Mitsubishi Chemical Holdings Corporation

Good **Chemistry** *for Tomorrow*

Creating better relationships among people, society, and our planet.

Pursuing Innovation and Sustainability to Build Corporate Value

Annual Report 2011

Fiscal Year Ended March 31, 2011

Mitsubishi Chemical Holdings Corporation (MCHC) was established in October 2005. Its four core operating companies are Mitsubishi Chemical Corporation, Mitsubishi Tanabe Pharma Corporation, Mitsubishi Plastics, Inc., and Mitsubishi Rayon Co., Ltd., which became part of MCHC in March 2010.

MCHC's five principal business segments are electronics applications, designed materials, health care, chemicals, and polymers. At the end of March 2011, the MCHC Group comprised 341 consolidated companies and 70 equity method affiliates employing a total of 53,882 people around the world.

A Technologically Innovative Enterprise

Organic Growth	Innovation	M&A

In December 2010, MCHC announced *APTSIS 15*, a five-year management plan for fiscal 2011 through fiscal 2015 that will orchestrate the Group's strengths to grow, innovate, and leap ahead. This new initiative draws on its predecessor's three decision criteria of Sustainability, Health, and Comfort in a drive to become a leading global company.

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Building Sustainable Corporate Value

Sustainability | **Health** | **Comfort**

In pursuing Sustainability, Health, and Comfort, MCHC has committed itself to delivering *KAITEKI* solutions by putting the infinite potential of Good Chemistry to work, creating a portfolio of high-performance, high-value-added businesses while sustainably increasing corporate value.

Agribusiness Solutions

As one of the six cornerstones of our next-generation growth business category, we are seeking to leverage our expertise in diverse fields to deliver innovative agribusiness solutions. These will encompass conservation of water resources, reduction of waste materials, minimizing environmental impact, and agricultural systems and materials for cost-competitive food production, including for inhospitable environments and for medical applications.

Corporate Structure

As of March 31, 2011

MCHC Group Structure

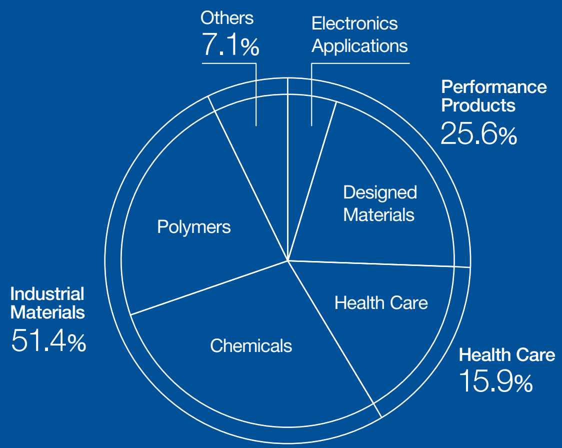
Mitsubishi Chemical Holdings Corporation

100.0% — **The KAITEKI Institute, Inc.**

	Mitsubishi Chemical Corporation	Mitsubishi Tanabe Pharma Corporation	Mitsubishi Plastics, Inc.	Mitsubishi Rayon Co., Ltd.
Ownership	100.0%	56.4%	100.0%	100.0%
Net sales	¥2,019.6 billion	¥409.5 billion	¥382.0 billion	¥478.4 billion
Number of employees	27,828	9,198	8,549	8,203
Scope of business	Performance Products, Health Care, Industrial Materials	Health Care	Performance Products	Performance Products, Industrial Materials

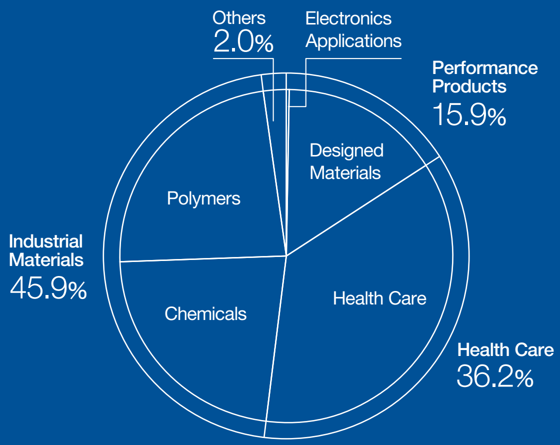
Net Sales

Total ¥3,166.7 billion



Operating Income

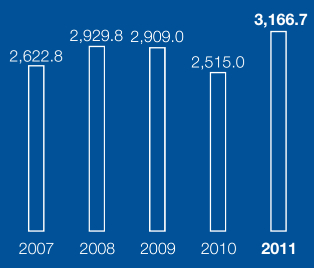
Total ¥226.4 billion



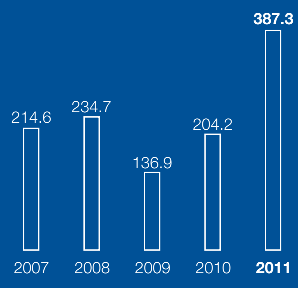
Fiscal 2010, ended March 31, 2011

Key Figures
Years ended/as of March 31

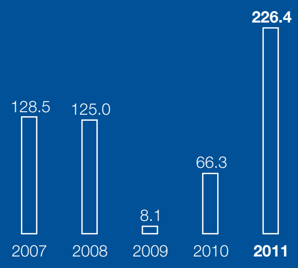
Net Sales
(Billions of yen)



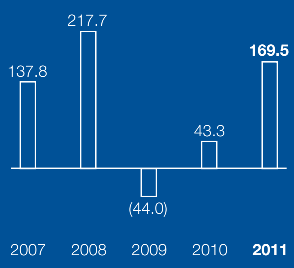
EBITDA
(Billions of yen)



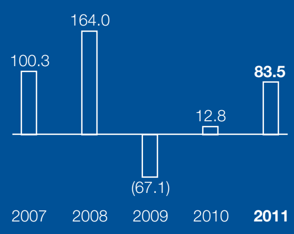
Operating Income
(Billions of yen)



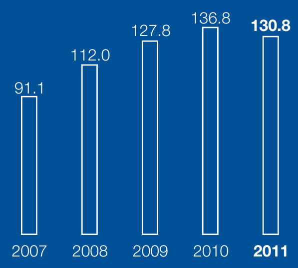
Income (Loss) before Income Taxes
(Billions of yen)



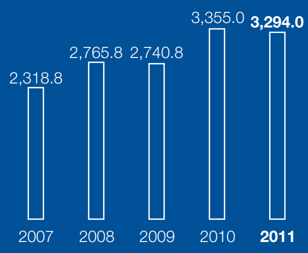
Net Income (Loss)
(Billions of yen)



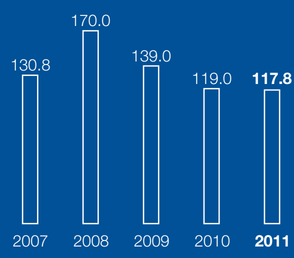
R&D Expenditures
(Billions of yen)



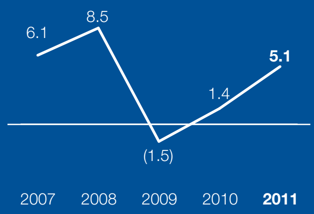
Total Assets
(Billions of yen)



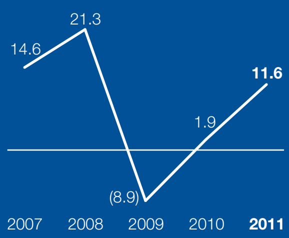
Capital Expenditures
(Billions of yen)



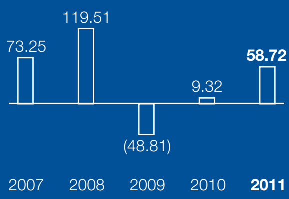
Return on Assets (ROA)
(%)



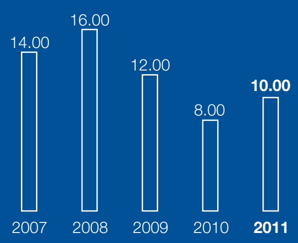
Return on Equity (ROE)
(%)



Net Income (Loss) per Share
(Yen)



Cash Dividends per Share
(Yen)



Notes: 1. In this annual report, fiscal year refers to the period beginning April 1 and ending March 31. Fiscal 2010 (FY2010) refers to the year ended March 31, 2011.
2. ROA is calculated as income before income taxes and minority interests in consolidated subsidiaries divided by average total assets.
3. ROE is calculated as net income divided by average shareholders' equity.
4. EBITDA (earnings before interest, taxes, depreciation, and amortization) is calculated as operating income plus depreciation and amortization plus amortization of goodwill.

To Our Stakeholders

Remembrance and Recovery

A great deal of misery and destruction was wrought in Japan by the Great East Japan Earthquake of March 11, 2011. We would like to express our deepest sympathy for the many victims of this calamity.

The buildings and facilities of Mitsubishi Chemical's Kashima Plant and several sites in the northeast and east of Japan incurred damage that prompted production stoppages. We swiftly conducted safety checks, as well as facilities inspections and repairs, to restore operations. On May 20, the No. 2 ethylene production facility of the Kashima Plant went back on line. Its No. 1 ethylene production facility returned to service at the end of June. Operations at most other sites restarted steadily from late March. We are striving Groupwide to fully restore production at all facilities.

We pledge to rebuild our operations as swiftly as possible to maintain our supply chain. We also pledge to contribute to a better Japan through diverse products that epitomize our Group philosophy of "Good Chemistry for Tomorrow—Creating better relationships among people, society, and our planet."

Overview of Fiscal 2010 Results

In fiscal 2010, ended March 31, 2011, the Japanese economy continued to revive, thanks to recoveries in capital expenditure and consumer spending, as well as to higher exports, particularly to Asia, amid concerns about a downturn in the global economy and the appreciation of the yen. However, production activities and personal consumption plunged following the March 2011 Great East Japan Earthquake.

Net sales increased 25.9%, to ¥3,166.7 billion. This reflected demand recoveries in the Performance Products and Industrial Materials domains amid rising fuel prices, as well as the consolidation of Mitsubishi Rayon on March 30, 2010. Operating income jumped 3.4 times, to ¥226.4 billion. Despite posting ¥22.4 billion in extraordinary losses associated with the earthquake, net income climbed ¥70.7 billion, to ¥83.5 billion. Net income per share was ¥58.72, from ¥9.32 in the previous period.

Operating Outlook

The Japanese economy recovered steadily during fiscal 2010, until the earthquake hit. Corporate production and personal consumption have since stagnated. Compounding this situation are concerns about rapid fluctuations in the yen and soaring raw materials and fuel prices. Fiscal 2011 should therefore be a very challenging year.

Given these factors, we forecast ¥3,580 billion in net sales, ¥206 billion in operating income, and ¥80 billion in net income. The impact of the earthquake will likely cut ¥30 billion from operating income and add ¥10 billion to losses.

We launched our new five-year mid-term management plan, *APTSIS 15*, in April 2011, to succeed *APTSIS 10*. We have overviewed this new initiative in the interview on the following pages.

Enhancing Shareholder Value

We remain committed to enhancing shareholder value under *APTSIS 15*, maximizing transparency and disclosing financial and operational information in keeping with pertinent laws and regulations. There are two components to our approach to generating returns. The first is to maintain sufficient internal reserves so we can fund business development and pay cash dividends that are commensurate with our consolidated operating results. For fiscal 2010, therefore, annual dividends came to ¥10 per share, comprising interim and year-end payments of ¥5 each per share. The second component is to target a medium-term payout ratio of at least 30% in keeping with our commitment to dividend stability.

In closing, I thank you in advance for your ongoing support and encouragement for our endeavors in the year ahead.

July 2011

Yoshimitsu Kobayashi
President & Chief Executive Officer

APTSIS 15 Mid-Term Management Plan: Harnessing Group Strengths to Grow, Innovate, and Leap Ahead

APTSIS 15 builds upon the successes of two initiatives that MCHC deployed from fiscal 2003. One was the *KAKUSHIN* Plan, a two-phase effort to revitalize operations and build new foundations for growth. Management then inaugurated *APTSIS 10* to guide MCHC's recovery from an economic contraction that followed the global financial crisis of 2008.

Yoshimitsu Kobayashi
President & Chief Executive Officer

MCHC's mid-term management plans and achievement trends for *APTSIS 15*
(Billions of yen)

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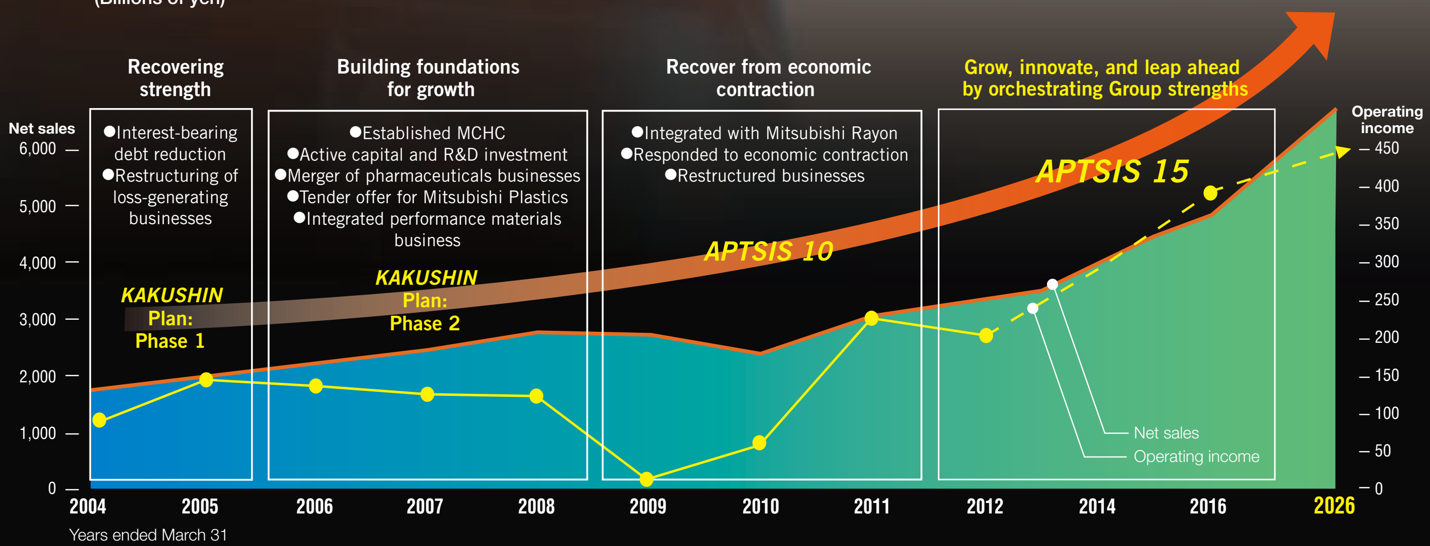


Question 1

Answer

How would you summarize your achievements under *APTSIS 10*?

