)	(70,252)	(92,985)	14,380	631.3
At Year-End:							
Total assets	2,318,832	2,126,612	1,970,528	2,001,601	2,117,002	2,246,150	19,651.1
Property, plant and equipment	724,438	686,680	674,953	723,265	811,892	844,193	6,139.3
Short-term and long-term debt	739,673	636,669	704,077	861,496	962,197	1,051,675	6,268.4
Total net assets	758,752	656,060	445,977	397,063	350,338	343,749	6,430.1
		Yen				U.S. dollars	
Per Share:							
Net income – Basic	¥ 73.25	¥ 69.51	¥ 25.40	¥ 15.82	¥ 9.75	¥ (20.78)	
Net assets	520.05	478.72	205.09	182.59	161.06	157.86	4.407
Cash dividends	14.00	14.00	6.00	4.00	3.00	_	0.119
Ratios:							
Return on assets (%)	6.1	5.6	5.3	3.4	2.0	(2.6)	
Return on equity (%)	14.6	15.5	13.1	9.2	6.1	(12.4)	_
Shareholders' equity ratio (%)	30.7	30.8	22.6	19.8	16.5	15.3	

Notes: 1. U.S. dollar amounts are converted from yen, for convenience only, at the rate of ¥118 = U.S.\$1.00, the approximate exchange rate prevailing on March 31, 2007.

- 2. Financial results of Mitsubishi Chemical Holdings Corporation for the year ended March 31, 2006, comprise Mitsubishi Chemical Corporation's consolidated financial results for the first half and Mitsubishi Chemical Holdings Corporation's consolidated financial results for the second half of the year.
- 3. Prior to 2006, total net assets represents "shareholders' equity." Only in this summary, "shareholders' equity" represents the sum of total shareholders' equity and total valuation, translation adjustments and other.
- 4. Net income per share of Mitsubishi Chemical Holdings Corporation for the year ended March 31, 2006 is calculated based on the weighted-average number of shares of common stock of Mitsubishi Chemical Corporation for the first half and the weighted-average number of shares of common stock of Mitsubishi Chemical Holdings Corporation for the second half of the year. The number of shares of common stock of Mitsubishi Chemical Corporation is adjusted to the basis of shares of common stock of Mitsubishi Chemical Holdings Corporation by utilizing the stock exchange ratio.
- 5. Cash dividends per share of Mitsubishi Chemical Holdings Corporation for the year ended March 31, 2006 (¥14.00) consist of ¥6.00 of Mitsubishi Chemical Corporation for the first half, which is adjusted to the basis of Mitsubishi Chemical Holdings Corporation by utilizing the stock exchange ratio, and ¥8.00 of Mitsubishi Chemical Holdings Corporation for the second half of the year.
- 6. ROA is calculated as income before income taxes and minority interests in consolidated subsidiaries divided by average total assets.
- 7. ROE is calculated as net income divided by average shareholders' equity.

Segment Information

Mitsubishi Chemical Holdings Corporation and consolidated subsidiaries Years ended March 31

		Net Sales*			Operating Incom	е
	Million	s of yen	Millions of U.S. dollars	Millions	s of yen	Millions of U.S. dollars
INDUSTRY SEGMENT	2007	2006	2007	2007	2006	2007
Petrochemicals	¥1,246,389	¥1,053,991	\$10,562.6	¥ 28,197	¥ 30,867	\$ 239.0
Performance and Functional Products:						
Performance Products	525,706	548,788	4,455.1	35,037	46,602	296.9
Functional Products	399,543	373,191	3,386.0	24,321	22,795	206.1
Health Care	304,722	280,561	2,582.4	39,616	33,962	335.7
Others	146,460	152,414	1,241.2	10,588	10,519	89.7
Subtotal	2,622,820	2,408,945	22,227.3	137,759	144,745	1,167.4
Corporate Costs				(9,170)	(11,126)	(77.7)
Total	¥2,622,820	¥2,408,945	\$22,227.3	¥128,589	¥133,619	\$1,089.7
* Inter-segment sales and transfers are not in	ncluded.	Total Assets			Depreciation	
	Million	as of yen	Millions of U.S. dollars	Millions	· · · · · · · · · · · · · · · · · · ·	Millions of U.S. dollars
INDUSTRY SEGMENT	2007	2006	2007	2007	2006	2007
Petrochemicals	¥ 880,087	¥ 722,010	\$ 7,458.4	¥24,728	¥23,805	\$209.6
Performance and Functional Products:						
Performance Products	473,560	483,488	4,013.2	18,425	20,435	156.1
Functional Products	381,639	341,888	3,234.2	18,776	17,505	159.1
Health Care	388,019	338,661	3,288.3	14,558	16,121	123.4
Others	298,908	310,333	2,533.1	3,029	7,008	25.7
Subtotal	2,422,213	2,196,380	20,527.2	79,516	84,874	673.9
Corporate Assets and Eliminations	(103,381)	(69,768)	(876.1)	3,754	3,291	31.8
Total	¥2,318,832	¥2,126,612	\$19,651.1	¥83,270	¥88,165	\$705.7
	С	apital Expenditure	s	I	R&D Expenditure	s
	Million	s of yen	Millions of U.S. dollars	Millions	of yen	Millions of U.S. dollars
INDUSTRY SEGMENT	2007	2006	2007	2007	2006	2007
Petrochemicals	¥ 54,585	¥34,949	\$ 462.6	¥ 9,821	¥ 7,985	\$ 83.2
Performance and Functional Products:						
Performance Products	23,785	23,129	201.6	10,009	14,633	84.8
Functional Products	29,129	18,548	246.9	8,411	7,323	71.3
Health Care	9,447	11,127	80.1	48,579	47,017	411.7
Others	4,287	6,977	36.3	323	263	2.7
Subtotal	121,233	94,730	1,027.5	77,143	77,221	653.7

	Employees (Number)
INDUSTRY SEGMENT	2007	2006
Petrochemicals	5,311	4,515
Performance and Functional Products:		
Performance Products	5,881	6,777
Functional Products	6,736	6,816
Health Care	9,256	8,539
Others	5,363	5,491
Subtotal	32,547	32,138
Corporate R&D and Other	900	817
Total	33,447	32,955

9,622

¥130,855

Corporate R&D and Other

Total

3,134

¥97,864

81.5

\$1,109.0

14,034

¥91,177

12,373

¥89,594

118.9

\$772.6

Note: Effective this fiscal year, Mitsubishi Chemical Holdings Corporation reclassified several businesses and subsidiaries, in accordance with the business reclassification conducted by Mitsubishi Chemical Corporation, a consolidated subsidiary of Mitsubishi Chemical Holdings Corporation, to reflect performance more clearly in its strategic business areas. The business and subsidiaries that were reclassified were as follows: The "Service Segment" was renamed to "Others".

The performance polymer business was reclassified from the Performance Products Segment to the Petrochemicals Segment. The active pharmaceutical ingredient business was reclassified from the Performance Products Segment to the Health Care Segment. The utility business was reclassified from the Performance Products Segment to the Petrochemicals Segment. One consolidated subsidiary was reclassified from the Health Care Segment to Others. Owing to these changes, on the basis of the Group's previous business segmentation, sales in the Petrochemicals Segment was up ¥37,518 million, sales of the Performance Products Segment was ¥50,685 million lower, sales in the Health Care segment was ¥32,876 million higher, and sales in Others were ¥19,709 million lower. Likewise, the Petrochemicals Segment delivered ¥4,018 million more operating income, the Performance Products Segment ¥2,981 million less, the Health Care Segment ¥1,249 million more and Others ¥2,286 million less. Assets in the Petrochemicals Segment were ¥85,627 million higher, in the Performance Products Segment ¥32,402 million higher, and in Others ¥64,819 million lower. Depreciation and amortization in the Petrochemicals Segment was ¥2,760 million higher, in the Performance Products Segment ¥2,005 million lower. In the Health Care Segment ¥1,910 million higher, and in Others ¥2,665 million lower. Segment ¥2,444 million lower in the Performance Products Segment ¥1,938 million higher in the Health Care Segment and ¥2,557 million lower in Others.

		Net Sales*			Operating Income		
	Million	s of yen	Millions of U.S. dollars	Millions	of yen	Millions of U.S. dollars	
GEOGRAPHIC DISTRIBUTION	2007	2006	2007	2007	2006	2007	
Japan	¥2,182,021	¥2,015,511	\$18,491.7	¥139,852	¥138,782	\$1,185.2	
Asia	281,679	257,069	2,387.1	(3,922)	3,142	(33.2)	
Other	159,120	136,365	1,348.5	1,829	2,821	15.4	
Subtotal	2,622,820	2,408,945	22,227.3	137,759	144,745	1,167.4	
Corporate Costs				(9,170)	(11,126)	(77.7)	
Total	¥2,622,820	¥2,408,945	\$22,227.3	¥128,589	¥133,619	\$1,089.7	

^{*} Inter-segment sales and transfers are not included.

	Total Assets				
	Million	s of yen	Millions of U.S. dollars		
GEOGRAPHIC DISTRIBUTION	2007	2006	2007		
Japan	¥1,834,794	¥1,714,145	\$15,549.1		
Asia	235,130	202,977	1,992.6		
Other	137,486	119,393	1,165.1		
Subtotal	2,207,410	2,036,515	18,706.8		
Corporate Assets and Eliminations	111,422	90,097	944.3		
Total	¥2,318,832	¥2,126,612	\$19,651.1		

	Millions	Millions of yen		
OVERSEAS SALES	2007	2006	2007	
Asia	¥ 481,482	¥ 433,550	\$ 4,080.4	
Other	225,636	192,343	1,912.2	
Total Overseas Sales	707,118	625,893	5,992.6	
Consolidated Sales	2,622,820	2,408,945	22,227.3	
Total Overseas Sales as a Percentage of Consolidated Sales	26.9%	25.9%	_	

Note: Major countries or areas in the Asia and Other regions are as follows: Asia: China, Taiwan, South Korea, Indonesia, Thailand, India

Other: North America, Europe

Management's Discussion and Analysis

The Consolidated Accounting Period in Review

Overview of Results

During the year ended March 31, 2007, the Japanese economy was affected by crude oil prices that surged and remained high. Exports to the United States and China expanded, and capital expenditure grew, on the back of robust corporate revenues and profits. Responding to this recovery, personal consumption continued to expand, albeit gradually.

Affecting the Mitsubishi Chemical Holdings Corporation ("MCHC") Group more directly, crude oil and naphtha prices remained high, but firm domestic and overseas demand resulted in robust performance.

Against the backdrop of sharply higher crude oil prices, the MCHC Group revised upward its unit selling prices, while working to expand sales volumes and reduce production costs. In line with our mid-term management plan, "KAKUSHIN Plan: Phase 2," we pushed forward with Groupwide efforts, such as investing actively in R&D and capital in priority fields and reinforcing comprehensive proposal-based marketing.

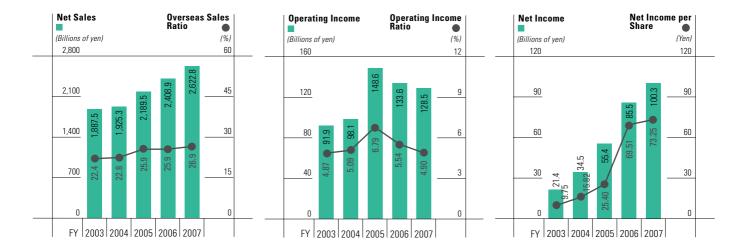
Under these circumstances, we revised product prices, particularly on petrochemical products, in response to soaring prices on naphtha and other raw materials. As a result, net sales expanded 8.8%, to ¥2,622.8 billion. Operating income, on the other hand, declined by 3.7%, to ¥128.5 billion, affected by sluggish overseas demand for certain petrochemical products and changes in inventory valuations in line with changing raw materials prices. Since equity in earnings of nonconsolidated subsidiaries and affiliates expanded, income before income taxes and minority interests in consolidated subsidiaries increased by 19.7% to ¥137.8 billion. Due to a decrease in extraordinary losses, net income increased by 17.2%, to ¥100.3 billion.

Results of Operations

Net Sales

During the fiscal year ended March 31, 2007, the business environment in which the MCHC Group operates was affected by steep rises in crude oil and naphtha prices. However, firm demand both domestically and internationally supported favorable results overall.

In this environment, we adjusted selling prices, primarily for petrochemicals, in line with sharply higher crude oil and naphtha prices, and net sales expanded by 8.8% year on year, to \$2,622.8 billion.



Operating Income

In the Performance and Functional Products Segment, strong demand pushed up unit sales of information and electronics products, and strong industry demand bolstered sales of industrial materials and protective films for LCDs. In the Health Care Segment, our sales volume of mainstay pharmaceuticals expanded, and sales commissions and other selling, general and administrative expenses decreased. In the Petrochemicals Segment, on the other hand, overseas markets for such products as purified terephthalic acid and ethylene glycol were lackluster, and we experienced problems at manufacturing facilities. In the Performance and Functional Products Segment, the price difference in inventories of coaking coal turned into the loss against the gain in the previous fiscal year. The net effect of these factors was a 3.7% decline in operating income, to ¥128.5 billion.