I think we did well. We withdrew from unprofitable businesses that, while generating ¥320.0 billion in sales, suffered ¥17.0 billion in operating losses. We also invested ¥250.0 billion in deploying strategies to leap ahead, securing ¥627.0 billion in net sales and ¥53.5 billion in operating income from M&As. One significant achievement in petrochemicals was an agreement with Asahi Kasei Corporation to establish a joint venture for the naphtha cracker operations of both companies.

We leaped ahead under our M&A strategy, integrating with Mitsubishi Rayon. We also consolidated Quadrant AG, Nippon Synthetic Chemical Industry Co., Ltd., and Taiyo Nippon Sanso Corporation into the Group.

These efforts translated into mostly better numbers. We cut fixed costs by around ¥32.0 billion in fiscal 2010. We comfortably exceeded our operating income targets under *APTSIS 10* and lowered greenhouse gas emissions compared with 1990 levels, as planned. On the downside, ROA was 5.1%, which was below our *APTSIS 10* goal.

Basic concept of *APTSIS 10*

Growth Strategy

- Focus on growth businesses
  - Flat panel display components
  - Pharmaceuticals
- Structural reforms
  - Main focus on petrochemicals
  - Significant reduction in CAPEX

Innovation Strategy

- Focused acceleration
  - White LEDs
  - Lithium-ion battery materials for hybrid electric vehicles

Leaping Ahead (M&A)

- Prompt realization
  - Quadrant
  - Nippon Synthetic Chemical Industry
  - Taiyo Nippon Sanso
  - Mitsubishi Rayon

Strategic initiatives under *APTSIS 10*

- ✓ Integrated with Mitsubishi Rayon
- ✓ Steady structural reforms
- ✓ Agreed to establish joint venture to unify naphtha cracker operations of Mitsubishi Chemical and Asahi Kasei Chemicals in Mizushima

Overall targets and results

Management index	*APTSIS 10* targets	FY2010 results
✓ Operating income	≥ ¥190.0 billion	¥226.4 billion
ROA	≥ 6%	5.1%
✓ Greenhouse gas emissions	≥ 20% reduction by 2015	as planned

Despite the severe economic contraction, restructuring of businesses and M&As led to achieving targeted operating income

Operating income targets and results by segment (Billions of yen)

	Targets for the final year of *APTSIS 10*	FY2010 results	Change
Electronics Applications	14.0*	0.9	-13.1
Designed Materials	38.0*	36.4	-1.6
Health Care	100.0	85.0	-15.0
Chemicals	29.0	52.9	23.9
Polymers	21.0	55.0	34.0
Others	16.0	4.5	-11.5
Corporate	(8.0)*	(8.5)	-0.5
Contingency	(20.0)	–	–
Total	190.0	226.4	36.4

* Targets for the final year of *APTSIS 10* have been recalculated according to FY2010 segmentation

Question 2

Answer

What is your vision for 2025?

The thrust of *APTSIS 10* was to make us a trusted enterprise. The priority with *APTSIS 15* is to clearly position our business to materialize our *KAITEKI* values for the paradigm shifts in our world leading up to 2025. *KAITEKI*, the Japanese word for 'comfort,' encompasses values that we believe companies should practice in the 21st century. Our strategies and our daily endeavors draw on Sustainability, Health, and Comfort as our three decision criteria.

Question 3

Answer

What are the broad goals and basic strategies of *APTSIS 15*?

We aim to grow, innovate, and leap ahead by orchestrating Group strengths.

The basic objective of *APTSIS 15* is to generate synergies, improve our financial position, and reform our business structure. One growth strategy is to accelerate our transformation to deliver high-performance products and build a high-value-added business portfolio, which we have categorized according to profitability, market presence, and attractiveness.

The first portfolio category encompasses six next-generation growth businesses, which include organic photovoltaic modules and materials, organic photo semiconductors, and sustainable resources. In the second category are 11 growth businesses, examples being white LED lighting and materials, pharmaceuticals, and methyl methacrylate and polymethyl methacrylate. In the third category are 18 cash-generating businesses, such as recording media, terephthalic acid, and coke. The fourth category is made up of 15 businesses that we are restructuring, one being naphtha cracker operations.

We are drawing on strengths and synergies between our four core operating companies in employing strategies to grow, innovate, and leap ahead.

For fiscal 2015, we are targeting ¥400 billion in operating income, of which ¥330 billion will come from our growth and innovation strategies, with another ¥70 billion from leaping ahead (M&A). We look for ROA exceeding 8%, a net debt-to-equity ratio of 1.0, an overseas sales ratio of more than 45%, and net sales of around ¥5 trillion. One of the goals of our Management of SUSTAINABILITY (MOS) Indexes is to lower our environmental impact by 30% from fiscal 2005 levels.

Strategies of *APTSIS 15*

Growth Strategy
Accelerate transformation to high-performance and high-value-added business portfolio by orchestrating Group strengths.

Performance Products
- Expand high-performance products and high-value-added businesses by integrating key technologies and know-how
- Expand green businesses
- Accelerate global expansion

Health Care
- Strengthen sales of current key offerings through life-cycle management
- Maximize profits from new ethical drugs and increase product approvals in the United States, Europe, and the PRC
- Strengthen pipeline to fulfill unmet medical needs

Industrial Materials
- Enhance global operations and accelerate increases in value-added product ratio by strengthening ties with regional partners
- Balance growth by optimizing product chain
- Conclude restructuring in Japan

Innovation Strategy
Accelerate launch of new growth drivers

- Organic photovoltaic modules and materials
- Organic photo semiconductors
- Advanced performance products
- Agribusiness solutions
- Healthcare solutions
- Sustainable resources

Leaping Ahead (M&A)
Strategically allocate resources in alliances and acquisitions to expand businesses in line with the following policies and priorities:

- Strengthen growth businesses and next-generation growth businesses
- Accelerate global expansion
- Performance Products and Health Care domains

Targets for enhancing corporate value

		FY2012	FY2015
Economic Indexes	**Operating income**	¥230 billion	¥400 billion
	Growth and innovation strategies		¥330 billion
	Leaping ahead (M&A)		¥ 70 billion
	ROA		≥8 %
	Net debt-to-equity ratio		1.0
	Overseas sales ratio		≥45 %

MOS Indexes

Sustainability Index
Environmental impact
Reduce by 30% (Japan) vs. FY2005
(17% reduction of greenhouse gases)

Health Index
Index derived from the degree of difficulty of treating diseases and the number of administered patients
Increase by 30% vs. FY2009

Comfort Index
New products ratio in the Performance Products and the Health Care domains
≥35%

Business portfolio

Next-generation growth business (6)
- Organic photovoltaic modules and materials
- Organic photo semiconductors
- Advanced performance products
- Agribusiness solutions
- Healthcare solutions
- Sustainable resources

Growth business (11)
- White LED lighting and materials
- Lithium-ion battery materials
- Flat panel display components
- Performance composite materials
- High-performance molding products
- Specialty chemicals
- Water treatment systems and services
- Pharmaceuticals
- High-performance graphite
- Performance polymers
- Methyl methacrylate and polymethyl methacrylate

Business to be restructured (15)
- Naphtha crackers, etc.

Cash-generating business (18)
- Recording media
- Performance films
- Food ingredients
- Diagnostics and support for new pharmaceuticals development
- Terephthalic acid
- Coke
- Phenol, bisphenol-A, and polycarbonate
- Polypropylene and compounds

Performance Products | Health Care | Industrial Materials

Question 4 Answer

What's your thinking about your business portfolio?

As we just discussed, our business portfolio is made up of four categories. We will constantly review the portfolio and push ahead with further operational reforms and manage assets more efficiently so we can attain our ROA target of at least 8%.

Question 5 Answer

What specific synergies do you hope to generate by orchestrating Group strengths under *APTSIS 15*?

We are broadly focusing on pursuing synergies through our businesses, and from costs and research and development. The prime synergies that we are considering on the business front are in carbon fiber composites, water treatment systems, specialty chemicals, and engineering. In terms of costs and R&D, we aim to centralize purchasing, integrate our logistics networks and consolidate their locations, integrate infrastructural IT systems, and more effectively utilize our technology platforms, while optimizing our human resources allocations and infrastructure.

Specific major synergies that we are currently considering are outlined in the table below. However, we will generate additional synergies through our strategy of collaborating extensively and combining technologies from throughout the Group.

Synergies

Profits from Synergies

		Major synergies considered	(Billions of yen) FY2012	FY2015
Businesses	Carbon fiber composites	• Develop thermoplastic carbon fiber composites and process technologies to accelerate product launches in automotive panels and components, and industrial, environmental, and energy applications	5	15
	Water treatment systems	• Combine membrane bioreactor and purified water manufacturing technologies to expand business in Asia • Combine microfiltration technology and ion-exchange resins to broaden water treatment business		
	Specialty chemicals	• Apply acrylic coating technologies, acrylic polyurethane, modified polypropylene, and mechanical emulsification to launch emulsified polymers for new waterborne coating markets		
	Others	• Integrate engineering businesses • Effective use of sales channels and business units within the Group e.g. electrolyte production at Lucite facilities in Europe and the United States		
Costs and R&D	Purchasing	• Centralize purchasing function	6	28
	Logistics	• Integrate logistics networks and consolidate locations within the Group		
	IT	• Integrate infrastructural systems to enhance efficiency and rationalize by standardizing applications		
	R&D	• Exercise more synergies among technologies and make more effective use of technology platforms • Optimize human resources allocation and infrastructure		
		Total	¥11	¥43

Question 6

What can you tell us about your aims in terms of your MOS Indexes, *KAITEKI* values, and four-dimensional management?

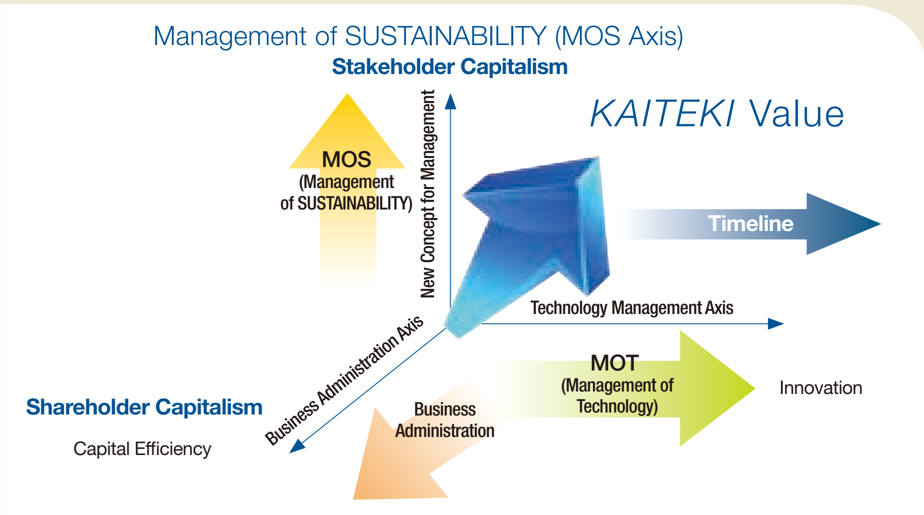
Answer

Management of SUSTAINABILITY will be crucial for the paradigm shifts ahead. It goes without saying that companies must pursue profits and that those of us in the manufacturing industries must pursue innovation in our technologies. However, we believe it is also essential to consider the sustainability of people, society, and our planet. At MCHC, we propose that the concept of time is added as a fourth dimension to the three key management essentials of sustainability, capital efficiency, and technology. My role as CEO is to balance these three key elements so that we move closer to materializing the *KAITEKI* values to which we aspire.

To help us achieve our goals, *APTSIS 15* delineates nine MOS Indexes in the key areas of Sustainability, Health, and Comfort to quantitatively track progress.

We will draw on our *KAITEKI* values to build the overall corporate value of the MCHC Group as we strive to become a preeminent global enterprise.

Four-dimensional management



MOS Indexes

Sustainability Index	**S-1** Contribution to reduce environmental impact through products and services **S-2** Contribution to conservation of energy and reducing the depletion of resources **S-3** Contribution to reduce environmental impact through supply chain management
Health Index	**H-1** Contribution to medical services **H-2** Contribution to improving quality of life **H-3** Contribution to early detection and prevention of diseases
Comfort Index	**C-1** Deliver products (development and manufacturing) for a more comfortable lifestyle **C-2** Improve stakeholder satisfaction **C-3** Recognition of corporate trust

Question 7

Answer

What are your investment, R&D, and M&A plans under *APTSIS 15*?

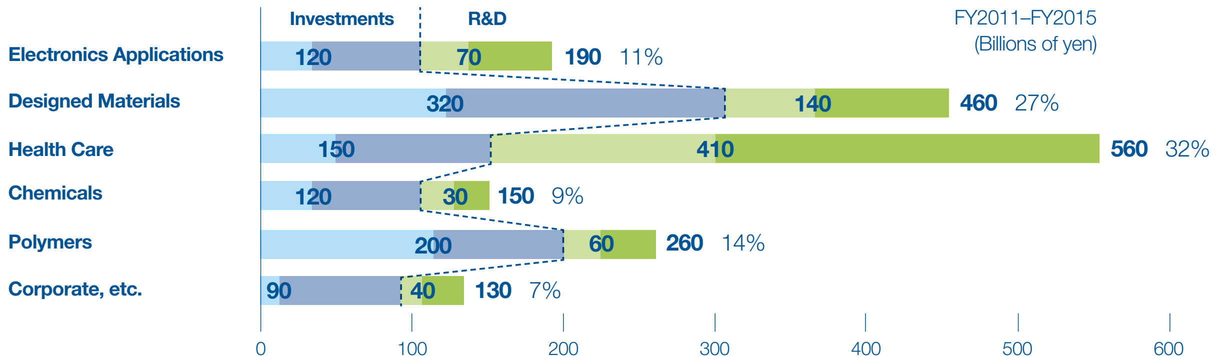
We will strengthen our growth and next-generation growth businesses, as well as move forward with M&As to more swiftly expand around the world. We plan to invest ¥1 trillion over the five years of *APTSIS 15* and will allocate ¥750 billion to our R&D programs so we can grow and innovate while leaping ahead strategically, mainly in our Performance Products and Health Care domains.