Consequently, the operating income ratio declined from 5.5% to 4.9%, because of higher raw materials' prices and a decrease in operating income, due to higher sales of petrochemicals.

Other Income and Expenses

For the fiscal year ended March 31, 2007, interest income amounted to ¥1.7 billion, up ¥0.2 billion, and dividend income remained essentially unchanged at ¥4.4 billion. Interest expense, on the other hand, climbed ¥1.4 billion, to ¥12.4 billion, affected by higher interest rates. Net financial expenses, therefore, came to ¥6.1 billion, up ¥1.1 billion from the preceding term.

Equity in earnings of unconsolidated subsidiaries and affiliates rose by ¥2.3 billion, to ¥15.2 billion. Although the earnings of an overseas equity-method company, Sam Nam Petrochemical Co., Ltd., worsened, stronger earnings by equity-method companies, Mitsubishi Engineering-Plastics Corporation and Japan Polyethylene Corporation contributed.

For the fiscal year ended March 31, 2007, gain (loss) on reimbursement of salaries for employees on secondment, net amounted to gain of ¥2.0 billion, compared with loss of ¥4.1 billion for the fiscal year ended March 31, 2006—a ¥6.1 billion improvement. The main reason for this difference was that the amount of expenses appropriated for actuarial differences in retirement benefit accounting fell substantially as a result of income from the investment of plan assets.

Foreign exchange gain, net was ¥5.1 billion for the year, less ¥1.0 billion than in the previous term.

In addition to aforementioned items, consolidated subsidiary Mitsubishi Pharma Corporation ("MPC") recorded a ¥2.0 billion provision for possible losses in connection with the hepatitis C virus (HCV) lawsuit. A ¥3.1 billion provision for loss on disposal of businesses was posted in relation to certain affiliated companies.

Net Income

Current income taxes for the year came to ¥5.7 billion, while deferred income taxes were ¥27.6 billion, resulting in a taxation expense of ¥33.3 billion for the fiscal year ended March 31, 2007. The income tax burden after applying tax-effect accounting was 24.2%, lower than the statutory tax rate by 16.4 percentage points. This was mainly a result of the acquisition of treasury stock by Mitsubishi Chemical Corporation ("MCC"), a consolidated subsidiary. To acquire the treasury stock, MCHC utilized dividends from other retained earnings of MCC as a source of funding. Accordingly, a tax loss was incurred due to this equity transaction, and the tax burden was reduced by ¥21.8 billion.

Minority interests in consolidated subsidiaries totaled ¥4.1 billion, down ¥5.0 billion from the previous year. The primary reason was the transfer of stock from consolidated MPC, making this company a wholly-owned subsidiary, on October 3, 2005.

As a result of these factors, net income increased by 17.2%, to ¥100.3 billion.

Results by Industry Segment

Petrochemicals

The production volume of ethylene, one of the major basic raw materials for the Petrochemicals Segment, was 1,350 kt, a 6% increase from the preceding fiscal year. Although MCC experienced a production setback at its Kashima Plant, down time for regular maintenance was less than during the previous term.

The basic petrochemicals, chemical products, synthetic fiber intermediates and synthetic resins businesses continued to benefit from favorable domestic and overseas demand, and prices were revised to account for sharply higher raw materials' prices. As a result, segment sales rose 18.2% to \$1,246.3 billion. However, sluggish overseas markets for such products as purified terephthalic acid and ethylene glycol—synthetic fiber intermediates—lost steam of segment operating income, which declined by 8.6% to \$28.1 billion.

Performance and Functional Products

Performance Products

In information and electronics-related products, prices on optical recording media declined, but ongoing strong demand for DVDs pushed up sales. Prices on organic photo conductor (OPC) drums, toner and other office printing materials fell, but higher sales volumes offset this decline to maintain the same level of sales as in the preceding term. Sales of food ingredients remained robust. In the carbon businesses, coking coal sales were firm, buoyed by demand for use in steelmaking, but a decline in export prices created a dip in sales.

Functional Products

Sales of various films and sheets for industrial applications rose on the back of robust demand for semiconductor- and LCD-related products. Demand for use in packaging materials was slack, but by cultivating new applications and redoubling sales efforts, sales were kept on a par with the preceding year. Sales of resin composites for use in construction materials lagged, owing to sluggish public-sector capital investment, although housing construction rebounded. This factor, as well as healthy demand for information and electronics-related products, generated a sales increase. Sales of materials for industrial and construction applications, such as carbon and alumina fibers, surged on the support of ongoing robust demand.

As a result of these factors, sales in the Performance and Functional Products Segment amounted to \$925.2 billion, up 0.3%, partly affected by the shift of certain functional chemicals to the Petrochemicals Segment and the Health Care Segment. Operating income fell 14.4% to \$59.3 billion, owing to a larger valuation loss on carbon material inventories for the carbon business.

Health Care

The volume of sales increased for such mainstay pharmaceuticals as *Anplag*®, an anti-platelet agent, and the ethical neuroprotective agent *Radicut*®, but overall pharmaceuticals sales declined, affected by reduced standard drug prices. Contract rates on clinical testing fell, but new transactions pushed up results, and sales of testing for clinical trials benefited from new drug development. These factors prompted a slight increase in the clinical testing business.

Sales in the Health Care Segment rose by 8.6% to ¥304.7 billion, helped by the transfer of certain business from the Functional Products Segment. Operating income expanded by 16.6% to ¥39.6 billion, owing to higher mainstay pharmaceuticals sales volumes, lower selling commissions and reduced selling, general and administrative expenses (SG&A).

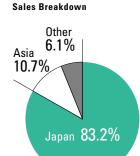
Others

Lower external orders caused a decline in sales in the engineering business, but the logistics business secured external orders on a par with the preceding term. Consequently, segment sales dropped 3.9% to \$146.4 billion, and operating income increased by 0.6% to \$10.5 billion.

Results by Geographic Distribution

Japan

MCHC Group companies implemented product sales price increases in line with sharply higher naphtha and fuel prices, contributing to an 8.2% rise in sales to \$2,182.0 billion. Shifts in raw materials prices affected inventory valuations, but in the health-care business a higher sales volume of mainstay pharmaceuticals and lower selling commissions and SG&A generated a 0.7% increase in operating income to \$139.8 billion.



Asia

MCHC Group companies in Asia posted a 9.5% increase in sales, to \$281.6 billion, thanks to such factors as higher selling prices on petro-

chemical products. Depressed overseas markets for certain petrochemicals, however, resulted in an operating loss of ¥3.9 billion.

Other Regions

Overseas MCHC Group companies outside of Asia enjoyed a rise in sales of products for optical disks, as well as films and sheets related to semiconductors and LCDs, raising sales 16.6% to ¥159.1 billion. Price reductions on printer and copier materials, however, caused operating income to fall 35.1% to ¥1.8 billion.

R&D Expenditures

In addition to independent R&D activities within each company, MCHC Group is also strengthening ties among MCHC Group companies to promote mutual sharing of information about technologies and markets, collaborative research, and mutual commissioning of R&D operations. Moreover, MCHC Group is moving aggressively ahead with joint R&D activities with non-MCHC Group companies and institutes, working to develop new technologies and improve existing technologies.

MCHC Group had 3,145 R&D employees as of March 31, 2007, while R&D expenditures for the fiscal year totaled ¥91.1 billion.

Liquidity and Sources of Funds

Financial Position

Assets

Total assets of the MCHC Group as of March 31, 2007, stood at ¥2,318.8 billion, ¥192.2 billion higher than at the end of the previous fiscal year. The fact that the final day of the fiscal year was a bank holiday, combined with the increase in net sales, caused an increase in trade receivables, and the sharp rise in raw materials prices created an increase in inventories. Higher capital expenditures pushed up property, plant and equipment.

Liabilities

Total liabilities at the end of the term were ¥1,560.0 billion, ¥158.3 billion higher than one year previously. This was mainly due to the following factors: sharply higher raw materials' prices caused an increase in trade payable balances, an increase in withholding tax payables resulted from the acquisition of treasury stock, and greater capital expenditures and the tender offer by MCC for the shares of Mitsubishi Plastics, Inc. ("MPI") resulted in higher levels of interest-bearing debt.

Net Assets

Net assets as of March 31, 2007 were ¥758.7 billion, up ¥33.8 billion compared with March 31, 2006. MCHC's dividend payments and a ¥22.1 billion reduction caused by tax expenses resulting from capital gains of MCC and MPC on the sale of MCHC's shares to MCHC contrived to reduce additional paid-in capital by ¥33.0 billion. In addition, the tender offer by MCC for the shares of MPI, created a ¥22.8 billion decrease in minority interests. On the other hand, such factors as net income of ¥100.3 billion generated a ¥94.2 billion increase in retained earnings.

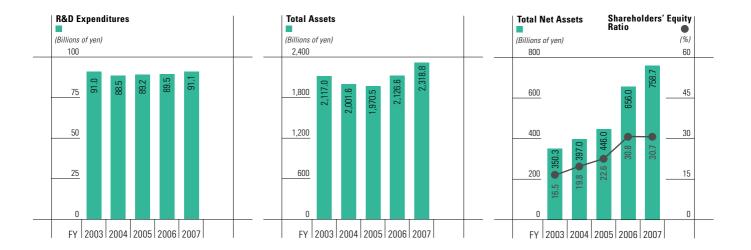
The shareholders' equity ratio at the end of the fiscal year was 30.7%, down 0.1 percentage point from the end of the preceding term.

Cash Flows

Free cash flows, which consist of cash flows from operating and investing activities, came to a negative \mathbb{4}70.0 billion, compared with \mathbb{4}105.3 billion in free cash flows provided in the previous year.

Cash Flows from Operating Activities

For the fiscal year ended March 31, 2007, net cash provided by operating activities was ¥63.3 billion, down ¥116.3 billion from the previous year. Principal factors included the fact that the last day of the fiscal year under review was a bank holiday, which caused an increase in trade receivables, as well as the payment of withholding taxes stemming from our acquisition of treasury stock.



Cash Flows from Investing Activities

For the fiscal year ended March 31, 2007, net cash used in investing activities was ¥133.4 billion, up ¥59.0 billion from the previous year. Higher capital expenditures and the tender offer by MCC for the shares of MPI were the main reasons.

Cash Flows from Financing Activities

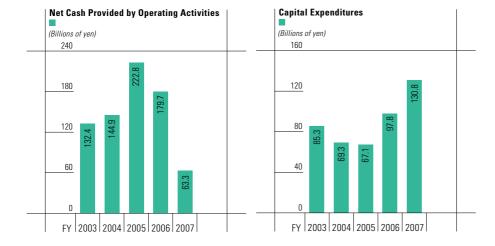
For the fiscal year ended March 31, 2007, net cash provided by financing activities was ¥74.4 billion, while net cash used in financing activities was ¥97.1 billion in the preceding term. A total of ¥23.1 billion was used for the payment of dividends to MCHC's shareholders and to minority shareholders in MCHC's consolidated subsidiaries. On the other hand, ¥77.5 billion was provided through an increase in short-term debt, and proceeds from the issuance of long-term debt delivered ¥104.8 billion.

The net effect of these cash flows, the exchange rate effects of the activities of MCHC's overseas consolidated subsidiaries and the effect of the adjustment in scope of consolidation resulted in cash and cash equivalents of ¥67.9 billion at the end of the year, up ¥6.4 billion from one year earlier.

Capital Expenditures

Capital expenditures for the fiscal year ended March 31, 2007, were ¥130.8 billion, an increase of ¥32.9 billion compared with the previous fiscal year. Of these expenditures, ¥64.7 billion was for new facilities and facility expansions, ¥18.8 was related to streamlining and ¥11.8 billion went for R&D, whereas ¥35.3 billion was for other uses. The major projects involving investment in new or expanded facilities were the new PTA plant construction of Ningbo Mitsubishi Chemical Co., Ltd. in the Petrochemicals Segment and the productive capacity expansion of Mitsubishi Polyester Film Corporation in the Performance and Functional Products Segment.

In Management's Discussion and Analysis section, amounts of less than one billlion yen have been omitted.