Investments and R&D

Invest decisively to grow and innovate

(Billions of yen)

	Five years	FY2011–FY2012	FY2013–FY2015
Investments	1,000	420	580
Cash flow basis*	(940)	(340)	(600)
R&D	750	280	470



* Net cash used in investing activities.

Question 8

You aim to lift your overseas sales ratio to at least 45% by 2015. What specific businesses and regions would drive such an increase?

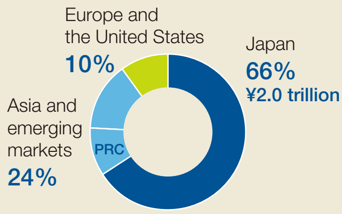
Answer

Our overseas operations currently account for around a third of net sales. We will increase the ratio to at least 45% by formulating and using specific regional business strategies for the People's Republic of China (PRC), Asia and other emerging markets, and Europe and the United States.

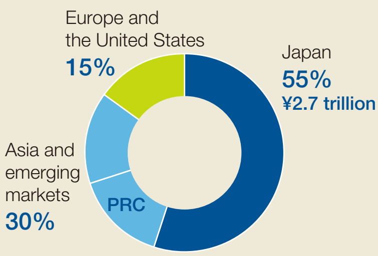
Our prospects are particularly bright for the PRC and elsewhere in Asia. In the PRC, for example, we seek to expand our business in everything from the automotive and flat panel display fields to ethical drugs, and will also form strategic alliances with local partners. In Singapore, Taiwan, and South Korea, we look to strengthen our global supply capabilities. Priorities in Europe and the United States are to expand in the automotive and flat panel display fields, and in businesses related to energy and the environment, while broadening our ethical drugs presence.

Expand overseas sales ratio

Overseas sales ratio:
34% in fiscal 2010 to 45% in fiscal 2015



FY2010
Net sales: **¥3.1 trillion**
Operating income: **¥226.4 billion**



FY2015 target
Net sales: **¥5.0 trillion**
Operating income: **¥400.0 billion**

Regional business strategies

PRC	● Expand in the automotive and flat panel display fields ● Increase ethical drugs presence ● Form strategic alliances with local partners
Asia and other emerging markets	● Gain presence in Asian markets through sales of commodities ● Strengthen global supply capabilities, notably in Singapore, Taiwan, and South Korea ● Expand production capacity to respond to increasing demand for methyl methacrylate monomers, notably in Asia and the Middle East
Europe and the United States	● Expand in the automotive and flat panel display fields, and in businesses related to energy and the environment ● Increase ethical drugs presence ● Focus on high-performance and added-value products, and on solutions

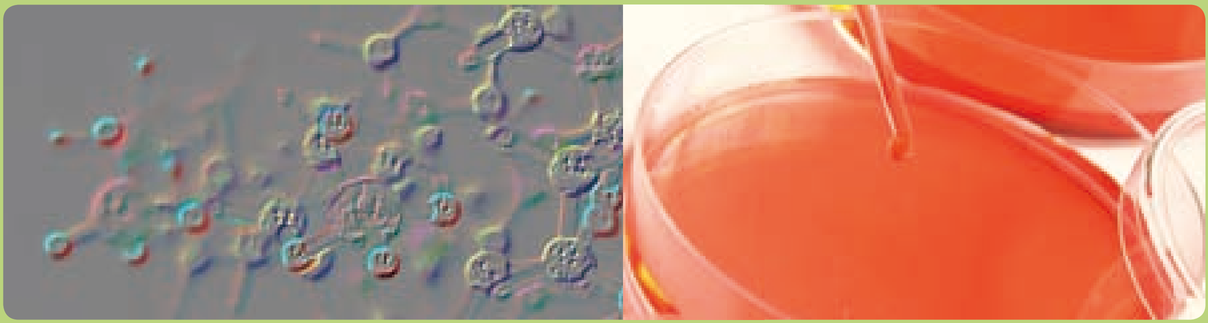
Pursuing Innovation and Sustainability to Build Corporate Value

Under *APTSIS 15*, MCHC has carefully selected the following businesses, which straddle our three business domains, on the basis of profitability, our market strength in each area, and their potential for future growth.

Performance Products

Solar panels on roof of the Super Laboratory Wing of Keihanna Plaza, Kanasi Science City

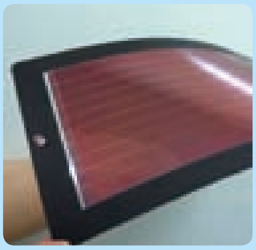
Health Care



Industrial Materials

Next-Generation Growth Businesses | Accelerate launch of new growth drivers

Organic Photovoltaic Modules and Materials



Net sales Target for FY2015 **¥50.0 billion**

Developing photovoltaic module materials and applications

We are working to create new markets for our modules in building- and automotive-integrated photovoltaics. As part of these efforts, we seek to boost module cell efficiency from 10%, to 15%. We are targeting market shares of 30% in such areas as barrier films and sealants.

Organic Photo Semiconductors

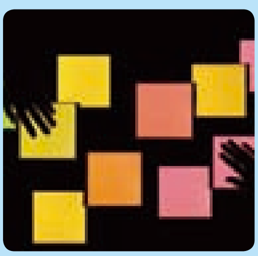


Photo by Toshio Kaneko

Net sales Target for FY2015 **¥30.0 billion**

Producing the full spectrum of materials, light sources, and lighting equipment

We recently launched evaporated OLED lighting products, and are pre-marketing high-end offerings. We plan to mass-produce solution-type OLED lighting in 2014.

Advanced Performance Products

Net sales Target for FY2015 **¥20.0 billion**

Providing innovative materials

We aim to deliver products to companies in the automotive, energy, environment, and industrial sectors. We have particular promise in gas diffusion layers for fuel cells, carbon fiber reinforced thermoplastic prepreg, large fiber composites, non-reflective moth-eye films, and *AQSOA* adsorption heat pumps.

Agribusiness Solutions

Net sales Target for FY2015 **¥10.0 billion**

Fostering lower-cost, environment-friendly agricultural systems

This is a new area in *APTSIS 15*. We seek to deliver cost-competitive plant production systems and materials, including for medical applications. We are researching agricultural systems that can conserve water and thereby reduce environmental impact.

Healthcare Solutions

Planned R&D expenditures FY2011–FY2015 **¥410.0 billion**

Delivering total solutions for pharmaceuticals and diagnostics

We have three priorities in this area. One is to develop drugs that fulfill unmet medical needs using new technologies such as biomarkers. A second is to offer diagnostic services for personalized medicine. A third is for Group companies to draw on their technological capabilities to deliver total solutions, one example being high-purity water production systems for use in pharmaceuticals and medical services.

Sustainable Resources

Net sales Target for FY2015 **¥10.0 billion**

Contributing to the environment and the sustainable carbon society

We are cultivating sustainable resources, centered on polymers made from biomass resources, contributing to the environment and carbon sustainability. Key products are *DURABIO*, a bio-based engineering plastic for glass and other optical applications; *GS Pla*, polybutylene succinate; a bio-based polyethylene; and polylactic acid.

Growth Businesses

Accelerate transformation to a high-performance and high-value-added business portfolio by orchestrating Group strengths

White LED Lighting and Materials

	FY2010	Target for FY2015
Net sales	¥11.5 billion	¥100.0 billion

A market leader in gallium nitride substrates, phosphors, and encapsulants

This became a growth business under *APTSIS 15*. We are reinforcing our market leadership in gallium nitride (GaN) substrates, phosphors, and encapsulants and packaging materials. Another focus is to globally cultivate our *Verbatim* brand to market *KAITEKI* lighting by capitalizing on our strength in materials. We are boosting production capacity for vapor-phase growth substrates and will begin mass production of liquid-phase substrates, increasing capacity 200-fold by FY2015.

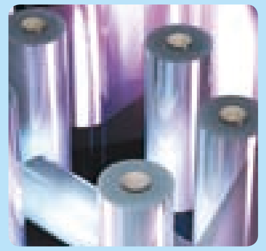
Lithium-Ion Battery Materials

	FY2010	Target for FY2015
Net sales	¥11.8 billion	¥80.0 billion

The only manufacturer providing all four core components

We seek global leadership in lithium-ion battery (LiB) materials for electric and hybrid electric vehicles. The MCHC Group is the world's sole supplier of all four core LiB materials, namely electrolytes, anodes, cathodes, and separators. We are developing a global supply structure by boosting capacity in Japan, while building plants in the United States, Europe, and the PRC.

Flat Panel Display Components

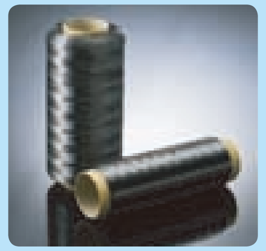


	FY2010	Target for FY2015
Net sales	¥95.7 billion	¥190.0 billion

No. 1 share of the global market for PET film, No. 2 share of the global market for optical polarizing films

We are focusing production on the PRC to globalize this business area. We will maintain our worldwide lead by investing intensively in optical polarizing and polyethylene terephthalate (PET) films, acrylic resin plates for light guiding plates, and color resists. We will sustain our market share by ensuring competitive cost and quality.

Performance Composite Materials



	FY2010	Target for FY2015
Net sales	¥46.4 billion	¥110.0 billion

No. 1 share of the global market for pitch-based carbon fibers and alumina fibers

We are building our presence in high-performance composites and component businesses by integrating technologies in pitch- and polyacrylonitrile-based carbon fibers and thermoplastics. We are strengthening our alumina fibers business and maintaining our top market share for *MAFTEC* for use in automobile emission controls and heat insulating applications in steel furnaces.

Pharmaceuticals

	FY2010
Net sales	¥395.4 billion

Delivering globally competitive products and developing new drugs

We are stepping up life-cycle management in *Remicade* and other key pharmaceuticals, while strengthening our pipeline to fulfill unmet medical needs. We aim to increase the number of products approved overseas and to maximize profits from new ethical drugs.

High-Performance Graphite

	FY2010	Target for FY2015
Net sales	¥14.7 billion	¥25.0 billion

Leveraging superior quality to expand sales

We aim to take advantage of rising demand for this material in electric arc furnace electrode processes. We will develop low thermal expansion needle coke and increase sales in the PRC. We plan to boost pitch coke sales for silicon carbide crucibles to accommodate greater demand for photovoltaic modules.

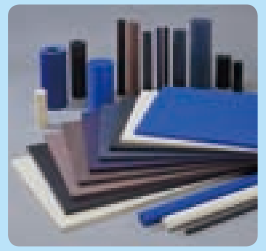
Performance Polymers

	FY2010	Target for FY2015
Net sales	¥39.3 billion	¥60.0 billion

Gaining shares in key markets through overseas expansion

Drawing on our core modifying technologies in ongoing product development, we are cultivating global automotive and healthcare demand in Japan, Europe, and North America, with plans to expand in the emerging markets. We will reinforce R&D, as part of which Group companies will collaborate to develop new applications, such as compatibilizing agents and adhesives.

High-Performance Molding Products



	FY2010	Target for FY2015
Net sales	¥61.2 billion	¥80.0 billion

Broadening applications and overcoming business climate changes

We are extending our operations from Europe to the PRC and elsewhere in Asia by drawing on our integrated technologies in engineering plastics, resins, and carbon and glass fibers for automotive, semiconductor, food processing, and energy applications.

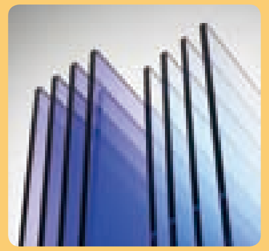
Specialty Chemicals

	FY2010	Target for FY2015
Net sales	¥71.1 billion	¥110.0 billion

Maximizing Group synergies and expanding our business scale

We seek to generate synergies from specialty chemicals companies in the Group, develop new offerings in growth markets, and expand overseas. Key focuses include waterborne emulsions, plastisols for car and motorcycle undercoatings, UV-curable coatings for Blu-ray discs, and next-generation photoresist materials.

Methyl Methacrylate and Polymethyl Methacrylate



	FY2010	Target for FY2015
Net sales	¥269.8 billion	¥430.0 billion

No.1 share of the global market for methyl methacrylate monomers

We are expanding production capacity to capture rising demand for methyl methacrylate, and optimizing our worldwide network in Korea, Thailand, the Middle East, and North America to boost our global share from 37%, to 45%. In terms of development, we aim to create and expand such high-performance growth drivers as flat panel display applications.

Water Treatment Systems and Services

	FY2010	Target for FY2015
Net sales	¥29.8 billion	¥70.0 billion

Aiming to provide total solutions in water treatment systems around the world

We are expanding our industrial water reclamation business using membrane bioreactors, centered on polyvinylidene fluoride membranes, in the PRC and Southeast Asia. We will improve our cost-competitiveness and further deploy our industry-leading microporous hollow-fiber membrane technology. We will expand global sales of *CLEANSUI* in the PRC and Asia.

Cash-Generating Businesses | Stabilize earnings and increase profit stability

Recording Media

	FY2010	Target for FY2015
Net sales	**¥68.6 billion**	**¥100.0 billion**

No. 1 share of the global market for optical recordable media with our *Verbatim* brand

We aim to maintain this ranking by positioning *Verbatim* as a complete storage media brand. We target market shares of 20% in optical discs and 10% in external hard disk drives and flash memory devices under *APTSIS 15*. We aim to be a market leader in organic dye-based Blu-ray discs.

Performance Films

	FY2010	Target for FY2015
Net sales	**¥51.7 billion**	**¥70.0 billion**

No. 1 share of the global market for optical PET film

We will rationalize to stabilize earnings in the food packaging business. One highly promising product area in that regard is oxygen barrier films. At the same time, we will step up expansion into other areas, notably medical applications, batteries, and alcoholic beverages.