Consolidated Balance Sheets

 $\label{lem:missing} \mbox{Mitsubishi Chemical Holdings Corporation and consolidated subsidiaries} \\ \mbox{As of March 31}$

_		
Δ	cente	

Millions of yen		U.S. dollars (Note 3)
2007	2006	2007
¥ 67,995	¥ 61,547	\$ 576,229
1,514	3,835	12,831
47	7	398
661,140	548,300	5,602,881
174,464	146,511	1,478,508
73,171	69,228	620,093
109,655	96,909	929,280
5,173	4,925	43,839
31,708	32,087	268,712
22,613	26,954	191,636
(1,682)	(1,923)	(14,254)
1,145,798	988,380	9,710,153
	2007 ¥ 67,995 1,514 47 661,140 174,464 73,171 109,655 5,173 31,708 22,613 (1,682)	2007 2006 ¥ 67,995 ¥ 61,547 1,514 3,835 47 7 661,140 548,300 174,464 146,511 73,171 69,228 109,655 96,909 5,173 4,925 31,708 32,087 22,613 26,954 (1,682) (1,923)

Thousands of

Property, plant and equipment (Note 5):			
Land	172,396	178,016	1,460,983
Buildings	631,340	630,413	5,350,339
Machinery and equipment	1,540,388	1,509,497	13,054,136
Construction in progress	84,764	40,984	718,339
	2,428,888	2,358,910	20,583,797
Accumulated depreciation	(1,704,450)	(1,672,230)	(14,444,492)
Property, plant and equipment, net	724,438	686,680	6,139,305

Investments and other assets:			
Investment securities (Note 4)	337,724	345,577	2,862,067
Long-term loans receivable	8,135	3,128	68,941
Deferred income taxes—non-current (Note 12)	17,331	36,219	146,873
Goodwill	18,043	6,651	152,907
Other	68,693	61,110	582,144
Allowance for doubtful accounts	(1,330)	(1,133)	(11,271)
Total investments and other assets	448,596	451,552	3,801,661
Total assets	¥2,318,832	¥2,126,612	\$19,651,119

	Million	s of yen	Thousands of U.S. dollars (Note 3)
-	2007	2006	2007
Current liabilities:			
Short-term debt (Note 5)	¥ 244,871	¥ 180,065	\$ 2,075,178
Current portion of long-term debt (Note 5)	82,765	92,936	701,398
Trade payables	557,785	499,065	4,726,992
Accrued expenses	58,820	52,688	498,475
Accrued income taxes	16,468	14,654	139,559
Other current liabilities	49,998	51,799	423,712
Total current liabilities	1,010,707	891,207	8,565,314
Long-term liabilities:			
Long-term debt (Note 5)	412,037	363,668	3,491,839
Accrued retirement benefits (Note 6)	86,274	100,111	731,135
Other non-current liabilities	51,062	46,699	432,729
Total long-term liabilities	549,373	510,478	4,655,703
Minority interests		68,867	
		00,001	
Shareholders' equity:			
Common stock:			
Authorized—6,000,000 thousand shares;			
Issued— 1,806,288 thousand shares at March 31, 2006	5 <u> </u>	50,000	
Additional paid-in capital		412,876	
Retained earnings		227,836	
			
Revaluation surplus		1,886	
Valuation gain on investment securities after tax effect		87,355	
Foreign currency translation adjustments		(3,773)	
Treasury stock at cost— 436,198 thousand shares at March 31, 2006		(120,120)	
Total shareholders' equity		656,060	
Total shareholders equity Total liabilities, minority interests and		030,000	
shareholders' equity		¥2,126,612	
Net Assets (Note 8):			
Shareholders' equity:			
Common stock:			
Authorized—6,000,000 thousand shares;			
Issued and outstanding—	E0 000		423,729
1,806,288 thousand shares at March 31, 2007	50,000	_	
Additional paid-in capital	379,793		3,218,585
Retained earnings	322,049		2,729,229
Less, Treasury stock at cost— 436,895 thousand shares at March 31, 2007	(120,693)		(1,022,822)
Total shareholders' equity	631,149		5,348,720
Total shareholders equity	031,143	<u> </u>	3,340,720
Valuation, translation adjustments and other:			
Net unrealized holding gain on other securities	80,016	_	678,102
Loss on deferred hedges	(16)	_	(136)
Land revaluation surplus	1,858	_	15,746
Foreign currency translation adjustments	3,179	_	26,941
Unfunded retirement benefit obligation with respect to a foreign subsidiary	(4,026)	_	(34,119)
Total valuation, translation adjustments and other	81,011		686,534
and outer	01,011		000,004
Warrants (Note 11)	543	_	4,602
Minority interests in consolidated subsidiaries	46,049	_	390,246
Total net assets	758,752	_	6,430,102
Total liabilities and net assets	¥2,318,832	_	\$19,651,119
	_, ,		

 $\label{thm:companying} The \ accompanying \ notes \ are \ an \ integral \ part \ of \ these \ statements.$

Liabilities and Net assets

(Liabilities, Minority interests and Shareholders' equity)

Consolidated Statements of Income

Mitsubishi Chemical Holdings Corporation and consolidated subsidiaries Years ended March 31

		U.S. dollars	
	Millions		(Note 3)
	2007	2006	2007
Net sales	¥2,622,820	¥2,408,945	\$22,227,288
Cost of sales (Notes 13, 14)	2,104,642	1,888,535	17,835,949
Gross profit	518,178	520,410	4,391,339
Selling, general and administrative expenses (Notes 13, 14)	389,589	386,791	3,301,602
Operating income	128,589	133,619	1,089,737
Other income (expenses):			
Interest expense	(12,432)	(11,009)	(105,356)
Interest income	1,785	1,567	15,127
Dividend income	4,460	4,440	37,797
Equity in earnings of unconsolidated subsidiaries and affiliates	15,210	12,864	128,898
Foreign exchange gain, net	5,118	6,129	43,373
Provision for loss on disposal of businesses	(3,115)	(15,716)	(26,398)
Provision for prospective loss on removal of fixed assets	(2,987)	(2,150)	(25,314)
Loss on sales and disposal of property, plant and equipment, net	(2,615)	(3,126)	(22,161)
Provision for possible losses in connection with litigation	(2,092)	_	(17,729)
Loss on impairment of fixed assets	(1,191)	(1,131)	(10,093)
Write-downs of securities and investment securities	(692)	(2,208)	(5,864)
Additional depreciation of property, plant and equipment	(353)	(2,932)	(2,992)
Additional benefits for employees' early retirement (Note 6)	(300)	(1,905)	(2,542)
Gain on sales of securities and investment securities	6,905	2,195	58,517
Gain (loss) on reimbursement of salaries for employees on secondment, net	2,022	(4,164)	17,136
Write-downs of other investments	<u>—</u>	(2,869)	_
Other, net	(510)	1,466	(4,322)
Income before income taxes and minority interests in consolidated subsidiaries	137,802	115,070	1,167,814
Income taxes (Note 12):			
Current	5,745	35,221	48,687
Deferred	27,606	(14,931)	233,949
	33,351	20,290	282,636
Minority interests in consolidated subsidiaries	(4,113)	(9,211)	(34,856)
Net income	¥ 100,338	¥ 85,569	\$ 850,322
The accompanying notes are an integral part of these statements.			
	Ye	en	U.S. dollars
Per share (Note 15):			
Net income—Basic	¥73.25	¥69.51	\$0.621
—Diluted	73.21	69.38	0.620
Cash dividends	14.00	14.00	0.119

Thousands of

Note: Cash dividends per share of Mitsubishi Chemical Holdings Corporation for the year ended March 31, 2006 (¥14.00) consists of ¥6.00 of Mitsubishi Chemical Corporation for the first half, which is adjusted to the basis of Mitsubishi Chemical Holdings Corporation by utilizing the stock exchange ratio, and ¥8.00 of Mitsubishi Chemical Holdings Corporation for the second half of the year.

Consolidated Statement of Shareholders' Equity

 ${\it Mitsubishi\ Chemical\ Holdings\ Corporation\ and\ consolidated\ subsidiaries}$

Year ended March 31, 2006		Millions of yen							
	Number of outstanding shares of common stock (thousands)	common stock	Additional paid-in capital	Retained earnings		Valuation gai on investmen securities after tax effect		Treasury stock at cost	
Balance at March 31, 2005	2,177,675	¥145,086	¥117,108	¥162,966	¥1,901	¥37,794	¥(17,917)	¥ (961)	
Net income	_	_	_	85,569	_	_	_	_	
Cash dividends	_	_	_	(19,570)	_	_	_	_	
Bonuses to directors	_	_	_	(116)	_	_	_	_	
Decrease resulting from stock transfer	(371,387)	(95,086)	_	_	_	_	_	_	
Increase resulting from stock transfer	_	_	295,761	_	_	_	_	_	
Increase from retirement or resale of treasury stock	_	_	7	_	_	1,930	_	(117,719)	
Valuation gain on investment securities, after tax effect	_	_	_	_	_	47,631	_	_	
Foreign currency translation adjustments	_	_	_	_	_	_	14,144	_	
Increase resulting from the merger of an affiliate accounted for by the equity method with an affiliate not accounted for by the equity method	_	_	_	272	_	_	_	_	
Increase resulting from exclusion of subsidiaries from the scope of application of the consolidated subsidiaries	_	_	_	32	_	_	_	_	
Increase resulting from exclusion of an affiliate from the scope of application of the equity method	_	_	_	4	_	_	_	_	
Increase resulting from the merger of an affiliate accounted for by the equity method with other entity	_	_	_	3	_	_	_	_	
Increase resulting from inclusion of a subsidiary in the scope of application of the consolidated subsidiaries	_	_	_	2	_	_	_	_	
Decrease resulting from exclusion of subsidiaries from the scope of application of the consolidated subsidiaries	_	_	_	(90)	_	_	_	_	
Decrease in revaluation surplus	_	_	_	_	(15)	_	_	_	
Minimum pension liability adjustment	_	_	_	(1,236)	_	_	_	_	
Net increase in treasury stock	_	_					_	(1,440)	
Balance at March 31, 2006	1,806,288	¥ 50,000	¥412,876	¥227,836	¥1,886	¥87,355	¥ (3,773)	¥(120,120)	

The accompanying notes are an integral part of these statements.

Consolidated Statement of Changes in Net Assets

Mitsubishi Chemical Holdings Corporation and consolidated subsidiaries Year ended March 31, 2007

Year ended March 31, 2007		Millions of yen Shareholders' equity							
	Number of outstanding								
	shares of common stock (thousands)	Common stock	Additional paid-in capital	Retained earnings	Treasury stock at cost	Total shareholders' equity			
Balance at March 31, 2006	1,806,288	¥ 50,000	¥412,876	¥227,836	¥(120,120)	¥570,592			
Cash dividends	-	_	(10,964)	(9,591)		(20,555)			
Bonuses to directors	_	_	_	(162)	_	(162)			
Net income	-	_	_	100,338		100,338			
Increase resulting from change in scope of consolidation	_	_	_	120	_	120			
Increase resulting from change in scope of application of equity method	_	_	_	358	_	358			
Purchases of treasury stock	_	_	_	_	(671)	(671)			
Disposition of treasury stock	_	_	28		98	126			
Decrease due to purchases of treasury stock from consolidated subsidiaries	_	_	(22,147)	_	_	(22,147)			
Net change in items other than those in shareholders' equity		_	_	3,150	_	3,150			
Balance at March 31, 2007	1,806,288	¥ 50,000	¥379,793	¥322,049	¥(120,693)	¥631,149			

				N	Millions of ye	en			
		Valuation	, translatio	n adjustmen	ts and other				
	Net unrealized holding gain on other securities	Loss on deferred hedges	Land revaluation surplus	Foreign currency translation adjustments	Unfunded retirement benefit obligation with respect to a foreign subsidiary		Warrants	Minority interests in consolidated subsidiaries	Total net assets
Balance at March 31, 2006	¥87,355	¥ —	¥1,886	¥ (3,773)	¥ —	¥85,468	¥ —	¥ 68,867	¥724,927
Cash dividends	_			_	_	_	_	_	(20,555
Bonuses to directors	_	_	_	_	_	_	_	_	(162
Net income	_	_	_	_	_	_	_	_	100,338
Increase resulting from change in scope of consolidation	_	_	_	_	_	_	_	_	120
Increase resulting from change in scope of application of equity method		_	_	_	_	_	_	_	358
Purchases of treasury stock	_		_	_	_	_		_	(671
Disposition of treasury stock	_	_	_	_	_	_	_	_	126
Decrease due to purchases of treasury stock from consolidated subsidiaries	_	_	_		_	_	_		(22,147
Net change in items other than those in shareholders' equity	(7,339)	(16)	(28)	6,952	(4,026)	(4,457)	543	(22,818)	(23,582
Balance at March 31, 2007	¥80,016	¥(16)	¥1,858	¥ 3,179	¥(4,026)	¥81,011	¥543	¥ 46,049	¥758,752

Thousands of U.S. dollars (Note 3)

	Number of outstanding		Sł	nareholders' equ	iity	
	shares of common stock (thousands)	Common stock	Additional paid-in capital	Retained earnings	Treasury stock at cost	Total shareholders' equity
Balance at March 31, 2006	1,806,288	\$423,729	\$3,498,949	\$1,930,814	\$(1,017,966)	\$4,835,525
Cash dividends	_	_	(92,915)	(81,280)	_	(174,195)
Bonuses to directors	_	_	_	(1,373)	_	(1,373)
Net income	_		_	850,322	_	850,322
Increase resulting from change in scope of consolidation	_		_	1,017	_	1,017
Increase resulting from change in scope of application of equity method	_	_	_	3,034	_	3,034
Purchases of treasury stock	_	_	_	_	(5,686)	(5,686)
Disposition of treasury stock	_		237	_	831	1,068
Decrease due to purchases of treasury stock from consolidated subsidiaries	_	_	(187,686)	_	_	(187,686)
Net change in items other than those in shareholders' equity	_	_	_	26,695	_	26,695
Balance at March 31, 2007	1,806,288	\$423,729	\$3,218,585	\$2,729,229	\$(1,022,822)	\$5,348,720

Thousands of U.S. dollars (Note 3)

				Thousands	of U.S. do	llars (Note .	3)		
	Valuation, translation adjustments and other								
	Net unrealized holding gain on other securities	Loss on deferred hedges		Foreign currency translation adjustments		Total valuation, t translation adjustments		Minority interests in consolidated ts subsidiaries	l Total
Balance at March 31, 2006	\$740,297	\$ —	\$15,983	\$(31,975)	\$ —	\$724,305	\$ —	\$583,619	\$6,143,449
Cash dividends	_	_	_	_	_	_	_		(174,195)
Bonuses to directors	_	_	_	_	_	_	_		(1,373
Net income	_	_	_	_	_	_	_	_	850,322
Increase resulting from change in scope of consolidation	_	_	_	_	_	_	_	_	1,017
Increase resulting from change in scope of application of equity method	_	_	_	_	_	_	_	_	3,034
Purchases of treasury stock	_	_	_	_	_	_	_		(5,686
Disposition of treasury stock	_	_	_	_	_	_	_	_	1,068
Decrease due to purchases of treasury stock from consolidated subsidiaries	_	_	_	_	_	_	_	_	(187,686
Net change in items other than those in shareholders' equity	(62,195)	(136)	(237)	58,915	(34,119)	(37,771)	4,602	(193,373)	(199,847
Balance at March 31, 2007	\$678,102	\$(136)	\$15,746	\$ 26,941	\$(34,119)	\$686,534	\$4,602	\$390,246	\$6,430,102

Consolidated Statements of Cash Flows

Mitsubishi Chemical Holdings Corporation and consolidated subsidiaries Years ended March 31

			U.S. dollars
	Millions	of yen	(Note 3)
	2007	2006	2007
Cash flows from operating activities:	V127 002	V115 070	Ф1 1C7 01 <i>A</i>
Income before income taxes and minority interests in consolidated subsidiar	ies ¥137,802	¥115,070	\$1,167,814
Adjustments for:	00.017	05.222	700.000
Depreciation and amortization	82,917	85,233	702,686
Additional depreciation of property, plant and equipment	353	2,932	2,992
Interest expense	12,432	11,009	105,356
Interest and dividend income	(6,245)	(6,007)	(52,924
Equity in earnings of unconsolidated subsidiaries and affiliates	(15,210)	(12,864)	(128,898
Foreign exchange (gain) loss, net	(19)	514	(161
Loss on sales and disposal of property, plant and equipment, net	2,615	3,126	22,161
Write-downs of other investments		2,869	
Write-downs of securities and investment securities	692	2,208	5,864
Provision for prospective loss on removal of fixed assets	2,987	2,150	25,314
Loss on impairment of fixed assets	1,191	1,131	10,093
Gain on sales of securities and investment securities	(6,905)	(2,195)	(58,517
Increase in trade receivables	(63,196)	(13,264)	(535,559
Increase in inventories	(37,993)	(34,301)	(321,975
Increase in trade payables	27,934	45,615	236,729
Decrease in accrued retirement benefits	(22,910)		(194,153
Other, net	13,510	17,237	114,492
Subtotal	129,955	220,463	1,101,314
Interest and dividends received	13,822	10,429	117,135
Interest paid	(11,904)	(11,394)	(100,881
Income taxes paid	(68,530)	(39,775)	(580,763
Net cash provided by operating activities	63,343	179,723	536,805
Cash flows from investing activities:			
Proceeds from repayment of securities		13	
Payments for purchases of property, plant and equipment	(112,167)	(94,265)	(950,568
Proceeds from sales of property, plant and equipment	11,802	6,803	100,017
Payments for purchases of investment securities	(45,092)	(4,671)	(382,136
Proceeds from sales of investment securities	9,687	11,558	82,093
Decrease in loans receivable, net	3,284	10,788	27,831
Other, net	(948)	(4,591)	(8,034
Net cash used in investing activities	(133,434)	(74,365)	(1,130,797
Cash flows from financing activities:			
Increase (decrease) in short-term debt, net	65,513	(72,750)	555,195
Proceeds from issuance of long-term debt	134,606	77,446	1,140,729
Repayment of long-term debt	(100,446)	(81,682)	(851,237
Cash dividends paid	(20,555)	(19,570)	(174,195
Other, net	(4,626)	(625)	(39,203
Net cash provided by (used in) financing activities	74,492	(97,181)	631,289
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Effect of exchange rate changes on cash and cash equivalents	1,791	1,429	15,178
Net increase in cash and cash equivalents	6,192	9,606	52,475
Cash and cash equivalents at beginning of the year	61,547	52,575	521,585
Effect of adjustment of scope of consolidation on cash and cash equivalents at beginning of the year	256	(634)	
			2,169
Cash and cash equivalents at end of the year	¥ 67,995	¥ 61,547	\$ 576,229

Thousands of

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

Mitsubishi Chemical Holdings and consolidated subsidiaries March 31, 2007

1

Significant Accounting Policies

(a) Basis of Presentation

The accompanying consolidated financial statements have been prepared from the accounts maintained by Mitsubishi Chemical Holdings Corporation (MCHC) and its consolidated subsidiaries in accordance with the provisions set forth in the Corporation Law of Japan and in conformity with accounting principles generally accepted in Japan, which are different in certain respects from the application and disclosure requirements of International Financial Reporting Standards. 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) Background of MCHC

MCHC was established on October 3, 2005 as a holding company through a 100 percent stock transfer (exchange) by Mitsubishi Chemical Corporation ("MCC") and Mitsubishi Pharma Corporation ("MPC"), which was a wholly owned subsidiary of MCC.

As a result, MCC and MPC both became domestic wholly-owned subsidiaries of MCHC and the share-holders of MCC and MPC became the shareholders of MCHC.

Since, on the formation date the consolidated MCHC Group is in substance the same as the consolidated MCC Group, the consolidated financial statements presented herein for the year ended March 31, 2006 succeeded the ending balance of consolidated retained earnings of MCC as of September 30, 2005, and the consolidated net income of MCHC for the same year succeeded the first half of consolidated income of MCC and the second half of that of MCHC.

(c) Capital Consolidation Procedures Related to the Transfer of Shares

Capital consolidation procedures related to the stock transfer in connection with the establishment of MCHC were in compliance with the "Consolidation Procedures for Full Parent-Subsidiary Relationship Established Utilizing Share Exchange and Transfer System," as presented in Accounting Committee Research Report No. 6 issued by the Japanese Institute of Certified Public Accountants.

Because the transfer of shares took place between a parent and subsidiary companies, the transaction does not fall under the category of a merger of two corporations. Therefore, concerning capital consolidation, the former parent company, MCC, was handled under the pooling-of-interests method, while the subsidiary company, MPC, was handled according to consolidation principles.

(d) 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 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 within a period of twenty years, but five years.

(e) 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 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.

(f) 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.

(g) Inventories

Finished goods are stated principally at the lower of cost, determined by the average cost method, or market value. Other inventories are stated principally at average cost.

(h) Property, Plant and Equipment

Property, plant and equipment is stated at cost. Depreciation of the property, plant and equipment of MCHC and its consolidated subsidiaries in Japan is principally calculated using the declining balance method over the estimated useful lives of the respective assets, except for buildings (excluding fixtures attached to the buildings), acquired on or after April 1, 1998 by MCHC and its domestic consolidated subsidiaries, which are depreciated by the straight-line method over their respective estimated useful lives. Depreciation of the property, plant and equipment of the overseas consolidated subsidiaries is principally calculated using the straight-line method over their estimated useful lives.

Principal estimated useful lives of the assets are as follows:

Buildings: 10–50 years Machinery and equipment: 4–17 years

Significant renewals and betterments are capitalized at cost. Maintenance and repairs are charged to income.

(i) Leases

Noncancelable leases are primarily accounted for as operating leases (regardless of whether such leases are classified as operating or finance leases), except that leases which stipulate the transfer of ownership of the leased property to the lessee are accounted for as finance leases.

(j) Research and Development

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

(k) 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.

(I) Foreign Currency Financial Statements

The balance sheet accounts of foreign subsidiaries and affiliates are translated into Japanese 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 subsidiaries and affiliates are translated into Japanese yen at the average exchange rates in effect during the year.

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

(m) 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.

(n) Accrued Bonuses to Employees

To provide for payments of bonuses to its employees, accrued bonuses are recorded at the amount expected to be paid. The corresponding balance of \(\xi 26,972\) (\(\xi 228,576\) thousand) is included in "Other current liabilities" in the accompanying consolidated balance sheet as of March 31, 2007.

(o) Accrued Retirement Benefits and Pension Plans

Upon terminating their employment, employees of MCHC and its subsidiaries in Japan are entitled, under most circumstances, to lump-sum severance payments or pension payments. For retiring employees, under normal circumstances, payment is at an amount based on current rates of pay, length of service and the type of termination (voluntary or involuntary). In calculating payments for retiring employees due to meeting mandatory retirement age requirements, MCHC and its significant subsidiaries in Japan may grant additional benefits. MCHC and its significant subsidiaries in Japan have defined benefit pension plans funded through several financial institutions in accordance with the applicable laws and regulations. The funding policy is to make actuarially determined contributions to provide the plans with sufficient assets to meet future benefit payment requirements. The pension benefits are determined based on years of service and the compensation amounts, as stipulated in the pension plans' regulations, are payable at the option of the retiring employee in a lump-sum amount or as a monthly pension.

Some foreign subsidiaries have defined benefit pension plans that substantially cover all of their employees, under which the cost of benefits is currently funded or accrued.

(p) Provisions for Possible Losses in connection with Litigation

Provisions for possibilities 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. Provision for HIV lawsuit settlement: ¥1,343 million (\$11,381 thousand) was included in "Other current liabilities" as of March 31, 2007

One consolidated subsidiary is a defendant in a lawsuit for damages filed by plaintiffs infected with HIV. This provision is set aside at the estimated amount of payments for a future settlement (including attorney fees).

2. Provision for HCV lawsuit: ¥2,092 million (\$17,729 thousand) was included in "Other non-current liabilities" as of March 31, 2007

Two consolidated subsidiaries, together with the Japanese government, are defendants in a series of lawsuits filed by plaintiffs infected with the hepatitis C virus (HCV). This provision for losses that may arise in the future has been set aside at the amount calculated to resolve the issue for existing plaintiffs as of the end of the fiscal year under review.

(q) Directors' Retirement Benefits

Accrued lump-sum retirement benefits for directors, executive officers and corporate auditors are determined based on internal regulations. The corresponding balance of \(\xi\)2,060 million (\\$17,458 thousand) and \(\xi\)2,259 million were included in "Other non-current liabilities" in the accompanying consolidated balance sheets as of March 31, 2007 and 2006, respectively.

(r) Appropriations 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.

(s) Reserve for Periodic Repairs

Several consolidated subsidiaries provide for costs of periodic repairs of production facilities in plants and oil tanks. The corresponding balance of ¥10,141 million (\$85,941 thousand) and ¥8,433 million were included in "Other current liabilities" and "Other non-current liabilities" in the accompanying consolidated balance sheets as of March 31, 2007 and 2006, respectively.

(t) Reserve for Prospective Loss on Removal of Fixed Assets

Several consolidated subsidiaries provide for prospective loss on removal of fixed assets. The corresponding balance of ¥6,579 million (\$55,754 thousand) and ¥5,547 million were included in "Other current liabilities" and "Other non-current liabilities" in the accompanying consolidated balance sheet as of March 31, 2007 and 2006, respectively.

(u) 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 balance of ¥4,275 (\$36,229 thousand) is included in "Other non-current liabilities" in the accompanying consolidated balance sheet as of March 31, 2007.

(v) Amounts per Share

Net income per share has been computed based on the average number of shares of common stock outstanding during the fiscal year. Fully diluted net income per share additionally assumes full exercise of warrants.

Amounts per share of net assets are computed based on the net assets available for distribution to the shareholders and the number of shares of common stock outstanding at the year end.

(w) 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.

9

Accounting Change

(1) Changes in Methods of Accounting

(a)Accounting Standard for the Presentation of Net Assets in the Balance Sheet

Effective the year ended March 31, 2007, MCHC has adopted a new accounting standard for the presentation of net assets in the balance sheet and the related implementation guidance. In addition, effective the year ended March 31, 2007, MCHC is required to prepare consolidated statements of changes in net assets instead of consolidated statements of shareholders' equity.

Total shareholders' equity under the previous method of presentation amounted to \\$712,176 million (\\$6,035,390 thousand) at March 31, 2007.

(b) Accounting Standard for Share-Based Payments

Effective the year ended March 31, 2007, MCHC has adopted a new accounting standard for share-based payments and the related implementation guidance. The effect of the adoption of this standard was to decrease operating income and income before income taxes and minority interests in consolidated subsidiaries by ¥292 million (\$2,475 thousand) for the year ended March 31, 2007 from the amounts which would have been recorded under the previous method.

(c) Accounting Standards for Business Combinations and Divestitures

Effective the year ended March 31, 2007, MCHC has adopted an accounting standard for business combination and an accounting standard for business divestitures and the related implementation guidance.