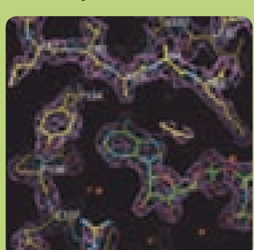
Food Ingredients

	FY2010	Target for FY2015
Net sales	**¥15.8 billion**	**¥30.0 billion**

Offering a range of products based on natural materials

We will strengthen our capabilities in erythritol and other fermentation technologies, while expanding our business foundations through partnerships. We have launched a compounding ingredients business in the PRC that takes full advantage of our unique emulsifiers.

Diagnostics and Support for New Pharmaceuticals Development



	FY2010	Target for FY2015
Net sales	**¥80.0 billion**	**¥115.0 billion**

Strengthening our clinical testing services, and expanding diagnostic reagents and instruments

We will expand clinical testing by forming regional alliances, delivering solutions, and enhancing our technologies, utilizing our expertise in these areas to support pharmaceuticals development for the global market. We will accelerate global sales of *PATHFAST*, a key strategic offering in our clinical diagnostic reagents and instruments business, and launch a medical information analysis service.

Generics

	FY2010	Target for FY2015
Net sales	**¥14.0 billion**	**¥50.0 billion**

Providing highly reliable generic drugs

Key goals are to establish a strong brand reputation for quality and stable supply. We will launch several major products to strengthen our generics presence, while creating low-cost manufacturing and sales structures to capture potential demand as insurance-covered generics become more accessible to patients.

Terephthalic Acid

	FY2010	Target for FY2015
Net sales	**¥254.1 billion**	**¥260.0 billion**

No.1 share of the Asian market, No.2 share of the global market

We will reduce costs, form partnerships to meet market needs, and develop knowledge-based businesses in the PRC and India. We will more flexibly manage raw materials purchasing, sales, and technology, as well as localize human resources, while stepping up business structure reforms.

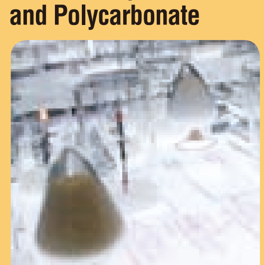
Coke

	FY2010	Target for FY2015
Net sales	**¥193.8 billion**	**¥250.0 billion**

World-class production capacity as a merchant producer of blast furnace coke

There are two priorities in this business area. The first is to solidify our earnings structure and maintain comprehensive coal chemistry operations. The second is to strengthen knowledge-based businesses overseas and expand highly profitable exports to emerging markets, particularly to India, Thailand, and Brazil.

Phenol, Bisphenol-A, and Polycarbonate



	FY2010	Target for FY2015
Net sales	**¥85.0 billion**	**¥95.0 billion**

No. 1 share of the Asian market for polycarbonate

We will increase profitability by reducing costs and bolstering sales of high-performance offerings. One successful move was the launch of joint venture Sinopec Mitsubishi Chemical Polycarbonate (Beijing) Co., Ltd. We will expand overseas partnerships by drawing on our non-phosgene diphenyl carbonate processes.

Polypropylene and Compounds

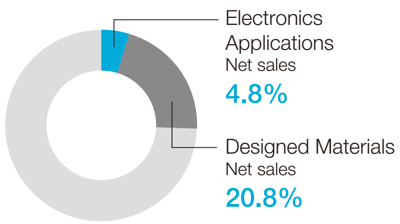
	FY2010	Target for FY2015
Net sales	**¥168.6 billion**	**¥200.0 billion**

No.1 share in the automobile market in Japan

We will optimize our production structure and shift to a high-performance product portfolio, and will increase global sales of compounds, particularly for the automotive market in the PRC, Thailand, India, North America, and Europe.

Performance Products Domain

We provide original market-leading products, underpinned by unique technologies that give our customers the advantage in their fields.



Main Products

Electronics Applications

Optical recording media, organic photo conductor drums and toners, display materials, white LED lighting and materials

Designed Materials

Food ingredients, LiB materials, polyester films, carbon fibers, alumina fibers, civil engineering materials, construction materials, agricultural materials, plastic pipes

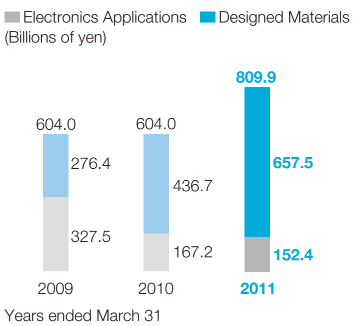
Business Outline

The Performance Products domain encompasses the Electronics Applications and the Designed Materials segments, both of which focus on creating globally competitive products. These are either the sole offerings available in their categories or top in their niche markets.

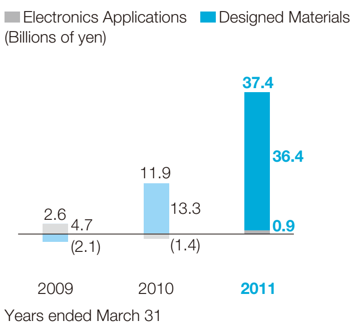
Our many unique technologies help customers overcome challenges in the business environment and be at the forefront of their fields. We are creating environmentally friendly offerings and expanding overseas, while integrating superior performance and value that enables customers to devise new solutions.

Core technologies in Electronics Applications are the fruit of years of accumulating expertise in areas of chemistry that involve light and color. We combine these strengths with materials design, processing, and device creation technologies to drive ongoing innovations.

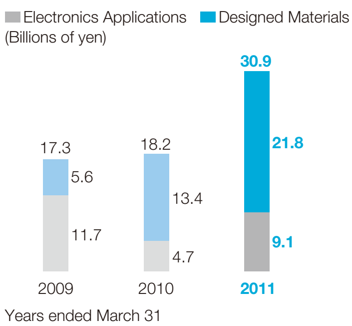
Net Sales



Operating Income (Loss)



R&D Expenditures



Note: For the year ended March 31, 2011, the Company changed from business segments to reporting segments. Only figures for the previous year have been restated as appropriate.

Designed Materials operations draw on synthesis, materials and process design, and mold processing to serve specific customer needs in myriad industries.

The Year in Review

Electronics Applications Segment

Recording media sales declined because of lower DVD volumes and prices, and the appreciation of the yen, which counteracted higher volumes of portable hard disk drives and flash memory devices. In electronics-related materials, sales of display materials were unchanged, as demand decreased in the second half of the year. However, sales were favorable for our precision cleaning and wafer regeneration businesses for semiconductors. Sales of imaging supplies were down, as the appreciation of the yen and other factors overshadowed strong demand for such office printing consumables as organic photo conductor (OPC) drums and toners.

Segment sales thus fell ¥14.8 billion, or 8.8%, to ¥152.4 billion. Operating income was ¥962 million, compared with a ¥1.4 billion operating loss a year earlier, thanks to improved earnings in the semiconductor precision cleaning and wafer regeneration businesses, as well as greater volumes in OPC drums and toners.

Designed Materials Segment

Food ingredient sales rose on the strength of overseas demand, which offset flat domestic volumes of emulsifier. Sales of battery materials were down because of lower volumes and prices in the second half for notebook computers. Fine chemicals sales increased on generally higher demand. Sales of polymer processing products surged, reflecting full-year contributions from Nippon Synthetic Chemical Industry Co., Ltd., and Quadrant AG, which became consolidated subsidiaries in September 2009, as well as significantly higher volumes of polyester films owing to solid domestic and overseas demand. In composite materials, sales of carbon and alumina fibers and other industrial materials soared in line with contributions from Mitsubishi Rayon and demand recoveries. Sales of inorganic chemicals advanced owing to a demand turnaround, which boosted volumes. MCHC newly incorporated fibers in consolidated accounts for the year under review; however, sales of these offerings were lackluster, reflecting stagnant volumes.

As a result of these factors, segment sales increased ¥220.7 billion, or 50.5%, to ¥657.5 billion. Operating income rose ¥23.1 billion, or 173.4%, to ¥36.4 billion.

Performance Products Strategies under *APTSIS 15*

Accelerate launch of green businesses, add more value, and cultivate global markets

Growth

- Expand high-performance, high-value-added businesses
  Performance composite materials, high-performance molding products, and specialty chemicals
- Expand green businesses
  White LED lighting and materials, and LiB materials
- Step up global expansion
  Flat panel display components, and water treatment systems and services

Innovation

- Build and expand new businesses
  Organic photovoltaic modules and materials, organic photo semiconductors, advanced performance materials, and agribusiness solutions

Cash-Generating Businesses

- Steadily increase profits
  Recording media, performance films, and food ingredients

TOPICS

European and North American Sales of *Verbatim* Light Bulbs Launched

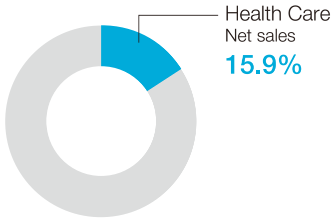
Mitsubishi Kagaku Media Co., Ltd., began selling its *Verbatim* brand LED light bulbs in Europe, in September 2010, and North America, in February 2011. The company also plans to offer these products in the Asia-Pacific region, including Japan, from July. The bulbs, which incorporate materials developed by Mitsubishi Chemical, are dimmable and consume 80% less power than conventional counterparts, and can last around 10 years when used 10 hours daily.

LiB Electrolyte Production to Begin in the United Kingdom and the United States

In October 2010, Mitsubishi Chemical decided to establish two subsidiaries to manufacture and market LiB electrolytes. The U.K. and U.S. units are scheduled to start operations in autumn 2011 and summer 2012, respectively. The MCHC Group is the world's sole supplier of all four key LiB materials, namely electrolytes, anodes, cathodes, and separators.

Health Care Domain

We offer globally competitive products and services that fulfill unmet medical needs, and are integrating technologies for personalized medicine.



Main Products
Remicade, Radicut, Ceredist, Anplag, Urso, Talion, clinical testing, diagnostic reagents and instruments

Business Outline

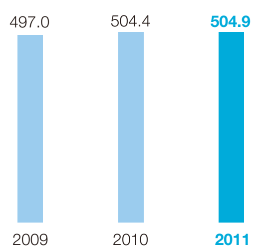
The Health Care domain encompasses Mitsubishi Tanabe Pharma and other Group healthcare businesses.

We engage in drug discovery, provide clinical testing services and diagnostic reagents and instruments, support clinical trials, and evaluate the safety of chemical substances. We are also integrating technologies for personalized medicine.

Key focuses are to bolster our pipeline globally, and use biomarkers and other new technologies to accommodate unmet medical needs, while cultivating generic pharmaceuticals.

Net Sales

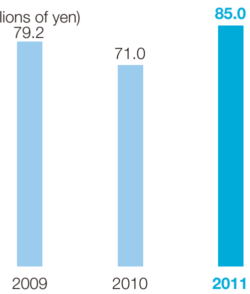
(Billions of yen)



Years ended March 31

Operating Income

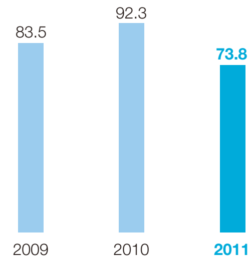
(Billions of yen)



Years ended March 31

R&D Expenditures

(Billions of yen)



Years ended March 31

Note: For the year ended March 31, 2011, the Company changed from business segments to reporting segments. Only figures for the previous year have been restated as appropriate.

Pharmaceuticals, diagnostics and clinical testing, and drug discovery support involve medical chemistry, life sciences, and analysis and computational science. We sell distinctive drugs, including drugs for autoimmune, cerebral, and circulatory problems, as well as drugs for psychiatric and neurological disorders, narcotics, plasma derivatives, vaccines and over-the-counter (OTC) drugs.

We are bolstering our R&D and sales operations to solidify our position globally.

The Year in Review

Health Care Segment

Sales of pharmaceuticals increased on substantially higher volumes for *Remicade*, an anti-TNF-α monoclonal antibody, which offset the impact of a downward revision in Japan's National Health Insurance (NHI) drug prices in April 2010. Other key contributors were increased volumes for *Maintate*, a treatment for angina pectoris, hypertension, and arrhythmias; *Talion*, a treatment for allergic disorders; and generic drugs. Diagnostic reagent and instrument sales declined because of lower volumes, but clinical testing sales increased on higher demand.

Segment sales edged up ¥0.5 billion, to ¥504.9 billion. Operating income was up ¥14.0 billion, or 19.7%, to ¥85.0 billion. This was mainly because a licensing contract change eliminated some one-time R&D expenditures incurred in fiscal 2009, reducing administrative expenses.

Health Care Strategies under *APTSIS 15*

Accelerate efforts to become a global, research-driven pharmaceuticals company and deliver healthcare solutions

Growth (ethical drugs)

- Step up life-cycle management to reinforce sales of key offerings
- Maximize profits from new drugs and obtain more approvals in the United States, Europe, and Asia
- Strengthen pipeline to fulfill unmet medical needs

Innovation (healthcare solutions)

- Deliver healthcare solutions through pharmaceuticals and diagnostics
- Foster collaboration between Group healthcare operations

Cash-Generating Businesses

- Stabilize earnings
  Diagnostics and drug development support, and generics

TOPICS

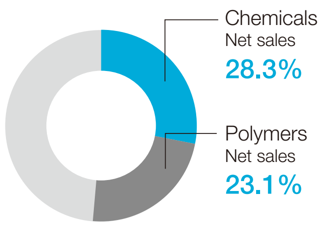
Novartis Pharma Obtains U.S. New Drug Application Approval for FTY720

FTY720 (generic name: fingolimod hydrochloride) was the world's first oral treatment for multiple sclerosis. Mitsubishi Tanabe Pharma codiscovered this agent by modifying the chemical structure of a fungus. FTY720 prevents lymphocytes from penetrating the central nervous system, protecting the lymph nodes from inflammation and thereby suppressing multiple sclerosis. In 1997, the company licensed out the global (ex-Japan) development and marketing rights for FTY720 to Novartis Pharma AG, which obtained new drug application approval for FTY720 in the United States in September 2010. Novartis Pharma has also obtained approvals for this treatment in Russia, Switzerland, Australia, Canada, and Europe.

Mitsubishi Tanabe Pharma Files FTY720 Application in Japan

In December 2010, Mitsubishi Tanabe Pharma filed a manufacturing and marketing approval application in Japan for FTY720 as an oral multiple sclerosis treatment. The company collaborated with Novartis Pharma K. K. in clinical trials for this compound. In September 2007, the Japanese government designated FTY720 as an orphan drug with indications for reducing multiple sclerosis relapses and slowing progression of this disease. Once commercialized, FTY720 will be a welcome alternative to existing multiple sclerosis therapies, which are all injection-based.