(2) Change in Presentation

Accrued Retirement Benefits in Consolidated Statements of Cash Flows

Until the fiscal year ended March 31, 2006, increase or decrease in accrued retirement benefits were included in "Other, net" in the cash flows from operating activities section of the consolidated statements of cash flows. As a result of its growing importance, however, effective the year under review, this item has been listed separately as "Decrease in accrued retirement benefits." The amount corresponding to this account item in the preceding fiscal year was ¥3,754 million (\$31,814 thousand).

3

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 \$118 to U.S.\$1.00, the approximate exchange rate prevailing on the Tokyo foreign exchange market at March 31, 2007. 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.

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 amount, gross unrealized gains, gross unrealized losses and estimated fair value of held-to-maturity debt securities at March 31, 2007 and 2006 are summarized as follows:

	Million	s of ven	
	Gross	Gross	
Carrying	unrealized	unrealized	Estimated
amount	gains	losses	fair value
¥ 10	¥—	¥ (0)	¥ 10
1,013		(11)	1,002
		_	
¥1,023	¥—	¥(11)	¥1,012
	Millior	ns of yen	
	Gross	Gross	
Carrying	unrealized	unrealized	Estimated
amount	gains	losses	fair value
¥20	¥ O	¥ (0)	¥20
_	_	_	_
_	_	_	
¥20	¥ 0	¥ (0)	¥20
	Thousands of	of U.S. dollars	
	Gross	Gross	
, ,			Estimated fair value
amount	gams	105565	Tall value
	\$		\$ 85
8,585		(93)	8,492
_	_	_	
\$8,669	\$	\$(93)	\$8,576
	# 10 1,013 ¥1,023 Carrying amount #20 **20 Carrying amount \$ 85 8,585	Carrying amount Carrying a	Carrying amount unrealized gains unrealized losses ¥ 10 ¥— ¥ (0) 1,013 — (11) — — — ¥1,023 ¥— ¥(11) Millions of yen Gross unrealized unrealized gains Gross unrealized losses ¥20 ¥ 0 ¥ (0) — — — ¥20 ¥ 0 ¥ (0) Thousands of U.S. dollars Gross unrealized unrealized unrealized gains Carrying amount Gross unrealized gains Unrealized losses \$ 85 \$— \$ (0) 8,585 — (93) — — —

Other securities with quoted market prices are measured at fair value. Differences between fair value and historical cost are recorded as a component of net assets (shareholders' equity in 2006). The differences at March 31, 2007 and 2006 are summarized as follows:

		Millions of yen							
	Historical	Fair	Net	(Breakdown)					
March 31, 2007	costs	value	differences	Gross gains	Gross losses				
Other securities:									
Equity securities	¥58,578	¥192,191	¥133,613	¥134,020	¥(407)				
Government bonds	_				_				
Corporate bonds	_				_				
Other debt securities	_			_	_				
	¥58,578	¥192,191	¥133,613	¥134,020	¥(407)				
			Millions of yer	1					
	Historical	Fair	Net	(Break	down)				
March 31, 2006	costs	value	differences	Gross gains	Gross losses				
Other securities:									
Equity securities	¥59,397	¥206,298	¥146,901	¥146,958	¥(57)				
Government bonds	_		_	_	_				
Corporate bonds	_	_	_	_	_				
Other debt securities	_	_	_	_	_				
	¥59,397	¥206,298	¥146,901	¥146,958	¥(57)				

		Thousands of U.S. dollars								
	Historical	Fair	Net	(Break	down)					
1arch 31, 2007	costs	value	differences	Gross gains	Gross losses					
Other securities:										
Equity securities	\$496,424	\$1,628,737	\$1,132,314	\$1,135,763	\$(3,449)					
Government bonds										
Corporate bonds										
Other debt securities										
	\$496,424	\$1,628,737	\$1,132,314	\$1,135,763	\$(3,449)					

Sales of other securities for the fiscal year ended March $31,\,2007$ are shown below:

		Millions of yen				
	Sales	Gains	Losses			
Year ended March 31, 2007	¥4,278	¥2,880	¥97			
	T	housands of U.S. dolla	rs			
	Sales	Gains	Losses			
Year ended March 31, 2007	\$36,254	\$24,407	\$822			

Details of other securities without quoted market prices at March 31, 2007 are shown below:

	Millions of ye	n
	Unlisted equity securities	Equity fund
March 31, 2007	¥33,719	¥1,465
	Thousands of U.S.	dollars
	Unlisted equity securities	Equity fund
March 31, 2007	\$285,754	\$12,415

The redemption schedule for held-to-maturity debt securities and other securities with maturity dates at March 31, 2007 and 2006 is shown below:

	Millions of yen								
March 31, 2007	Government securities	Corporate securities	Other debt securities	Other securities	Total				
Maturity:									
Due in one year or less	¥—	¥ —	¥—	¥—	¥ —				
Due after one year through five years	10	3,000	2		3,012				
Due after five years through ten years			1		1				
Due after ten years	_	13	_	_	13				
			Millions of yen						
	Government	Corporate	Other debt	Other					
March 31, 2006	securities	securities	securities	securities	Total				
Maturity:									
Due in one year or less	¥—	¥ —	¥—	¥—	¥ —				
Due after one year through five years	20	2,500	2	_	2,522				
Due after five years through ten years	_	_	1	_	1				
Due after ten years	_	_		_	_				
		Tho	usands of U.S. d	ollars					
March 31, 2007	Government securities	Corporate securities	Other debt securities	Other securities	Total				
Maturity:									
Due in one year or less	\$	\$ —	\$—	\$	\$ —				
Due after one year through five years	85	25,424	17	_	25,525				
Due after five years through ten years	_		8	_	8				
Due after ten years		110			110				

Investment securities of unconsolidated subsidiaries and affiliates at March 31, 2007 are shown below:

		Thousands of
	Millions of yen	U.S. dollars
March 31, 2007	¥105,490	\$893,983

Short-Term Debt and Long-Term Debt

At March 31, 2007 and 2006, short-term debt of MCHC and its consolidated subsidiaries consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Short-term loans principally from banks and other financial institutions at average interest rate of 1.881% at March 31, 2007, and			
1.289% at March 31, 2006	¥224,871	¥148,065	\$1,905,686
Commercial paper	20,000	32,000	169,492
	¥244,871	¥180,065	\$2,075,178

Note: Short-term loans were at interest rates ranging from 0.00% to 8.00% at March 31, 2006.

At March 31, 2007 and 2006, long-term debt of MCHC's consolidated subsidiaries consisted of the following:

ionowing.	Millions of yen		Thousands of U.S. dollars	
	2007	2006	2007	
Debt issued by MCC:				
4.2% notes due 2006	¥ —	¥ 10,000	\$ —	
3.4% notes due 2006	_	10,000	_	
2.85% notes due 2007	_	10,000		
3.05% notes due 2007	10,000	10,000	84,746	
2.775% notes due 2007	10,000	10,000	84,746	
2.675% notes due 2007	10,000	10,000	84,746	
3.25% notes due 2007	10,000	10,000	84,746	
Floating rate notes due 2007	5,000	5,000	42,373	
2.75% notes due 2008	10,000	10,000	84,746	
0.55% notes due 2008	10,000	10,000	84,746	
1.08% notes due 2008	15,000	15,000	127,119	
3.0% notes due 2009	10,000	10,000	84,746	
1.43% notes due 2009	15,000	15,000	127,119	
1.27% notes due 2009	20,000	20,000	169,492	
2.65% notes due 2010	5,000	5,000	42,373	
1.15% notes due 2010	10,000	10,000	84,746	
1.3% notes due 2011	10,000	10,000	84,746	
1.46% notes due 2011	10,000	10,000	84,746	
1.51% notes due 2011	10,000	_	84,746	
1.8% notes due 2013	15,000	15,000	127,119	
1.16% notes due 2013	10,000	10,000	84,746	
1.90% notes due 2014	10,000	10,000	84,746	
2.02% notes due 2014	10,000	10,000	84,746	
2.01% notes due 2016	20,000	20,000	169,492	
2.05% notes due 2016	10,000	_	84,746	
Debt issued by consolidated subsidiaries other than MCC, due 2006—2011 at interest rates ranging from 0.58% to 5.750% at March 31, 2007 and				
from 0.58% to 5.001% at March 31, 2006	19,715	9,745	167,076	
Loans, principally from banks and insurance companies due 2006 to 2025:				
Collateralized	14,588	12,421	123,627	
Non-collateralized	215,499	179,438	1,826,263	
	494,802	456,604	4,193,237	
Less, current portion	(82,765)	(92,936)	(701,398)	
	¥412,037	¥363,668	\$3,491,839	

Notes: 1. Loans were at interest rates ranging from 0.00% to 6.15% at March 31, 2006.

2. The average interest rates of loans were as follows:

March 31, 2007

Current portion 2.313% Less current portion 2.185%

At March 31, 2007, assets pledged as collateral and debts secured by such assets were as follows:

	Millions of yen	Thousands of U.S. dollars
Collateral assets	¥89,910	\$761,949
Secured debts	17,692	149,932

The aggregate annual maturities of long-term debts are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
2008	¥ 69,615	\$ 589,958
2009	95,265	807,331
2010	57,530	487,542
2011 and thereafter	189,627	1,607,008
	¥412,037	\$3,491,839



Pension and Severance Plans

At March 31, 2007 and 2006, a breakdown of the amounts recognized in the acccompanying consolidated balance sheets were as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Projected benefit obligation at end of year	¥(367,722)	¥(369,924)	\$(3,116,288)
Fair value of plan assets at end of year	327,504	317,944	2,775,458
Funded status	(40,218)	(51,980)	(340,830)
Unrecognized transition amount under post-employment benefit accounting	6,718	7,584	56,932
Unrecognized actuarial loss (gain)	(21,899)	(22,928)	(185,585)
Unrecognized prior service cost	(16,607)	(26,472)	(140,737)
Net amount recognized	(72,006)	(93,796)	(610,220)
Prepaid pension expense	14,268	6,315	120,915
Accrued retirement benefits	¥ (86,274)	¥(100,111)	\$ (731,135)

The components of net pension and severance cost for the years ended March 31, 2007 and 2006, were as follows:

	Millions of yen		Thousands of U.S. dollars	
	2007	2006	2007	
Service cost	¥ 9,859	¥ 9,705	\$ 83,551	
Interest cost	8,116	8,190	68,780	
Expected return on plan assets	(5,802)	(4,813)	(49,170)	
Amortization of transition amount under post-employment benefit accounting	851	919	7,212	
Recognized actuarial loss	2,040	17,575	17,288	
Amortization of prior service cost	(8,792)	(8,751)	(74,508)	
Net periodic pension cost	¥ 6,272	¥22,825	\$ 53,153	

- Notes: 1. Actuarial loss (gain) is recognized using the straight-line method over a period of mainly five years from the fiscal year following the year in which the loss (gain) arises.
 - 2. Prior service cost is amortized using the straight-line method over a period of mainly five years from the relevant fiscal year.
 - 3. Transition amount under post-employment benefits accounting is amortized using the straight-line method over a period of mainly fifteen years from the year ended March 31, 2001.
 - 4. Additional benefits for employees' early retirement amounting to ¥300 million and ¥1,905 million were recorded in addition to the amount of net periodic pension cost for the years ended March 31, 2007 and 2006, respectively.

Assumptions used for the years ended March 31, 2007 and 2006, were as follows:

	2007	2006
Discount rate	2.0%	2.0%
Expected rate of return on plan assets	2.0%	2.0%

Contingent Liabilities

At March 31, 2007, MCHC and its consolidated subsidiaries were contingently liable for trade notes discounted and transferred by means of endorsement of ¥3,780 million (\$32,034 thousand). They were also guarantors for the following borrowings principally incurred by unconsolidated subsidiaries, affiliates and others:

		Gross including third parties' liabilities		ubsidiaries' vilities	
	Millions of yen	Thousands of U.S. dollars	Millions of yen	Thousands of U.S. dollars	
Guarantees	¥21,912	\$185,695	¥19,061	\$161,534	
Stand-by guarantees	1,104	9,356	1,104	9,356	
Others	8,461	71,703	4,149	35,161	

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Supplementary Information for Consolidated Statement of Changes in Net Assets

(a) Type and number of outstanding shares				
		Year ended Mar	ch 31, 2007	
		Number of shares	s (Thousands)	
Type of shares	Balance at beginning of year	Increase in shares during the year	Decrease in shares during the year	Balance at end of year
Issued stock:	,	,	,	
Common stock	1,806,288	_	_	1,806,288
Total	1,806,288	_	_	1,806,288
Treasury stock:				
Common stock (*1,2)	436,198	868	171	436,895
Total	436,198	868	171	436,895

^{* (1)} Shares of common stock held in treasury increased by 868 thousand due to repurchases of fractional shares less than one unit.

(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 option			_		¥543	\$4,602
Consolidated subsidiaries	_			_			_
Total						¥543	\$4,602

(c) Dividends

(1) Dividends paid to shareholders

-	Resolution	T	Amount	Amount	Amount	Amount	Entitlement	Effective
Date of approval	approved by	Type of shares	(Millions of yen)	(Thousands U.S. dollars)	1	(U.S. dollars)	Entitlement date	date
June 28, 2006	Annual general meeting of shareholders	Common stock	¥14,436°	* \$122	¥8	\$0.07	March 31, 2006	June 29, 2006
November 9, 2006	Board of directors	Common stock	¥ 9,591	\$81	¥7	\$0.06	September 30, 2006	December 5, 2006

^{*} Dividends paid, excluding to MCC and MPC, were \$10,964.