Industrial Materials Domain



Business Outline

The Industrial Materials domain comprises a Chemicals segment that focuses on carbon-based products and other basic chemicals, and a Polymers segment, which concentrates on derivative products.

Our portfolio encompasses many competitive electronics and automotive products and technologies that deliver high performance and value.

We are building on our technological underpinnings to innovate environmentally friendly materials and harness the potential of carbon chemistry and petrochemicals. At the same time, we are streamlining production facilities and processes to enhance our global standing.

In the carbon business, we are serving demand for higher-performance products, while optimizing facility security to maintain stable supplies. In petrochemicals, we are building core derivatives complexes and an olefin supply structure that accommodates market changes.

Main Products

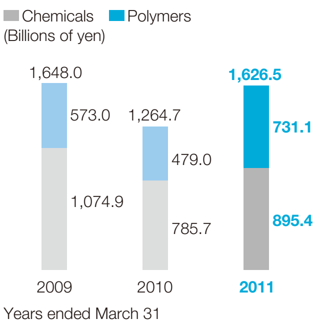
Chemicals

Ethylene, propylene, benzene, C4, ethylene oxide/glycols, purified terephthalic acid, polytetramethylene ether glycol, 1,4-butanediol, coke

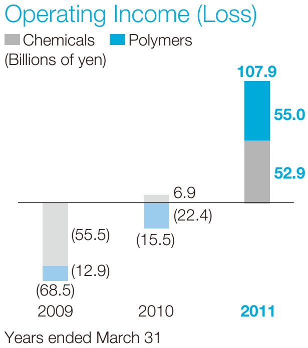
Polymers

Polypropylene, polyethylene, polycarbonate/phenol chain, performance polymers, engineering plastics, methyl methacrylate and polymethyl methacrylate

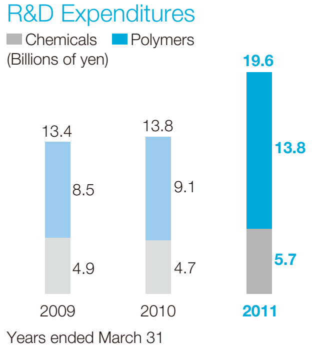
Net Sales



Operating Income (Loss)



R&D Expenditures



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In the Polymers segment, polymer design, processing, and computing technologies are areas of core expertise for the MCHC Group.

The Year in Review

Chemicals Segment

Production of ethylene, a basic raw material for petrochemicals, increased 4.5%, to 1.19 million metric tons. This was despite a halt in production at the ethylene facilities of Mitsubishi Chemical's Kashima Plant because of the Great East Japan Earthquake, and reflected a scale-down of regular production facilities maintenance. Sales surged for basic petrochemicals, chemical derivatives, and synthetic fiber materials owing to price increases to cover higher raw materials and fuel costs. Other key factors were greater demand, the consolidation of Mitsubishi Rayon, and flourishing terephthalic acid markets overseas for synthetic fibers. In carbon products, sales of blast furnace coke were up on higher volumes and price increases to cover climbing coking coal costs.

Segment sales therefore gained ¥109.6 billion, or 13.9%, to ¥895.4 billion. Operating income climbed ¥46.0 billion, to ¥52.9 billion, reflecting an increased gap between prices and raw materials costs, and greater volumes.

Polymers Segment

Sales of synthetic resins soared owing to increased demand and price rises to address greater raw materials and fuel costs. Another factor was the new contribution of Mitsubishi Rayon's methyl methacrylate (MMA) monomers, for which volumes rose amid strong domestic and overseas markets.

Segment sales gained ¥252.1 billion, or 52.6%, to ¥731.1 billion. Operating income was ¥55.0 billion, from an operating loss of ¥22.4 billion a year earlier. The improvement stemmed mainly from the increase in sales, as well as an improvement in inventory valuation, with higher raw materials and fuel costs.

Industrial Materials Strategies under *APTSIS 15*

Accelerate business globalization, shift to high-performance offerings, and optimize product chain to increase profitability

Growth

- Enhance global operations and shift to high-performance offerings by strengthening ties with regional partners
  Methyl methacrylate and polymethyl methacrylate, performance polymers, and high-performance graphite

Innovation

- Deliver new materials that contribute to the environment and to a sustainable carbon society
  Sustainable resources

Cash-Generating Businesses

- Stabilize earnings and strengthen our business structure
  Ensure a stable supply and minimize environmental impact. Reinforce businesses by leveraging high-value-added products, expanding knowledge-based businesses, and improving process technologies, particularly for purified terephthalic acid, coke, polypropylene, and the phenol/bisphenol-A/polycarbonate chain

Restructuring

- Conclude domestic overhaul

TOPICS

MCHC and Asahi Kasei Unify Naphtha Cracker Operations

In April 2011, MCHC and Asahi Kasei Corporation jointly established a limited liability partnership to integrate management of their naphtha cracker operations in Mizushima, Japan. The move followed an agreement to unify basic petrochemicals businesses to overcome a projected deterioration of the industry climate. The new company procures naphtha and other feedstock, produces ethylene and other basic petrochemicals, and sells basic petrochemicals and utilities to Mitsubishi Chemical and Asahi Kasei Chemicals Corporation. It is also rationalizing operations.

Mitsubishi Rayon Boosts Methyl Methacrylate Capacity

Mitsubishi Rayon bolstered its global leadership in methyl methacrylate (MMA) during the year under review. The company and Honam Petrochemical Corp. decided to double annual MMA monomer capacity at a joint venture plant in Daesan, South Korea, to 188,000 metric tons, from January 2013. Mitsubishi Rayon subsidiary Thai MMA Co., Ltd., launched production at a second MMA monomer plant in January 2011, raising its annual capacity to 180,000 metric tons. Subsidiary Lucite International Group Limited restarted MMA monomer production at its Beaumont, Texas, facility. This move was in light of improved demand in North and South America. The facility brought 78,000 metric tons of capacity on line in January 2011, and plans to add a similar amount in early 2012.

Research & Development

R&D is central to the numerous technological innovations that drive our competitiveness and growth, enabling us to pursue new business opportunities and fulfill our potential.

As well as engaging in original research and development, Group companies strengthen collaboration by sharing technologies and market information, conducting joint internal research, and undertaking or commissioning R&D projects. We also participate extensively in joint R&D projects with companies outside the Group.

The Group employs 5,160 R&D personnel, and invested ¥130.8 billion in R&D in fiscal 2010. Focuses, results, and R&D investments in each segment are as follows.

Electronics Applications

Photo by Toshio Kaneko

This segment focuses on recording media, electronics products, and information equipment. Key achievements during the year under review are as follows:

- In April 2010, Mitsubishi Chemical and Takenaka Corporation jointly developed *Photovoltaic Cell Sign*, a commercial display incorporating a thin-film photovoltaic cell and LEDs.
- In April 2010, Mitsubishi Chemical developed a technology to reduce the energy consumption of white LEDs by two-thirds for lighting applications.
- In October 2010, Mitsubishi Chemical, ICL Co., Ltd., and Nippon Fruehauf Co., Ltd., jointly developed the photovoltaic powered *i-Cool Solar* system, which provides cabin air-conditioning when truck engines are idle.
- In December 2010, Mitsubishi Chemical developed a low-cost mass-production technology for GaN substrates for device fabrication, including for white LED applications.
- In February 2011, Mitsubishi Kagaku Media announced that it had developed *VELVE*, the world's first color tunable and dimming OLED lighting panel. It started selling sample kits in April.

Segment R&D expenditures for the year were ¥9.1 billion.

Designed Materials

R&D in this segment covers functional food ingredients, battery materials, fine chemicals, processed resin products, compound materials, inorganic chemicals, and chemical fibers. Major achievements during the year are as follows:

- In August 2010, Mitsubishi Plastics developed an energy-saving air cooling and heating system that combines *AQSOA* adsorption heat pumps with solar water heaters.
- In October 2010, Mitsubishi Plastics started exploring technologies to commercially farm licorice with Green Innovation Inc.

Segment R&D expenditures for the year were ¥21.8 billion.

Health Care

The key focuses here are pharmaceuticals, diagnostics, and clinical testing. Highlights of the year are as follows:

- Mitsubishi Tanabe Pharma obtained approvals for additional indications for *Remicade* I.V. Drip Infusion 100, an anti-TNF-α monoclonal antibody, including ankylosing spondylitis in April 2010, and ulcerative colitis in June 2010.
- In December 2010, Mitsubishi Tanabe Pharma filed for approval to manufacture and market FTY720, a treatment for multiple sclerosis, in Japan.

- In March 2011, Mitsubishi Chemical Medience Corporation innovated its Anti-Doping Laboratory, Japan's sole such facility accredited by the World Anti-Doping Agency.

Segment R&D expenditures for the year were ¥73.8 billion.

Chemicals

We explore basic petrochemical products, chemicals products, synthetic fiber materials, and carbon products. A key achievement during the term is as follows:

- In August 2010, Mitsubishi Chemical completed a pilot facility for a new propylene manufacturing technology, jointly developed with JGC Corporation, at the Mizushima Plant.

Segment R&D expenditures for the year were ¥5.7 billion.

Polymers

The prime focus here is on synthetic resins, one highlight of the year being as follows:

- In August 2010, Mitsubishi Chemical inaugurated a pilot facility for the process and market development of bio-based engineering plastic *DURABIO* at the Kurosaki Plant.

Segment R&D expenditures for the year were ¥13.8 billion.

Others

The main priority here is engineering. R&D expenditures for the term were ¥0.9 billion.

We additionally invested ¥5.4 billion in basic research that we do not categorize within business segments.

In May 2010, the KAITEKI Institute, Inc., commissioned the University of California, Los Angeles, to research technologies for converting algae-captured CO_2 into chemicals that can be used to produce various industrial products. The MCHC Group positions the manufacture of chemical products from recyclable materials, such as carbon dioxide—rather than petroleum—as a crucial research priority.

Development Pipeline Status

As of June 2011

■ Focal products, launch targeted by or before 2015 ■ Major products licensed-out

	Phase 1	Phase 2	Phase 3	Filed	Approved
Japan	***Cholebine*** Hyperphosphatemia **MT-4666** Alzheimer's disease	**TA-7284** Diabetes mellitus type 2 ***Cholebine*** Diabetes mellitus type 2 **MP-435** Rheumatoid arthritis **MP-214** Schizophrenia	**MP-513** Diabetes mellitus type 2 **Venoglobulin in IH** Systemic scleroderma ***Radicut*** Amyotrophic lateral sclerosis **BK-4SP** Vaccine	**Venoglobulin in IH** Immunoglobulin G2 deficiency **CNTO148** Rheumatoid arthritis ***Remicade*** Crohn's disease (Dose escalation) **FTY720** Multiple sclerosis **Venoglobulin in IH** Myasthenia gravis ***Modiodal*** Obstructive sleep apnea syndrome **MP-424** Chronic hepatitis C	**Venoglobulin in IH** Hypo and gammaglobulinemia (Dose escalation) Polymyositis, dermatomyositis (Additional indications) ***Remicade*** Ankylosing spondylitis Ulcerative colitis (Additional indications) ***Pazucross*** Sepsis, pneumococcus (Additional indications) ***Acref*** Breakthrough cancer pain ***Argatroban*** Dialysis (Additional indication) ***Maintate*** Chronic heart failure (Additional indication) **Anti-D Human Immunoglobulin** Suppression of immunization of the D (Rho) factor (Additional indication) ***AZANIN*** Systemic vasculitis, etc. (Additional indication)
Overseas	**MP-124** Acute ischemic stroke **MP-136** Dyslipidemia **TA-8995** Dyslipidemia **MT-3995** Hypertension **MP-157** Hypertension **MT-1303** Multiple sclerosis **GB-1057** Stabilizing agent	**MCI-186** Acute ischemic stroke **MP-513** Diabetes mellitus type 2 **MT-2832** Secondary hyperparathyroidism **TA-7284** Obesity **T-0047** Multiple sclerosis	**MCI-196** Hyperphosphatemia **MP-146** Chronic kidney disease **TA-7284** Diabetes mellitus type 2 **TA-1790** Erectile dysfunction (US)	**TA-1790** Erectile dysfunction (Korea)	***Argatroban*** Heparin-induced thrombocytopenia (France, Spain) (Pre-approval) **FTY720** Multiple sclerosis (Russia, US, Switzerland, Australia, Canada, Europe) (Licensed-out to Novartis)

Corporate Social Responsibility

The MCHC Group will continue to materialize *KAITEKI* through our corporate activities with the three decision criteria of Sustainability, Health, and Comfort, based on our Group philosophy of "Good Chemistry for Tomorrow—Creating better relationships among people, society, and our planet."

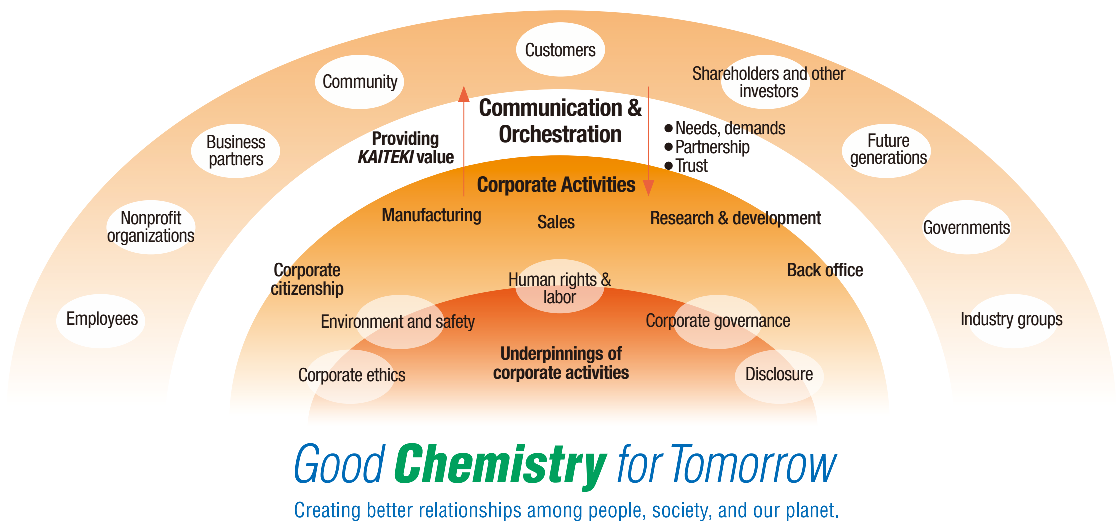
Basic Approach to Social Responsibility

We believe that our corporate social responsibility is to materialize *KAITEKI* through all corporate activities with the three decision criteria of Sustainability, Health, and Comfort.

We will not only provide *KAITEKI* value by putting our ideas into action, but will also contribute to the sustainable development of society through promoting and strengthening the fundamentals of our business activities, including corporate governance, environment and safety, and human rights.

Contributing to Society through Corporate Activities

Societies face numerous problems, including climate change, resource and energy depletion, and water and food issues. We are working to fulfill our mission of contributing to society through such activities as creating products that help reduce environmental impact throughout



their life cycles, that enhance quality of life, and that provide satisfaction for the world's growing population.

We must therefore identify and swiftly address societal needs and demands. We will listen faithfully to the opinions of diverse stakeholders in society and will do our utmost to fulfill our corporate social responsibilities.

Fundamental Corporate Activities

In 2005, the MCHC Group formulated the Mitsubishi Chemical Holdings Group Corporate Ethics and the Mitsubishi Chemical Holdings Group Compliance Code of Conduct. These codes are consistent with major international standards, including the 10 principles of the United Nations Global Compact, which we joined in 2006, the United Nation's Universal Declaration of Human Rights, and the International Labour Organization's Declaration on Fundamental Principles and Rights at Work. We aim to benefit society by adhering daily to our ethical requirements in all aspects of business, from research and development to production, sales, and procurement.

KAITEKI-Focused Management

We deploy Management of SUSTAINABILITY (MOS) Indexes in our new *APTSIS 15* mid-term management plan to quantitatively define the social contributions of our products, services, and corporate activities in each business area through the three decision criteria of Sustainability, Health, Comfort. With these indexes, we can now measure and evaluate our contribution to society in concrete terms, data that up until now had been difficult to grasp. *APTSIS 15* delineates nine MOS Indexes in each of the three key areas, in which the Sustainability Index measures our contribution to reducing environmental impact; the Health Index measures our contribution to improving quality of life and people's well being; and the Comfort Index measures how we are contributing to the improvement of stakeholder satisfaction and responding to stakeholder expectations. Taken together, these MOS Indexes provide a tangible appraisal of our corporate value.

We aim to combine MOS value with traditional economic value to maximize what we generate. We thus launched the *KAITEKI* Project, which the president oversees directly, and set up *KAITEKI* committees within each Group company as part of concerted efforts to increase MOS value.

For more detailed information about the *KAITEKI* activities of MCHC and its Group companies, please refer to the online *KAITEKI* section of each individual company's home page.

External Assessments

As of June 2011, three external organizations had included MCHC's stock in their socially responsible investment indexes on the strength of the commitment in its corporate activities to a sustainable society. MCHC is a component of the FTSE4Good Index Series, the Dow Jones Sustainability Asia Pacific Index 2010, and the Morningstar Socially Responsible Investment Index.

The *Financial Times* and the London Stock Exchange jointly own the FTSE Group, which manages the FTSE4Good Index Series. This index evaluates and promotes investments in companies that satisfy international corporate responsibility standards, and is highly regarded for its excellent transparent management methods, selection standards, and the FTSE Group's excellent brand image.

The Dow Jones Sustainability Indexes (DJSI) are a cooperation between SAM (Sustainable Asset Management) of Switzerland and the Dow Jones Indexes of the United States. DJSI Indexes, which were launched in September 1999, are the longest-running global sustainability benchmarks, assessing leading corporations based on economic, social, and environmental asset management strategies. The Dow Jones Sustainability Asia Pacific Index was launched in January 2009 and comprises the leading companies in terms of sustainability from the developed markets in the Asia-Pacific region.

The Morningstar Socially Responsible Investment Index is Japan's first socially responsible investment benchmark, currently consisting of 150 listed domestic companies designated by Morningstar Japan K.K.

FTSE4Good

Dow Jones Sustainability Indexes
Member 2010/11

MS-SRI
July 2011

MCHC remains committed to enhancing corporate value by strengthening corporate governance and implementing internal control systems to improve efficiency and transparency.

Basic Approach to Corporate Governance

We maintain a pure holding company system that segregates portfolio and operational management. The four core operating companies within the MCHC Group are Mitsubishi Chemical, Mitsubishi Tanabe Pharma, Mitsubishi Plastics, and Mitsubishi Rayon. Their collective domains are Performance Products, Health Care, and Industrial Materials. As the holding company, MCHC endeavors to enhance corporate value, primarily by formulating Group strategies, optimally allocating resources, and overseeing management.

MCHC's top priorities in Group corporate governance are to ensure that decision making and implementation are efficient and timely, to clarify management responsibility, and to maintain strict compliance and solid risk management.

Progress with Corporate Governance Initiatives

Management and administrative structures for corporate decision making, implementation, oversight, and other aspects of our corporate governance framework are shown below:

Corporate Structures

Our basic management and administrative structures are the Board of Directors, the Management Committee, statutory auditors, and the Board of Auditors.

We have adopted an executive officer system to separate management supervision and execution. We maintain rules governing the Board of Directors and other decision-making organs. Other rules cover such areas as the authority of individual employee positions and departmental responsibilities.

A. Board of Directors

The Board of Directors makes decisions on important MCHC and Group management matters, and oversees the activities of directors. Such decisions are in keeping with Board of Directors' regulations and other rules. In principle, the Board meets once per month. The Articles of Incorporation limit the number of Board members to 10. There were seven members as of June 2011, including two concurrently serving as executive officers. Directors serve for one year to ensure that management is flexible and that director responsibilities and roles are clear.

B. Management Committee

The Management Committee assists the president in decision making and discusses investment, financing, and other important implementation matters for MCHC and Group companies. This body also deliberates on such matters as compliance, risk management, safety and environmental measures, human rights education, social contributions, and other aspects of corporate social responsibility. Committee decisions of particular management importance are subject to approval of the Board of Directors. The Committee usually gathers once a month. The president, executive officers, statutory auditors, and executive representatives of principal direct investees in the committee discuss important implementation matters. Deliberations on important corporate social responsibility matters involve the presidents of MCHC and principal Group companies, principal direct investees, the executive officers in charge of compliance, other officers with CSR responsibilities, and statutory auditors.

C. Statutory Auditors and Board of Auditors

Statutory auditors and the Board of Auditors audit MCHC. In principle, the Board of Auditors meets once monthly. At the end of June 2011, this body had five statutory auditors, of whom three were external. The external auditors are independent and have no special interests in MCHC.

Statutory auditors and the outside auditing firm liaise closely with the Auditing Office and the Internal Control Office. MCHC regularly bolsters its auditing structure in several ways to maintain and enhance management health and transparency. For example, it designated all three external statutory auditors as independent under the Tokyo Stock Exchange's definition. While there are no major corporate governance issues with the current structure, we will explore ways to continue improving corporate governance.

D. Internal and Accounts Audits

a) Internal audits

The Auditing Office, which has seven members of staff, including those simultaneously serving with subsidiaries, scrutinizes MCHC and domestic and overseas subsidiaries based on an annual internal auditing plan. The office reports to statutory auditors on plans, implementation, and results for internal auditing. It also coordinates with statutory auditors, notably with the head of the Auditing Office being present at audits or attending Board of Auditors' meetings, at which statutory auditors report on progress. The office regularly exchanges important information with the external auditing firm on auditing policies and results, and works to strengthen collaborative ties with that firm.

b) Accounts audits
MCHC has entrusted outside auditing to Ernst & Young ShinNihon LLC, which maintains close ties with the statutory auditors. That firm provides statutory auditors with reports on the progress and results of assessments, and exchanges important information and opinions with them.

Takeover Defenses

MCHC does not maintain takeover defenses, although it is prepared to thwart large share purchases that threaten corporate value or the common interests of shareholders. Management will continue to explore the adoption of takeover defenses in light of such factors as laws, legal precedents concerning takeover activities, and social trends.

Remuneration of Directors and Statutory Auditors

For the fiscal year ended March 31, 2011

Category	Remuneration	
	Number of people paid	Payments (Millions of yen)
Directors	8	¥229
Statutory auditors	8	¥111
Total	16	¥341

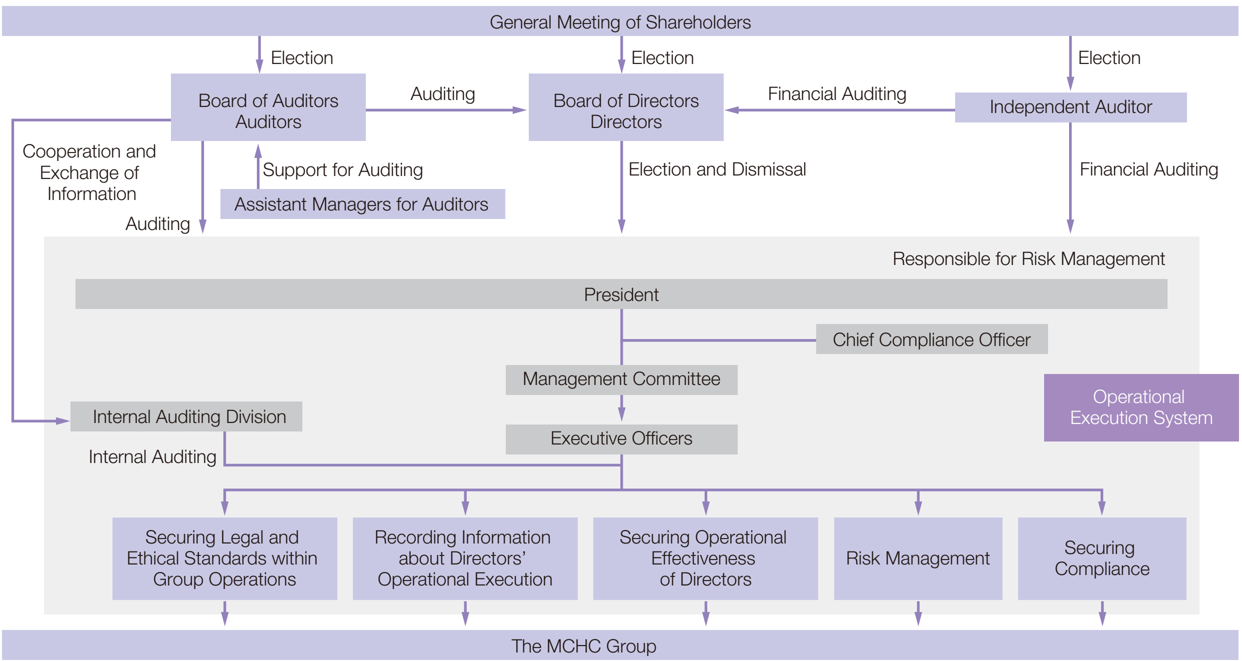
Note: There were seven directors and five statutory auditors at March 31, 2011.

IR Activities

MCHC holds results conferences twice a year, as well as quarterly results conferences online, for analysts and institutional investors. We also regularly conduct business briefings and presentations, research facility tours, and visits to institutional investors overseas.

The MCHC Group Corporate Governance System

As of June 30, 2011



Compliance

We make every effort to ensure that all people and companies in the MCHC Group fully understand and adhere to evolving compliance obligations.

Basic Concept

We view compliance as much more than simply abiding by laws, and we accordingly strive to additionally satisfy corporate ethics and social norms. Compliance is a top management priority, and we have thus established various related regulations. They include the Mitsubishi Chemical Holdings Group Corporate Ethics, the Mitsubishi Chemical Holdings Group Compliance Code of Conduct, and the Mitsubishi Chemical Holdings Group Compliance Promotion Policy, which underpin all other compliance-related rules.

To ensure Groupwide understanding and adherence to requirements, MCHC's Internal Control Office set up the Compliance Group, while each Group company maintains compliance promotion committees. The heads of these bodies are chief compliance officers appointed by the Board of Directors.

Each domestic Group company must prepare a code of conduct and guidebook, undertake education and training activities, carry out business audits and monitoring, establish and operate a compliance hotline, and perform other tasks, all through compliance promotion committee activities. The Compliance Group also provides training, prepares tools, and offers other support for Group companies.

These concepts and activities additionally apply to overseas Group companies, which draw on the Mitsubishi Chemical Holdings Group Corporate Ethics in developing codes of conduct and preparing rules that are consistent with the laws and social norms of host countries.

Fiscal 2010 Activities

In September 2010, new directors of Group companies took courses in compliance. In November 2010, an external attorney delivered a presentation to Group directors and presidents on compliance considerations for future business development.

Presentation on compliance considerations for future business development

TOPIC

Information Security Initiatives

MCHC formulated the Mitsubishi Chemical Holdings Group Information Security Policy to safeguard its information systems from internal and external threats, and to maintain and improve corporate value.

Under this policy, we task each Group company to help maintain information security as a component of our information systems infrastructure. Each Group company maintains a Mitsubishi Chemical Holdings Group Information System Security Administration Committee.

Overseeing these committees is an executive officer in charge of information systems at the Group Synergy Office. All Group companies also have information security managers. We are drawing on such a structure to maintain and improve Groupwide information systems security.

The Mitsubishi Chemical Holdings Group Risk Management Basic Policy is our benchmark for addressing basic risks.