(2) Dividends, whose the entitlement date was in the year ended March 31, 2007 and whose effective date will be in the subsequent fiscal year

			Amount	Amount		Amount	Amount		
	Resolution	Type of	(Millions	(Thousands	Paid	per share	per share	Entitlement	Effective
Date of approval	approved by	shares	of yen)	U.S. dollars)	from	(Yen)	(U.S. dollars)	date	date
June 26, 2007	Annual general meeting of shareholders		¥9,588	\$81	Retained earnings		\$0.06	March 31, 2007	June 27, 2007

⁽²⁾ Shares of common stock held in treasury decreased by 171 thousand due to sales of 118 thousand fractional shares less than one unit, reissurance of 10 thousand shares upon exercises of stock purchase warrants and sales of 42 thousand shares by affiliates.

Lease Transactions

At March 31, 2007 and 2006, finance leases other than those deemed to transfer the ownership of the leased assets to the lessees were accounted for as operating leases. Pro forma amounts for these leases, if they were capitalized, were as follows:

Purchase amount, accumulated depreciation amount, accumulated impairment amount and balance at year-end

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Machinery and equipment:			
Purchase amount	¥20,678	¥19,919	\$175,237
Accumulated depreciation amount	11,483	10,970	97,314
Accumulated impairment amount	159	185	1,347
Balance at year-end	9,036	8,764	76,576

Notes: 1. Purchase amount includes interest.

Future minimum lease payments for the remaining lease periods

	Millions of yen		U.S. dollars
	2007	2006	2007
Due within one year	¥ 4,312	¥ 4,002	\$36,542
Due after one year	6,114	6,338	51,814
	10,426	10,340	88,356
Impairment of leased assets amount on the balance sheet	¥ 83	¥ 120	\$ 703

Paid lease fees, amortization expense amount, depreciation expense amount and impairment loss

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Paid lease fees	¥4,736	¥5,128	\$40,136
Amortization expense amount	37	31	314
Depreciation expense amount	4,699	5,097	39,822
Impairment loss on leased assets	¥ —	¥ 16	\$ —

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

Future minimum sublease income for the remaining lease periods

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Due within one year	¥ 375	¥366	\$ 3,178
Due after one year	1,015	1,210	8,602
	¥1,390	¥1,576	\$11,780

At March 31, 2007 and 2006, 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
	2007	2006	2007
Due within one year	¥ 810	¥1,084	\$ 6,864
Due after one year	2,269	2,953	19,229
	¥3,079	¥4,037	\$26,093

^{2.} Purchase amount excludes subleased assets.

Derivative Financial Instruments and Hedge Accounting

In principle, net assets and liabilities arising from derivative financial transactions are measured at fair value, with unrealized gain or loss included in earnings. Hedging transactions that meet the criteria of hedge accounting are accounted for using deferral hedge accounting which requires unrealized gains or losses to be deferred as a component of net assets until gains or losses relating to the underlying hedged items are recognized.

Several consolidated subsidiaries enter into forward foreign exchange contracts, currency swaps, interest rate swaps, interest rate caps, commodity futures contracts and commodity swaps in order to manage their exposure to fluctuations in foreign currency exchange rates, interest rates and commodity prices.

MCHC and its subsidiaries have internal rules for designating the purpose of, policy and procedures for derivative financial instruments. It is MCHC's policy that MCHC and its subsidiaries do not enter into derivative transactions for any purpose other than hedging.

Forward foreign exchange contracts and currency swaps are used to hedge the risk of fluctuations in foreign currency exchange rates associated with assets and liabilities denominated in foreign currencies, and to fix the future net cash flows from operating transactions denominated in foreign currencies. Interest rate swaps and cap contracts are used to manage the risk arising from fluctuations in cash flows resulting from the risk arising from fluctuations in interest rates associated with financial transactions.

The commodity future contracts and commodity swaps are used to hedge the risk of fluctuations in commodity prices.

Most of the hedging relationships between the derivative financial instruments and their underlying hedged items are highly effective in offsetting changes in foreign currency exchange rates, interest rates and commodity prices.

Several subsidiaries are also exposed to the risk of credit-related losses in the event of non-performance by counterparties to their derivative financial instruments, but it is not anticipated that any of these counterparties will fail to meet their obligations because most of the counterparties are internationally recognized financial institutions and contracts are diversified across a number of major financial institutions.

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Stock-Based Compensation Plan

At March 31, 2007, stock-based compensation plans were as follows:

	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 executive officer of MCHC	19 executive officers of a subsidiary	19 executive officers of a subsidiary
			4 retiring executive officers of a subsidiary	3 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	d 70,400	28,200	331,000	466,050
Exercise price (yen)	1	1	1	1
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	,

Income Taxes

At March 31, 2007 and 2006, significant components of deferred tax assets and liabilities were as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Deferred tax assets:			
Tax loss carryforwards	¥ 42,951	¥ 43,974	\$ 363,992
Employees' retirement benefits	31,442	40,327	266,458
Write-downs of investment securities	9,904	27,101	83,932
Bonus payment reserve for employees	10,811	10,348	91,619
Depreciation	8,263	9,186	70,025
Unrealized earnings	6,716	6,283	56,915
Impairment of fixed assets	2,426	3,656	20,559
Other	38,125	37,358	323,093
Gross deferred tax assets	¥150,638	¥178,233	\$1,276,593
Valuation allowance	(46,967)	(47,327)	(398,025)
Total deferred tax assets	¥103,671	¥130,906	\$ 878,568
Deferred tax liabilities:			
Valuation gain on investment securities	(48,556)	(53,161)	(411,492)
Accelerated tax depreciation	(10,596)	(10,545)	(89,797)
Valuation of assets	(9,391)	(9,387)	(79,585)
Tax deductible reserve	(1,039)	(1,095)	(8,805)
Other	(1,045)	(1,181)	(8,855)
Total deferred tax liabilities	(70,627)	(75,369)	(598,534)
Net deferred tax assets	¥ 33,044	¥ 55,537	\$ 280,034

At March 31, 2007 and 2006, deferred tax assets and liabilities included in the consolidated balance sheets are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Deferred income taxes—current	¥ 31,708	¥ 32,087	\$ 268,712
Deferred income taxes—non-current	17,331	36,219	146,873
Other current liabilities	(118)	(3,871)	(1,000)
Other non-current liabilities	(15,877)	(8,898)	(134,551)

A reconciliation of the statutory tax rates to the effective tax rates for the years ended March 31, 2007 and 2006 was as follows:

and 2000 was as follows.	2007	2006
Statutory tax rate	40.6%	39.5%
Increase (decrease) in taxes resulting from:		
Increase in valuation allowance	7.0	10.1
Permanent differences	4.7	4.9
Tax loss generated by an equity transaction	(21.4)	_
Equity in earnings of unconsolidated subsidiaries and affiliates	(4.4)	(4.1)
Tax credits for research and development costs	(1.4)	(4.1)
Investment valuation loss on consolidated subsidiaries		(20.0)
Allowance for doubtful accounts of affiliates	<u>—</u>	(5.1)
Differences in statutory tax rates of overseas consolidated subsidiaries	_	(1.2)
Unrealized earnings	<u>—</u>	(1.2)
Other	(0.9)	(1.2)
Effective tax rates	24.2%	17.6%

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Research and Development

For the years ended March 31, 2007 and 2006, the following items were recorded in the statements of income:

	Millions of yen		U.S. dollars	
	2007	2006	2007	
Research and development	¥91,177	¥89,594	\$772,686	

Supplemental Information to the Consolidated Statements of Income

For the years ended March 31, 2007 and 2006, the following items were recorded in the statements of income:

	Millions	of yen	U.S. dollars	
	2007	2006	2007	
Depreciation and amortization	¥83,270	¥88,165	\$705,678	

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Per share information

	Yen	U.S. dollars
	2007	2007
Net assets	¥520.05	\$4.407
Net income—Basic	73.25	0.621
—Diluted	73.21	0.620

1. The basis for calculating net income per share and the diluted net income per share was as follows:

			Thousands of U.S. dollars
Net income per share		2007	2007
Net income	(millions of yen)	¥ 100,338	\$850,322
Net income applicable to common shares	(millions of yen)	100,338	850,322
Average number of common shares during period	(thousands of shares)	1,369,779	
Increase in number of common shares	(thousands of shares)	605	
Warrants		605	

2. The basis for calculating net assets per share was as follows:

		Yen	Thousands of U.S. dollars
Net assets per share	2007	2007	
Total net assets	(millions of yen)	¥ 758,752	\$6,430,102
Amounts deducted from total net assets:	(millions of yen)	46,592	394,848
Warrants		543	4,602
Minority interests in consolidated subsidiaries		46,049	390,246
Net assets applicable to common shares	(millions of yen)	712,160	6,035,254
Number of common shares at the end of the fiscal year used in calculation of net assets per share	(thousands of shares)	1,369,392	_

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Segment Information

		Net Sales*			Inter-segment sales an		
	Millio	ns of yen	Millions of U.S. dollars	Million	s of yen	Millions of U.S. dollars	
INDUSTRY SEGMENT	2007	2006	2007	2007	2006	2007	
Petrochemicals	¥1,246,389	¥1,053,991	\$10,562.6	¥ 39,685	¥ 26,693	\$ 336.3	
Performance and Functional Products:							
Performance Products	525,706	548,788	4,455.1	18,900	21,526	160.2	
Functional Products	399,543	373,191	3,386.0	5,901	3,994	50.0	
Health Care	304,722	280,561	2,582.4	387	348	3.3	
Others	146,460	152,414	1,241.2	181,628	157,591	1,539.2	
Subtotal	2,622,820	2,408,945	22,227.3	246,501	210,152	2,089.0	
Eliminations				(246,501)	(210,152)	(2,089.0)	
Total	¥2,622,820	¥2,408,945	\$22,227.3	¥ —	¥ —	\$ —	

^{*} Inter-segment sales and transfers are not included.

	Operating Income			Total Assets			S	
	Millions	s of yen	Million U.S. do			Million	ns of yen	Millions of U.S. dollars
INDUSTRY SEGMENT	2007	2006	200	07		2007	2006	2007
Petrochemicals	¥ 28,197	¥ 30,867	\$ 23	39.0	¥	880,087	¥ 722,010	\$ 7,458.4
Performance and Functional Products:								
Performance Products	35,037	46,602	29	96.9		473,560	483,488	4,013.2
Functional Products	24,321	22,795	20	06.1		381,639	341,888	3,234.2
Health Care	39,616	33,962	33	35.7		388,019	338,661	3,288.3
Others	10,588	10,519	8	39.7		298,908	310,333	2,533.1
Subtotal	137,759	144,745	1,16	67.4	2	,422,213	2,196,380	20,527.2
Corporate Costs, Corporate Assets								
and Eliminations	(9,170)	(11,126)	(7	77.7)		(103,381)	(69,768)	(876.1)
Total	¥128,589	¥133,619	\$1,08	39.7	¥2	,318,832	¥2,126,612	\$19,651.1

	Depreciation			Capital Expenditures		
	Millions	s of yen	Millions of U.S. dollars	Millions	s of yen	Millions of U.S. dollars
INDUSTRY SEGMENT	2007	2006	2007	2007	2006	2007
Petrochemicals	¥24,728	¥23,805	\$209.6	¥ 54,585	¥34,949	\$ 462.6
Performance and Functional Products:						
Performance Products	18,425	20,435	156.1	23,785	23,129	201.6
Functional Products	18,776	17,505	159.1	29,129	18,548	246.9
Health Care	14,558	16,121	123.4	9,447	11,127	80.1
Others	3,029	7,008	25.7	4,287	6,977	36.3
Subtotal	79,516	84,874	673.9	121,233	94,730	1,027.5
Corporate Assets, Corporate R&D						
and Other	3,754	3,291	31.8	9,622	3,134	81.5
Total	¥83,270	¥88,165	\$705.7	¥130,855	¥97,864	\$1,109.0

	R&	D Expenditu	ires		
	Millions	s of yen	Millions of U.S. dollars	Employees	(Number)
INDUSTRY SEGMENT	2007	2006	2007	2007	2006
Petrochemicals	¥ 9,821	¥ 7,985	\$ 83.2	5,311	4,515
Performance and Functional Products:					
Performance Products	10,009	14,633	84.8	5,881	6,777
Functional Products	8,411	7,323	71.3	6,736	6,816
Health Care	48,579	47,017	411.7	9,256	8,539
Others	323	263	2.7	5,363	5,491
Subtotal	77,143	77,221	653.7	32,547	32,138
Corporate R&D and Other	14,034	12,373	118.9	900	817
Total	¥91,177	¥89,594	\$772.6	33,447	32,955

Note: Effective this fiscal year, Mitsubishi Chemical Holdings Corporation reclassified several businesses and subsidiaries, in accordance with the business reclassification conducted by Mitsubishi Chemical Corporation, a consolidated subsidiary of Mitsubishi Chemical Holdings Corporation, to reflect performance more clearly in its strategic business areas. The business and subsidiaries that were reclassified were as follows: The "Service Segment" was renamed to "Others".

The performance polymer business was reclassified from the Performance Products Segment to the Petrochemicals Segment. The active pharmaceutical ingredient business was reclassified from the Performance Products Segment to the Health Care Segment. The utility business was reclassified from the Performance Products Segment to the Petrochemicals Segment. One consolidated subsidiary was reclassified from the Health Care Segment to Others. Owing to these changes, on the basis of the Group's previous business segmentation, sales in the Petrochemicals Segment was up ¥37,518 million, sales of the Performance Products Segment was ¥50,685 million lower, sales in the Health Care segment was ¥32,876 million higher, and sales in Others were ¥19,709 million lower. Likewise, the Petrochemicals Segment delivered ¥4,018 million more operating income, the Performance Products Segment ¥2,981 million less, the Health Care Segment ¥1,249 million more and Others ¥2,286 million less. Assets in the Petrochemicals Segment were ¥85,627 million higher, in the Performance Products Segment ¥33,210 million lower, in the Health Care Segment ¥32,402 million higher, and in Others ¥64,819 million lower. Depreciation and amortization in the Petrochemicals Segment ¥32,402 million higher, and in Others ¥2,665 million lower. Capital expenditures were ¥3,063 million higher in the Petrochemicals Segment ¥2,444 million lower in the Performance Products Segment ¥1,938 million higher in the Health Care Segment and ¥2,557 million lower in Others.

		Net Sales*			ent sales a	nd transfers
	Millio	ns of yen	Millions of U.S. dollars	Millions	s of yen	Millions of U.S. dollars
GEOGRAPHIC DISTRIBUTION	2007	2006	2007	2007	2006	2007
Japan	¥2,182,021	¥2,015,511	\$18,491.7	¥ 35,817	¥ 29,487	\$ 303,534
Asia	281,679	257,069	2,387.1	28,278	31,044	239,644
Other	159,120	136,365	1,348.5	815	253	6,907
Subtotal	2,622,820	2,408,945	22,227.3	64,910	60,784	550,085
Eliminations				(64,910)	(60,784)	(550,085)
Total	¥2,622,820	¥2,408,945	\$22,227.3	¥ —	¥ —	\$ —

^{*} Inter-segment sales and transfers are not included.

	O p	Operating Income			Total Assets		
	Million	s of yen	Millions of U.S. dollars	Millio	ns of yen	Millions of U.S. dollars	
GEOGRAPHIC DISTRIBUTION	2007	2006	2007	2007	2006	2007	
Japan	¥139,852	¥138,782	\$1,185.2	¥1,834,794	¥1,714,145	\$15,549.1	
Asia	(3,922)	3,142	(33.2)	235,130	202,977	1,992.6	
Other	1,829	2,821	15.4	137,486	119,393	1,165.1	
Subtotal	137,759	144,745	1,167.4	2,207,410	2,036,515	18,706.8	
Corporate Costs, Corporate Assets							
and Eliminations	(9,170)	(11,126)	(77.7)	111,422	90,097	944.3	
Total	¥128,589	¥133,619	\$1,089.7	¥2,318,832	¥2,126,612	\$19,651.1	

	Mi	llions of yen	Millions of U.S. dollars
OVERSEAS SALES	200	7 2006	2007
Asia	¥ 481,4	82 ¥ 433,550	\$ 4,080.4
Other	225,6	36 192,343	1,912.2
Total Overseas Sales	707,1	18 625,893	5,992.6
Consolidated Sales	2,622,8	2, 408,945	22,227.3
Total Overseas Sales as a Percentage of Consolidated Sales	26.9	9% 25.9%	_

Note: Major countries or areas in the Asia and Other regions are as follows: Asia: China, Taiwan, South Korea, Indonesia, Thailand, India

Other: North America, Europe

17

Subsequent Events

1. Merger between Mitsubishi Pharma Corporation and Tanabe Seiyaku Co., Ltd.

MCHC has positioned the healthcare businesses (pharmaceuticals, diagnostics, clinical testing, safety assessment, support for drug discovery) as one of the three business pillars in its mid-term management plan, "KAKUSHIN Plan: Phase 2." To expand and strengthen its presence in the pharmaceutical industry, which is the main target of MCHC Health Care Segment, its Board of Directors approved a merger agreement between Mitsubishi Pharma Corporation ("MPC"), a domestic wholly-owned subsidiary of MCHC, and Tanabe Seiyaku Co., Ltd. ("Tanabe Seiyaku") on April 27, 2007, and the agreement was ratified on the same day. This merger agreement was approved at the General Meeting of Shareholders of MPC held on June 22, 2007, and at the General Meeting of Shareholders of Tanabe Seiyaku held on June 26, 2007. An outline of the merger is presented below:

(1) Basic information:

a. Name and principal business of the acquired company

Name: Tanabe Seiyaku Co., Ltd.

Principal business: Manufacture and sale of ethical drugs, OTC drugs, diagnostics and chemicals

b. Date of the merger October 1, 2007

c. Legal form of the merger

The merger will be effected with Tanabe Seiyaku being the surviving company.

d. Name of the new company

Mitsubishi Tanabe Pharma Corporation

e. Acquired voting rights ratio

56.36%

(2) Type of shares to be issued, merger ratio and number of shares to be issued

a. Type of shares to be issued and merger ratioType of shares to be issued: Common stock

Merger ratio: 1 share of Tanabe Seiyaku for 0.69 shares of MPC

b. Number of shares to be issued

316,320,069 shares

Tanabe Seiyaku will appropriate 22,500,000 shares from treasury stock to the share allocation pursuant to the merger and issue 293,820,069 new shares.

(3) Outline of the accounting treatment of the merger

This merger will be completed as an acquisition under the accounting standard for business combinations, and the purchase method applies with Tanabe Seiyaku being the acquired company by MPC.

(4) Overview of Tanabe Seiyaku (as of March 31, 2007)

Name Tanabe Seiyaku. Co., Ltd.

Headquarters 2-10, 3-chome, Dosho-machi, Chuo-ku, Osaka

Capitalization ¥44,261 million

Shares issued and outstanding 267,597 thousand shares

Net assets ¥233,595 million (consolidated)

Total assets ¥297,087 million (consolidated)

Net sales (year ended March 31, 2007) ¥177,531 million (consolidated)

Net income (year ended March 31, 2007) ¥20,174 million (consolidated)

Principal business Manufacture and sale of ethical drugs, OTC drugs,

diagnostics and chemicals

Representative Natsuki Hayama, President and Representative Director

Number of employees 4,554 (consolidated)

3,033 (non-consolidated)

The new company to be formed by the merger will become a consolidated subsidiary of MCHC.

2. Change in Status of Mitsubishi Plastics, Inc. to a Wholly Owned Subsidiary through a Share Exchange

MCHC and its domestic consolidated subsidiary, Mitsubishi Plastics, Inc., ("MPI") have passed resolutions at meetings of their respective Boards of Directors held on April 23, 2007 to execute a share exchange that will make MCHC a full parent company and MPI a wholly-owned subsidiary effective October 1, 2007. The share exchange agreement was ratified on the same day.

An outline of the share exchange is presented below:

(1) Basic information:

a. Legal form of the share exchange

Transaction between entities under common control (conversion of MPI to a wholly-owned subsidiary through a share exchange)

b. Objectives and overview of the transaction

MCHC is reorganizing and merging the functional products business and business resources to further strengthen its business development and problem-solving capabilities. As part of this reorganization, MCHC will become the full parent company of MPI through the share exchange effective October 1, 2007. MCHC expects to acquire all of the 91.9% share of common stock of MPI held by MCC, a domestic wholly-owned subsidiary, by or around the latter part of September 2007, and the shares will be alloted in this share exchange for said shares.

(2) Share type and share exchange ratio

Share type: Common stock

Share exchange ratio: 1 share of MCHC for 0.41 shares of MPI

Shares of MPI shall be exchanged for shares of MCHC at the above-stated share exchange ratio for MPI's shareholders stated or recorded in the register of shareholders (including the register of substantial shareholders) as of September 30, 2007.

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Misuzu Audit Corporation Kasumigaseki Bldg.,32nd Floor 3-2-5,Kasumigaseki,Chiyoda-ku Tokyo 100-6088,JAPAN

Telephone 81-3-5532-2100 Facsimile 81-3-5532-2901

Report of Independent Auditors

To the Board of Directors and Shareholders of Mitsubishi Chemical Holdings Corporation

We have audited the accompanying consolidated balance sheet of Mitsubishi Chemical Holdings Corporation and its subsidiaries as of March 31, 2006, and the related consolidated statements of income, shareholders' equity, and cash flows for the year then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our 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 subsidiaries as of March 31, 2006, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Misuzu Audit Corporation

(formerly ChuoAoyama PricewaterhouseCoopers)

Misszu audie Corporation

Tokyo, Japan

June 28, 2006

Report of Independent Auditors

To the Board of Directors and Shareholders of Mitsubishi Chemical Holdings Corporation

We have audited the accompanying consolidated balance sheet of Mitsubishi Chemical Holdings Corporation and consolidated subsidiaries as of March 31, 2007, and the related consolidated statements of income, changes in net assets, and cash flows for the year then ended, all expressed in Japanese yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Mitsubishi Chemical Holdings Corporation and consolidated subsidiaries at March 31, 2007, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Supplemental Information

- 1. As described in Note 17.1, the Board of Directors of the Company approved a merger of Mitsubishi Pharma Corporation, a consolidated subsidiary of the Company, and Tanabe Seiyaku Co., Ltd. on April 27, 2007, and the related agreement was ratified on the same day.
- 2. As described in Note 17.2, the Company and Mitsubishi Plastics, Inc., a consolidated subsidiary of the Company, have passed resolutions at meetings of their respective Boards of Directors held on April 23, 2007 to execute a share exchange that will make the Company a full parent company and Mitsubishi Plastics, Inc., a wholly-owned subsidiary, and the related agreement was ratified on the same day.

The U.S. dollars amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2007 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3.

Misuzu Andit Corporation Tokyo, Japan

June 26, 2007

Emath George Shir hihon Tokyo, Japan

Corporate Data

As of March 31, 2007

●Consolidated subsidiaries ●Affiliates accounted for by the equity method

Mitsubishi Chemical Group: Major Affiliates

Petrochemicals Segment

Japan	Major Products or Lines of Business Equity Pa	rticipation (%)
•ADVANCED PLASTICS COMPOUNDS COMPANY	Plastic compounds	100.0%
Chuo Rika Kogyo Corporation	Emulsions	46.2%
Dia Chemical Co., Ltd.	Industrial chemicals, Specialty chemicals	100.0%
●Dia-Nitrix Co., Ltd.	Acrylonitrile, Acrylamide, Polyacrylamide, N-vinylformamide and its polymers	35.0%
●Dia Terephthalic Acid Corporation	Purified terephthalic acid	65.0%
●Echizen Polymer Co., Ltd.	PET resins, A-PET sheet	95.0%
Japan Ethanol Company Limited	Synthetic alcohol for industrial use	100.0%
Japan Polychem Corporation	Holding company of Japan Polyethylene Corp. and Japan Polypropylene Corp.	100.0%
Japan Polyethylene Corporation	Polyethylene resins	50.0%
Japan Polypropylene Corporation	Polypropylene resins	65.0%
Japan Unipet Co., Ltd.	PET resins for bottles	44.9%
J-PLUS Co., Ltd.	Plasticizers	50.0%
• KAWASAKI KASEI CHEMICALS LTD.	Organic acid and its derivatives, Quinone-related products	37.6%
Mitsubishi Engineering-Plastics Corporation	Engineering plastics	50.0%
Nippon Ester Co., Ltd.	Polyester fibers, PET resins	40.0%
PS Japan Corporation	Polystyrene	27.5%
San-Dia Polymers, Ltd.	Super-absorbent polymers	40.0%
Techno Polymer Co., Ltd.	ABS resins	40.0%
The Nippon Synthetic Chemical Industry Co., Ltd.	PVOH, EVOH, PVOH films, Specialty polymers, Industrical and fine chemicals	35.5%
●V-Tech Corporation	Electrolytes products, Vinyl chloride monomer, Polyvinyl chloride	85.1%
Yokkaichi Chemical Co., Ltd.	Nonionic surfactants, Glycol ethers, Fine chemicals	55.0%
OYuka Schenectady Co., Ltd.	Alkylphenol products (PTBP, PTOP, PDDP)	50.0%
Asia Pacific	7 1 1	
Beijing Ju-Ling-Yan Plastic Co., Ltd.	Polypropylene compounds for automotive industry	55.0%
●HMT Polystyrene Co., Ltd.	Polystyrene resins	100.0%
●MCC PTA India Corp. Private Limited	Purified terephthalic acid	66.0%
Ningbo Mitsubishi Chemical Co., Ltd.	Purified terephthalic acid	54.9%
Novapex Australia Pty Ltd.	PET resins	100.0%
●PT. Mitsubishi Chemical Indonesia	Purified terephthalic acid, PET resins	100.0%
Sam Nam Petrochemical Co., Ltd.	Purified terephthalic acid	40.0%
Sam Yang Kasei Co., Ltd.	Polycarbonate	25.0%
●Tai Young Nylon Co., Ltd.	Nylon resins	100.0%
●Yuka Seraya Private Limited	Styrene monomer	100.0%
America	·	
•Mitsubishi Chemical Performance Polymers, Inc.	Thermoplastic polyester elastomer: THERMORUN, RABALON, High-performance adhesive polymer: MODIC, Fine chemicals	100.0%
●Mytex Polymers US Corporation	Polypropylene compounds for automotive industry	100.0%
Africa	7	
Sasol Dia Acrylates (Pty) Limited	Acrylic acid, Acrylic esters	50.0%
	, , ,	