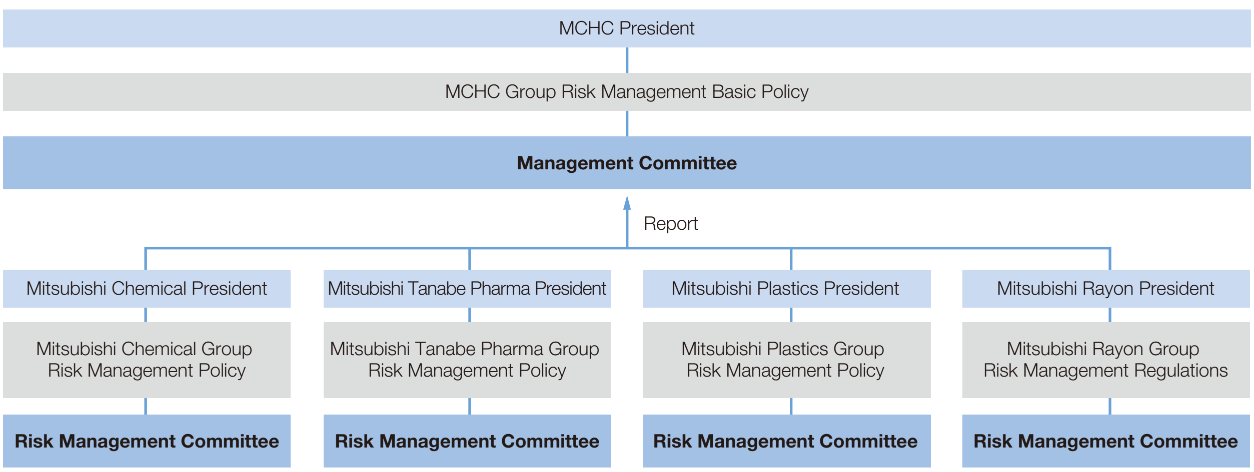
The Group has consolidated its risk management system over the years to fulfill its social responsibilities and enhance corporate value. In April 2006, MCHC developed a risk management system, which the president oversees as chief risk management officer, and formulated and deployed the Mitsubishi Chemical Holdings Group Risk Management Basic Policy.

The Management Committee discusses key issues related to Group risk management policies and responses, presenting its recommendations to the president. Each operating company tailors its risk management system to its specific business requirements, and oversees the efforts of subsidiaries to create their risk management setups.

During the year, MCHC continued to monitor its risk management systems, identifying and assessing significant risks. The Company conducted an internal campaign to eliminate or reduce such risk factors as H1N1 influenza and information security. MCHC accords top priority to isolating and addressing environmental and other Group risks.

Risk Management System

As of June 30, 2011



Board of Directors, Corporate Auditors and Executive Officers

As of June 24, 2011

(Seated from left) *Yoshimitsu Kobayashi, Ryuichi Tomizawa*
(Standing from left) *Masanao Kambara, Michihiro Tsuchiya, Shotaro Yoshimura, Shigeru Tsuyuki, Hiroshi Yoshida*

Members of the Board

Ryuichi Tomizawa
Chairman

Yoshimitsu Kobayashi
Representative Director,
President &
Chief Executive Officer

Shotaro Yoshimura
Representative Director,
Senior Managing Executive Officer
Supervising—Corporate Management Office; Public Relations and Investor Relations Office (IR)

Shigeru Tsuyuki
Senior Managing Executive Officer
Supervising—Corporate Strategy Office; Public Relations and Investor Relations Office (PR)

Michihiro Tsuchiya

Hiroshi Yoshida

Masanao Kambara

Corporate Auditors

Kazuchika Yamaguchi
(Full time)

Kazutoshi Kondo
(Full time)

Takashi Nishida*
(Full time)

Rokuro Tsuruta*
(Attorney-at-law)

Toshio Mizushima*
(Certified public accountant)

*Outside Corporate Auditor

Managing Executive Officers

Tomihisa Ikeura
Supervising—Group Synergy Office (R&D, Intellectual Property and Production Technology)

Noriyoshi Ohira
General Manager, Human Resources Office

Masanori Karatsu
Supervising—Group Synergy Office (Purchasing and Supply Chain Innovation)

Sadao Kobayashi
Supervising—Group Synergy Office (Production and Responsible Care)

Noboru Tsuda
Chief Compliance Officer
Supervising—Administration Office; General Manager, Internal Control Office

Iwao Yamamoto
Supervising—Group Synergy Office (Performance Products and Business Development)

Executive Officers

Hisao Urata
General Manager, CEO Office

Takao Okugawa
Supervising—Group Synergy Office (Marketing and Regional Strategy)

Motoo Kobayashi
Supervising—Group Synergy Office (Information System)

Ryoji Tanaka
Supervising—Group Synergy Office (Marketing and Regional Strategy)

Akira Nakata
Supervising—Group Synergy Office (R&D, Intellectual Property and Production Technology)

Yutaka Haruyama
Supervising—Group Synergy Office (Production and Responsible Care)

Kazuyuki Futamata
General Manager, CEO Office

Hidehiko Yashima
General Manager, Group Synergy Office

Financial Section

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Consolidated Financial Summary

Mitsubishi Chemical Holdings Corporation and Consolidated Subsidiaries
Years ended March 31

	Millions of yen						Thousands of U.S. dollars
	Mitsubishi Chemical Holdings Corporation					Mitsubishi Chemical Corporation	Mitsubishi Chemical Holdings Corporation
	2011	2010	2009	2008	2007	2006	**2011**
For the Year:							
Net sales	**¥3,166,771**	¥2,515,079	¥2,909,030	¥2,929,810	¥2,622,820	¥2,408,945	**$38,153,867**
Operating income	**226,493**	66,342	8,178	125,046	128,589	133,619	**2,728,831**
Income (loss) before income taxes and minority interests in consolidated subsidiaries	**169,552**	43,311	(44,002)	217,791	137,802	115,070	**2,042,795**
Net income (loss)	**83,581**	12,833	(67,178)	164,064	100,338	85,569	**1,007,000**
Total comprehensive income	**86,742**	37,513	—	—	—	—	**1,045,084**
Capital expenditures	**117,806**	119,025	139,011	170,051	130,855	97,864	**1,419,349**
Depreciation and amortization	**148,697**	129,574	119,230	102,172	83,270	88,165	**1,791,530**
R&D expenditures	**130,825**	136,863	127,802	112,064	91,177	89,594	**1,576,205**
Net cash provided by operating activities	**288,853**	116,073	76,149	156,173	63,343	179,723	**3,480,157**
Net cash used in investing activities	**(101,064)**	(327,006)	(189,233)	(177,985)	(133,434)	(74,365)	**(1,217,639)**
Net cash provided by (used in) financing activities	**(149,493)**	94,437	179,526	70,871	74,492	(97,181)	**(1,801,120)**
At Year-End:							
Total assets	**3,294,014**	3,355,097	2,740,876	2,765,837	2,318,832	2,126,612	**39,686,916**
Property, plant and equipment	**1,088,369**	1,167,073	834,046	852,806	724,438	686,680	**13,112,880**
Short-term and long-term debt	**1,304,589**	1,454,126	1,033,239	822,520	739,673	636,669	**15,717,940**
Total net assets	**1,114,003**	1,032,865	940,114	1,095,927	758,752	656,060	**13,421,723**
	Yen						U.S. dollars
Per Share:							
Net income (loss)—Basic	**¥ 58.72**	¥ 9.32	¥(48.81)	¥119.51	¥ 73.25	¥ 69.51	**$0.71**
Net assets	**514.30**	490.99	486.09	601.45	520.05	478.72	**6.20**
Cash dividends	**10.00**	8.00	12.00	16.00	14.00	14.00	**0.12**
Ratios:							
Return on assets (ROA) (%)	**5.1**	1.4	-1.5	8.5	6.1	5.6	**—**
Return on equity (ROE) (%)	**11.6**	1.9	-8.9	21.3	14.6	15.5	**—**
Shareholders' equity ratio (%)	**23.0**	20.0	24.4	29.9	30.7	30.8	**—**

Notes:
1. U.S. dollar amounts are converted from yen, for convenience only, at the rate of ¥83 = U.S.$1.00, the approximate exchange rate prevailing on March 31, 2011.
2. Financial results of Mitsubishi Rayon Co., Ltd., are included only from the fiscal year ended March 31, 2011.
3. 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 shareholders 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.
4. 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.
5. 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.
6. 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.
7. ROA is calculated as income before income taxes and minority interests in consolidated subsidiaries divided by average total assets.
8. ROE is calculated as net income divided by average shareholders' equity.
9. Shareholders' equity, when used in the calculation of ROE and shareholders' equity ratio, represents the sum of total shareholders' equity and total accumulated other comprehensive income.

Segment Information

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

The Overview of Reporting Segments is detailed in Note 18 (Segment Information).

	Net Sales*			Segment Earnings		
	Millions of yen		Thousands of U.S. dollars	Millions of yen		Thousands of U.S. dollars
REPORTING SEGMENT	**2011**	2010	**2011**	**2011**	2010	**2011**
Electronics Applications	**¥ 152,425**	¥ 167,259	**$ 1,836,446**	**¥ 962**	¥ (1,439)	**$ 11,590**
Designed Materials	**657,567**	436,786	**7,922,494**	**36,471**	13,339	**439,410**
Health Care	**504,922**	504,414	**6,083,398**	**85,096**	71,041	**1,025,253**
Chemicals	**895,403**	785,708	**10,787,988**	**52,970**	6,905	**638,193**
Polymers	**731,193**	479,071	**8,809,554**	**55,017**	(22,490)	**662,855**
Others	**225,261**	141,841	**2,713,988**	**4,530**	6,246	**54,578**
Subtotal	**3,166,771**	2,515,079	**38,153,867**	**235,046**	73,602	**2,831,880**
Corporate costs	**—**	—	**—**	**(8,553)**	(7,260)	**(103,048)**
Total	**¥3,166,771**	¥2,515,079	**$38,153,867**	**¥226,493**	¥ 66,342	**$2,728,831**

* Inter-segment sales and transfers are not included.

	Segment Assets			Depreciation and Amortization		
	Millions of yen		Thousands of U.S. dollars	Millions of yen		Thousands of U.S. dollars
REPORTING SEGMENT	**2011**	2010	**2011**	**2011**	2010	**2011**
Electronics Applications	**¥ 129,348**	¥ 138,727	**$ 1,558,410**	**¥ 9,057**	¥ 9,362	**$ 109,120**
Designed Materials	**712,546**	716,677	**8,584,892**	**48,309**	32,899	**582,036**
Health Care	**852,704**	832,469	**10,273,542**	**18,882**	19,879	**227,494**
Chemicals	**655,875**	681,545	**7,902,108**	**31,064**	40,698	**374,265**
Polymers	**744,552**	745,508	**8,970,506**	**34,490**	19,051	**415,542**
Others	**296,018**	324,209	**3,566,482**	**3,916**	4,292	**47,181**
Subtotal	**3,391,043**	3,439,135	**40,855,940**	**145,718**	126,181	**1,755,639**
Corporate assets and eliminations	**(97,029)**	(84,038)	**(1,169,024)**	**2,979**	3,393	**35,892**
Total	**¥3,294,014**	¥3,355,097	**$39,686,916**	**¥148,697**	¥129,574	**$1,791,530**

	Increase in Tangible and Intangible Fixed Assets*			R&D Expenditures		
	Millions of yen		Thousands of U.S. dollars	Millions of yen		Thousands of U.S. dollars
REPORTING SEGMENT	**2011**	2010	**2011**	**2011**	2010	**2011**
Electronics Applications	**¥ 6,580**	¥ 9,799	**$ 79,277**	**¥ 9,166**	¥ 4,786	**$ 110,434**
Designed Materials	**34,468**	33,290	**415,277**	**21,806**	13,419	**262,723**
Health Care	**18,488**	16,289	**222,747**	**73,878**	92,333	**890,096**
Chemicals	**29,323**	38,656	**353,289**	**5,733**	4,707	**69,072**
Polymers	**21,873**	14,941	**263,530**	**13,890**	9,136	**167,349**
Others	**3,207**	4,256	**38,639**	**907**	307	**10,928**
Subtotal	**113,939**	117,231	**1,372,759**	**125,380**	124,688	**1,510,602**
Corporate R&D and other	**3,867**	1,794	**46,590**	**5,445**	12,175	**65,602**
Total	**¥117,806**	¥119,025	**$1,419,349**	**¥130,825**	¥136,863	**$1,576,205**

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

	Employees (Number)	
REPORTING SEGMENT	**2011**	2010
Electronics Applications	**3,364**	3,248
Designed Materials	**13,907**	13,260
Health Care	**12,946**	12,947
Chemicals	**5,538**	5,647
Polymers	**7,426**	7,642
Others	**9,704**	9,330
Subtotal	**52,885**	52,074
Corporate R&D and other	**997**	1,833
Total	**53,882**	53,907

	Net Sales		
	Millions of yen		Thousands of U.S. dollars
GEOGRAPHIC SEGMENT	**2011**	2010	**2011**
Japan	**¥2,436,829**	¥2,116,385	**$29,359,386**
Overseas	**729,942**	398,694	**8,794,482**
Total	**¥3,166,771**	¥2,515,079	**$38,153,867**

	Operating Income		
	Millions of yen		Thousands of U.S. dollars
GEOGRAPHIC SEGMENT	**2011**	2010	**2011**
Japan	**¥153,174**	¥44,909	**$1,845,470**
Overseas	**73,319**	21,433	**883,361**
Total	**¥226,493**	¥66,342	**$2,728,831**

	Millions of yen		Thousands of U.S. dollars
OVERSEAS SALES	**2011**	2010	**2011**
Overseas sales	**¥1,087,558**	¥637,207	**$13,103,108**
Overseas sales as a percentage of consolidated net sales	**34.3%**	25.3%	**—**

Note: Financial results of Mitsubishi Rayon Co., Ltd., are included only from the fiscal year ended March 31, 2011.

Management's Discussion and Analysis

The Consolidated Accounting Period under Review

Performance Overview

In fiscal 2010, ended March 31, 2011, the Japanese economy continued to recover, despite the appreciation of the yen and concerns about a downturn in the overseas economy, reflecting upturns in capital expenditure and consumer spending and higher exports particularly to Asia. Corporate production and personal consumption plunged, however, following the March 2011 Great East Japan Earthquake, which wrought destruction in the Tohoku and Kanto regions.

MCHC experienced a generally favorable business climate. Demand in the Performance Products and Industrial Materials domains recovered both domestically and abroad, amid rising raw materials and fuel costs. Demand in the Health Care domain remained solid, despite constraints in medical spending. The operating environment deteriorated following the earthquake, however, which forced production suspensions at several facilities, including Mitsubishi Chemical's Kashima Plant.