Performance and Functional Products Segment: Performance Products

Japan	Major Products or Lines of Business	Equity Participation (%)
Calgon Mitsubishi Chemical Corporation	Activated carbon	51.0%
Dia Chemco Company Limited	Substrate for cosmetics	100.0%
Dia Fine Co., Ltd.	Dye stuff and chemicals for paper industry	50.0%
●Dia Instruments Co., Ltd.	Analysis equipments	100.0%
Frontier Carbon Corporation	Nanocarbon products	50.0%
●Japan Epoxy Resins Co., Ltd.	Epoxy resins	100.0%
●Kasei Optonix, Ltd.	Phosphors, Intensifying screen for radiography	97.4%
●Mitsubishi Chemical Agri, Inc.	Fertilizers, Green and gardening materials	100.0%
 Mitsubishi-Kagaku Foods Corporation 	Food ingredients, Sugar esters, Erythritol	100.0%
●Mitsubishi Kagaku Media Co., Ltd.	DVD ±R/±RW, CD-R/-RW, MO, FD	100.0%
■Nippon Kasei Chemical Company Limited	Industrial chemicals, Specialty chemicals, Inorganic chemicals	52.8%
Osaka Kasei Co., Ltd.	Chemicals	100.0%
●Shinryo Corporation	Ecological recycling, Semiconductors, Fine chemicals	100.0%
●KANSAI COKE AND CHEMICALS CO., LTD.	Coke, Tar derivatives	51.0%
●Yuka Denshi Company Limited	Materials for electronics devices	100.0%

Asia Pacific

Mitsubishi Chemical Infonics Pte Ltd	OPC, CD-RW, DVD ±R/±RW	100.0%
●Tai Young Chemical Co., Ltd.	Ion exchange resins	100.0%
●Tai Young High Tech Co., Ltd.	Electronics grade chemicals, Precision cleaning, LCD glass recycling	100.0%
America		
●Mitsubishi Kagaku Imaging Corporation	Copy machine-related and printer-related products (Organic photoconductor (OPC), Toner)	100.0%
●USR Optonix Inc.	Phosphors, Intensifying screen for radiography	100.0%
•Verbatim Corporation	DVD ±R/±RW, CD-R/-RW, MO	100.0%
Europe		
•RESINDION S.R.L.	Ion exchange resins	100.0%
•Verbatim Limited	DVD ±R/±RW, CD-R/-RW, MO	100.0%

Performance and Functional Products Segment: Functional Products

Japan	Major Products or Lines of Business	Equity Participation (%)
Kodama Chemical Industry Co., Ltd.	Plastic molding products	20.7%
•Mitsubishi Chemical Functional Products, Inc.	Products for construction, civil engineering and other industries	100.0%
●MITSUBISHI CHEMICAL MKV COMPANY	Plastic films for agricultural use, Plastic films and sheets for general us	e 100.0%
•Mitsubishi Plastics, Inc.	Plastic pipes, plates, films, containers and tanks	91.9%
●Mitsubishi Polyester Film Corporation	Polyester films	100.0%
ONITTO KAKO CO., LTD.	Rubber for industrial use	37.1%
●Ryoka MACS Corporation	Aluminum mold and casting	100.0%
•YUPO CORPORATION	Synthetic paper	50.0%
Asia Pacific		
●PT. MC PET FILM INDONESIA	Polyester films	100.0%
America		
Mitsubishi Chemical FP America, Inc.	ALPOLIC, DIALEAD, REPLARK, MAFTEC	100.0%
●Mitsubishi Polyester Film, Inc.	Polyester films	100.0%
Europe		
●Mitsubishi Polyester Film GmbH	Polyester films	100.0%

Health Care Segment

Japan	Major Products or Lines of Business	Equity Participation (%)
Mitsubishi Chemical Safety Institute Ltd.*	Safety testing and research for chemicals	100.0%
●Mitsubishi Kagaku Bio-Clinical Laboratories, Inc.*	Clinical testing	99.0%
●Mitsubishi Kagaku Iatron, Inc.*	Clinical diagnostics, Medical analytical instruments, Research reagents	99.5%
●ZOEGENE Corporation**	Drug candidate compounds, Protein engineering	100.0%

^{*} Mitsubishi Chemical Medience Corporation has been established, as the operating holding company, to integrate the business activities of Mitsubishi Kagaku Bio-Clinical Laboratories, Inc., Mitsubishi Chemical Safety Institute Ltd., Mitsubishi Kagaku Iatron, Inc., effective April 1, 2007.

Others

Japan	Major Products or Lines of Business E	equity Participation (%)
•Arpa Staff Inc.	Recruiting, Job placement, Temporary personnel service, Job consulting	100.0%
Dia Analysis Service Inc.	Environmental analysis, investigation and assessment	100.0%
ODIA RESEARCH MARTECH INC.	Investigation, Consulting, Publication, Informational services, Agency se	ervices 93.2%
●DIA RIX CORPORATION	Real estate, Insurance agency, Office services	100.0%
●MCFA Inc.	Financing and accounting for the Mitsubishi Chemical Holdings Group	100.0%
●Misuzu Erie Co., Ltd.	Construction and maintenance of electrical measuring instruments	92.0%
 Mitsubishi Chemical Engineering Corporation 	Engineering, Plant construction	100.0%
 Mitsubishi Chemical Group Science and Technology Research Center, Inc. 	Research and technology development, Analysis services	100.0%
 Mitsubishi Chemical Logistics Corporation 	Logistics services	100.0%
 Mitsubishi Kagaku Institute of Life Sciences 	Research institute of life sciences	100.0%
●MNET Corporation	Education, Training	100.0%
●Nippon Rensui Co.	Plant engineering for water treatment, Ion exchange resins	100.0%
●RHOMBIC CORPORATION	Resin compounds	100.0%
●Ryoka Systems Inc.	Computer systems, Software development	88.0%

 $^{**}ZOEGENE\ Corporation\ has\ been\ reorganized\ and\ renamed\ as\ Molecuence\ Corporation,\ effective\ April\ 1,\ 2007.$

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■MC Research & Innovation Center, Inc.	Research and technology development	100.0%

Mitsubishi Pharma Group: Major Affiliates

Japan	Major Products or Lines of Business	Equity Participation (%)
•API Corporation	Active pharmaceutical ingredients, Fine chemicals	100.0%
Benesis Corporation	Manufacture and sales of plasma fractionation preparations	100.0%
•BIPHA CORPORATION	Manufacture of pharmaceuticals	51.0%
●MP-Logistics Corporation	Logistics services	100.0%
●MP-Technopharma Corporation	Contracted drug formulation and manufacture	100.0%
•Welfide Service Corporation	Insurance agency, Real estate, Office services	100.0%
Yoshitomiyakuhin Corporation	Commissioned medical information services on pharmaceuticals	100.0%

Directory

	Address	TEL	FAX
Mitsubishi Chemical Holdings Corporation (Head Office)	14-1, Shiba 4-chome, Minato-ku, Tokyo 108-0014, Japan	[+81] (0)3-6414-4870	[+81] (0)3-6414-4879
Mitsubishi Chemical Group			

Domestic	Address	TEL	FAX
Mitsubishi Chemical Corporation (Head Office)	14-1, Shiba 4-chome, Minato-ku, Tokyo 108-0014, Japan	[+81] (0)3-6414-3730	[+81] (0)3-6414-3745
Overseas			

Mitsubishi Chemical USA, Inc. (New York Office)	One North Lexington Avenue, White Plains, NY 10601, USA	[+1] 914-286-3600	[+1] 914-286-3677
Mitsubishi Chemical USA, Inc. (Virginia Office)	401 Volvo Parkway, Chesapeake, VA 23320, USA	[+1] 757-382-5750	[+1] 757-547-0119
Mitsubishi Chemical Europe GmbH	Prinzenallee 13, Duesseldorf 40549, Germany	[+49] (0)211-523920	[+49] (0)211-591272
Mitsubishi Chemical Hong Kong Ltd.	Room 1303, 13th Floor, Tower 1, Admiralty Centre, 18 Harcourt Road, Hong Kong	[+852] 2522-7031	[+852] 2868-1470
Mitsubishi Chemical Singapore Pte Ltd	79 Anson Road, #12-01, Singapore 079906	[+65] 6226-3707	[+65] 6226-1676
Mitsubishi Chemical (Thailand) Co., Ltd.	18th Floor, Regent House Building, 183 Rajdamri Road, Bangkok 10330, Thailand	[+66] (0)-2255-2821	[+66] (0)-2255-2824
Mitsubishi Chemical China Commerce Limited	Room 4201B, The Center, No. 989 Chang Le Road,	[+86] (0)21-5407-6161	[+86] (0)21-5407-6363

Mitsubishi Chemical China Commerce Limited	Room 4201B, The Center, No. 989 Chang Le Road, Shanghai 200031, PRC	[+86] (0)21-5407-6161	[+86] (0)21-5407-6363
Mitsubishi Chemical Corporation (Beijing Office)	No. 5, Dong San Huan Bei Lu, Chao Yang District, Beijing 100004, PRC	[+86] (0)10-6590-8621	[+86] (0)10-6590-8623
Mitsubishi Chemical Corporation (Shanghai Office)	Room 4209, The Center, No. 989 Chang Le Road, Shanghai 200031, PRC	[+86] (0)21-5407-6000	[+86] (0)21-5407-6111

Mitsubishi Pharma Group

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Domestic	Address	TEL	FAX	
Mitsubishi Pharma Corporation (Head Office)	6-9, Hirano-machi 2-chome, Chuo-ku, Osaka-shi, Osaka 541-0046, Japan	[+81] (0)6-6201-1600	[+81] (0)6-6233-2516	
Overseas				
Mitsubishi Pharma America, Inc.	25 Independence Boulevard, Suite 201, Warren, NJ 07059, USA	[+1] 908-607-1950	[+1] 908-604-9110	
MP Healthcare Venture Management, Inc.	33 Arch Street, Suite 2202, Boston, MA 02110, USA	[+1] 617-737-4690	[+1] 617-737-4695	
Mitsubishi Pharma Deutschland GmbH	Prinzenallee 13, D-40549 Duesseldorf, Germany	[+49] (0)211-52392-0	[+49] (0)211-52392-81	
Mitsubishi Pharma Europe Ltd.	Jupiter House, Triton Court, 14 Finsbury Square, London EC2A 1BR, UK	[+44] (0)20-7065-5000	[+44] (0)20-7065-5050	
Mitsubishi Pharma (Guangzhou) Co., Ltd.	Jiaoyuan Road, GETDD, Guangzhou, PRC	[+86] (0)20-8222-0238	[+86] (0)20-8222-1868	
Mitsubishi Pharma Research & Development (Beijing) Co., Ltd.	Room 1004, China Resources Building, No. 8 Jianguomen Beidajie, Beijing 100005, PRC	[+86] (0)10-8519-1507	[+86] (0)10-8519-1508	
Welfide Korea Co., Ltd.	903-4, Sangsin-Ri, Hyangnam-Myun, Hwasung-City, Kyonggi-Do, Korea	[+82] 339-353-6671	[+82] 339-353-6675	

Corporate Information

Mitsubishi Chemical Holdings Corporation

Establishment: October 3, 2005

Paid-in Capital: ¥50,000 million

Authorized Shares: 6,000,000,000

Outstanding Shares: 1,806,288,107

Number of Shareholders: 169 686

General Meeting of

Shareholders: The general meeting of shareholders was held or

June 26, 2007.

Stock Listings: Tokyo Stock Exchange

Osaka Securities Exchange

Transfer Agent: Mitsubishi UFJ Trust and Banking Corporation

4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8212

Securities companies 0.55% Foreign corporations and other foreign investors 17.18% Financial institutions 34.93% Individuals and others 39.16% Other corporations 8.16%

Major Shareholders (As of March 31, 2007)

Name	Number of Shares	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	71,112	3.9
Meiji Yasuda Life Insurance Company	60,644	
Japan Trustee Services Bank, Ltd. (Trust account)	56,699	
Takeda Pharmaceutical Company Limited	51,730	2.8
Nippon Life Insurance Company	49,428	
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	48,828	
The Tokio Marine & Nichido Fire Insurance Co., Ltd.	42,312	
Japan Trustee Services Bank, Ltd. (Trust account 4)	35,271	1.9
The Taiyo Life Insurance Company	23,547	
Mitsubishi UFJ Trust and Banking Corporation	18,992	1.0

Stock Data



⚠Mitsubishi Chemical Holdings Corporation

www.mitsubishichem-hd.co.jp