MCHC completed its three-year *APTSIS 10* management plan in fiscal 2010. This initiative focused on overhauling the business portfolio, as part of which the Group strengthened such high-performance, high-value-added businesses as white LEDs and lithium-ion battery materials, while withdrawing from unprofitable operations. Other priorities were to reinforce international competitiveness by strengthening overseas businesses while partnering or acquiring leading domestic and overseas companies. We restructured and integrated the engineering and water treatment businesses of Mitsubishi Chemical and Mitsubishi Rayon, and partly unified their research units. The goal was to generate synergies swiftly with the latter company, which became a consolidated subsidiary in March 2010. The Group also cut costs and downsized assets to boost profitability.

As a result of these efforts, net sales rose ¥651.6 billion, or 25.9%, to ¥3,166.7 billion. Operating income increased 3.4 times, or ¥160.1 billion, to ¥226.4 billion. Net income climbed ¥70.7 billion, to ¥83.5 billion. This was despite posting extraordinary losses associated with the Great East Japan Earthquake.

Results of Operations

Net Sales and Operating Income

Net sales rose ¥651.6 billion, or 25.9%, to ¥3,166.7 billion, reflecting demand turnarounds in the Performance Products and Industrial Materials domains, and the consolidation of Mitsubishi Rayon in March 2010.

Operating income advanced 3.4 times, or ¥160.1 billion, to ¥226.4 billion, on the strength of the consolidation of Mitsubishi Rayon and demand recoveries.

The operating margin was 7.1%, up from 2.6% in fiscal 2009.

Other Income and Expenses

Other expenses amounted to ¥56.9 billion, up from ¥23.0 billion a year earlier.

Interest income was ¥2.1 billion, while dividend income was ¥5.0 billion. Combined, this income was ¥562 million higher than that of fiscal 2009. Interest expense was ¥3.1 billion higher, at ¥16.1 billion, largely because of the consolidation of Mitsubishi Rayon. Net financial expenses therefore rose ¥2.5 billion, to ¥8.9 billion.

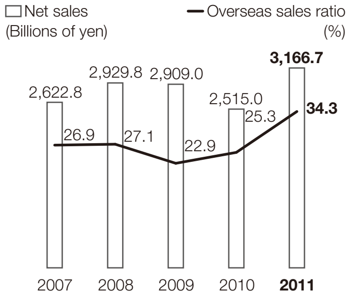
Equity in earnings of affiliates was ¥15.1 billion, up ¥8.6 billion, reflecting the inclusion of Daesan MMA Corp. as an affiliate and improved profitability at Samnam Petrochemical Co., Ltd., an overseas affiliate that makes terephthalic acid. MCHC posted ¥5.0 billion in foreign exchange losses, compared with ¥1.9 billion in gains in the preceding term.

Additional components of other income were a ¥2.3 billion gain on cancellation of derivatives and a ¥1.0 billion gain on business transfers.

Other expenses included ¥22.4 billion in losses from the Great East Japan Earthquake, including restoration costs at Mitsubishi Chemical's Kashima Plant in Kamisu, Ibaraki Prefecture. MCHC also posted a ¥10.7 billion loss on valuation of investment securities and a ¥6.0 billion provision for prospective loss on removal of fixed assets.

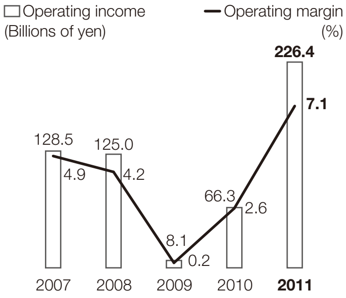
Income before income taxes and minority interests in consolidated subsidiaries rose ¥126.2 billion, to ¥169.5 billion.

Net Sales and Overseas Sales Ratio



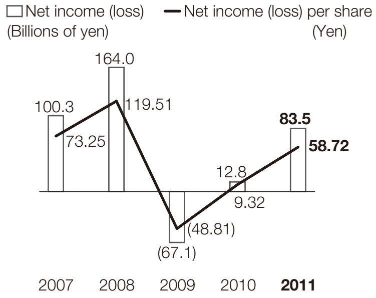
Years ended March 31

Operating Income and Operating Margin



Years ended March 31

Net Income (Loss) and Net Income (Loss) per Share



Years ended March 31

Income Taxes, Minority Interests in Income, and Net Income

Income taxes were ¥46.9 billion, comprising the sum of ¥47.8 billion in current income taxes and an ¥870 million downward adjustment for deferred income taxes. The effective tax rate after applying tax-effect accounting was 27.7%, or 12.9 percentage points less than the statutory tax rate in Japan. This was due largely to the increase in overseas earnings, where the tax rate is lower.

Minority interests in consolidated subsidiaries were ¥39.0 billion, up ¥19.0 billion. This was mainly because of improved results from the consolidation of Mitsubishi Rayon.

Net income thus rose ¥70.7 billion, to ¥83.5 billion.

Results by Industry Segment

Electronics Applications

Recording media sales declined because of lower DVD volumes and prices, and the appreciation of the yen, which counteracted higher volumes of portable hard disk drives and flash memory devices. In electronics-related materials, sales of display materials were unchanged, as demand decreased in the second half of the year. However, sales were favorable for our precision cleaning and wafer regeneration businesses for semiconductors. Sales of imaging supplies were down, as the appreciation of the yen and other factors overshadowed strong demand for such office printing consumables as organic photo conductor (OPC) drums and toners.

Segment sales thus fell ¥14.8 billion, or 8.8%, to ¥152.4 billion. Operating income was ¥962 million, compared with a ¥1.4 billion operating loss a year earlier, thanks to improved earnings in the semiconductor precision cleaning and wafer regeneration businesses, as well as greater volumes in OPC drums and toners.

Major Initiatives

- Mitsubishi Kagaku Media Co., Ltd., constructed new production facilities to increase its production of Blu-ray Discs at Mitsubishi Chemical Infonics Pte Ltd in Singapore, and began operations. Monthly production capacity increased from 400,000 discs, to 1.3 million. (April 2010)
- Mitsubishi Kagaku Media announced it would integrate all products under the *Verbatim* brand by incorporating Mitsubishi recordable optical discs under that identity as of September 1, 2010. (July 2010)
- Mitsubishi Kagaku Media began sales of *Verbatim* LED light bulbs in Europe. (September 2010)
- Mitsubishi Kagaku Media launched its *Verbatim* ARLEDIA DVD-R line, which uses a gold and silver reflective layer for high durability. This archival-quality disc offers longer-term storage capability than predecessors. (December 2010)
- Mitsubishi Chemical and Mitsubishi Plastics announced the forthcoming launch in April 2011 of *ALPOLIC/gioa* building-integrated photovoltaics, which combine thin-film photovoltaics with *ALPOLIC* aluminum composites. (February 2011)
- Mitsubishi Kagaku Media launched *Verbatim* LED light bulbs in North America. (February 2011)

Designed Materials

Food ingredient sales rose on the strength of overseas demand, which offset flat domestic volumes of emulsifier. Sales of battery materials were down because of lower volumes and prices in the second half for notebook computers. Fine chemicals sales increased on generally higher demand. Sales of polymer processing products surged, reflecting full-year contributions from Nippon Synthetic Chemical Industry Co., Ltd., and Quadrant AG, which became consolidated subsidiaries in September 2009, as well as significantly higher volumes of polyester films owing to solid domestic and overseas demand. In composite materials, sales of carbon and alumina fibers and other industrial materials soared in line with contributions from Mitsubishi Rayon and demand recoveries. Sales of inorganic chemicals advanced owing to a demand turnaround, which boosted volumes. MCHC newly incorporated fibers in consolidated accounts for the year under review; however, sales of these offerings were lackluster, reflecting stagnant volumes.

As a result of these factors, segment sales increased ¥220.7 billion, or 50.5%, to ¥657.5 billion. Operating income rose ¥23.1 billion, or 173.4%, to ¥36.4 billion.

Major Initiatives

- Mitsubishi Plastics launched a medical version of its *DIAMIRON* multilayer food packaging film. (April 2010)
- Mitsubishi Plastics resolved to inaugurate Mitsubishi Plastics Marketing Co., Ltd., by separating a part of its sales and marketing function. (April 2010)
- Mitsubishi Rayon launched #395 Prepreg, a carbon fiber composite, which offers outstanding toughness and quick curing. (April 2010)
- Mitsubishi Rayon and SGL Technologies GmbH jointly established MRC–SGL Precursor Co. Ltd. to produce and sell carbon fiber precursors. (April 2010)
- Mitsubishi Plastics launched *ALPOLIC*/fr AD, an aluminum composite material that the Minister of Land, Infrastructure, Transport and Tourism certified as a non-combustible material with a top surface that adheres to certain digital printed (finishing) films. (May 2010)

- Mitsubishi Chemical, QINGDAO GR-TAIDA CARBON CO., LTD., and Meiwa Corporation established a joint venture in Shandong Province, PRC, to manufacture spherical graphite, a core anode material for lithium-ion batteries. (May 2010)
- Mitsubishi Plastics completed and began operations at the Naoetsu Plant for *AQSOA*, a zeolite-based adsorbent. The facility has an annual capacity of 150 metric tons. (May 2010)
- Mitsubishi Chemical decided to raise annual capacity of cathode materials for lithium-ion batteries from 600 metric tons, to 2,200, at its Mizushima Plant. (May 2010)
- Mitsubishi Plastics developed a high-barrier PET wine bottle with Mercian Corporation and Kirin Brewery Co., Ltd. (June 2010)
- Mitsubishi Rayon announced that Singapore's largest sewage treatment plant adopted its SADF microfiltration membrane for membrane bioreactor treatment. Nitto Denko Corporation and Hydranautics, its wholly owned subsidiary, won the order from Hyflux Ltd of Singapore. (June 2010)
- MCHC, Mitsubishi Chemical, and Mitsubishi Rayon announced that the latter two companies would restructure and consolidate their water treatment businesses. (July 2010)
- Mitsubishi Rayon resumed construction of a new carbon fiber plant at the Otake Production Center. Construction was suspended after March 2009 in response to poor global economic conditions and a corresponding downturn in the carbon fiber markets. The facility will have an annual production capacity of 2,700 metric tons. (July 2010)
- Mitsubishi Plastics developed *ALPOLIC* A2, which complies with Euroclass A2, a next-generation fire prevention standard for external cladding walls. All European Union members will adopt this standard. (July 2010)
- Mitsubishi Chemical decided to increase annual capacity at its Sakaide Plant for lithium-ion battery anode materials from 5,000 metric tons, to 7,000 metric tons. (September 2010)
- Mitsubishi Plastics decided to expand annual capacity of *MAFTEC* alumina fibers at its Naoetsu Plant from 4,500 metric tons, to 4,800 metric tons. (September 2010)
- MCHC and Mitsubishi Plastics decided to establish a polyester film production and sales subsidiary in Jiangsu Province, PRC, with an annual capacity of 45,000 metric tons. (September 2010)
- Mitsubishi Chemical decided to establish a subsidiary in Shandong Province, PRC, to produce and sell 4,000 metric tons annually of lithium-ion battery anodes. (September 2010)
- Mitsubishi Plastics developed recyclable fire-resistant polyvinyl chloride pipes and joints. (October 2010)
- Mitsubishi Chemical decided to expand annual capacity at the Yokkaichi Plant for lithium-ion battery electrolytes from 8,500 metric tons, to 13,500 metric tons. (October 2010)
- Mitsubishi Chemical decided to establish two new subsidiaries, one in the United Kingdom and one in the United States, to manufacture and sell lithium-ion battery electrolytes. Each company will have an annual capacity of 10,000 metric tons. (October 2010)
- Mitsubishi Plastics decided to establish Mitsubishi Plastics Trading Shanghai Co., Ltd., to strengthen marketing in the PRC. (March 2011)

Health Care

Sales of pharmaceuticals increased on substantially higher volumes for *Remicade*, an anti-TNF-α monoclonal antibody, which offset the impact of a downward revision in Japan's National Health Insurance (NHI) drug prices in April 2010. Other key contributors were increased volumes for *Maintate*, a treatment for angina pectoris, hypertension, and arrhythmias; *Talion*, a treatment for allergic disorders; and generic drugs. Diagnostic reagent and instrument sales declined because of lower volumes, but clinical testing sales increased on higher demand.

Segment sales edged up ¥0.5 billion, to ¥504.9 billion. Operating income was up ¥14.0 billion, or 19.7%, to ¥85.0 billion. This was mainly because a licensing contract change eliminated some one-time R&D expenditures incurred in fiscal 2009, reducing administrative expenses.

Major Initiatives

- Mitsubishi Tanabe Pharma and consolidated subsidiary Bipha Corporation received an administrative action—suspension of business and an order for improvement—from the Minister of Health, Labour and Welfare for violating the Pharmaceutical Affairs Law. (April 2010)
- Mitsubishi Tanabe Pharma received approval to add ankylosing spondylitis as an indication for *Remicade* I.V. Drip Infusion 100 (generic name: infliximab), an anti-TNF-α monoclonal antibody. (April 2010)
- Mitsubishi Tanabe Pharma received approval to add ulcerative colitis as an indication for *Remicade* I.V. Drip Infusion 100 (generic name: infliximab), anti-TNF-α monoclonal antibody. (June 2010)
- Mitsubishi Tanabe Pharma and Toyama Chemical Co., Ltd., received approval for partial changes in indications, dosages and usage, and for a new 1,000 mg dosage formulation for *Pazucross*, an injectable quinolone antibacterial agent. (July 2010)
- Mitsubishi Tanabe Pharma completed post-marketing surveillance on all patients with refractory uveoretinitis in Behcet's disease taking *Remicade* I.V. Drip Infusion anti-TNF-α monoclonal antibody 100. (August 2010)

- Novartis Pharma AG gained New Drug Application approval in the United States for treating multiple sclerosis with FTY720. This drug—the world's first sphingosine 1-phosphate (S1P) receptor modulator—was discovered in a joint research project conducted by Professor Emeritus Tesuro Fujita of Kyoto University, Mitsubishi Tanabe Pharma, and others, and the global (ex-Japan) marketing rights were licensed out to Novartis Pharma. (September 2010)
- Mitsubishi Tanabe Pharma entered into a basic agreement with Anaphore, Inc., for an R&D partnership based on the latter's *Atrimer* platform technology. Research has started. (December 2010)
- Mitsubishi Tanabe Pharma announced that following the expiration of a sublicense agreement between Mitsubishi Tanabe Pharma and Daiichi Sankyo Company, Limited, which granted the latter exclusive rights in Japan to market *Kremezin*, a drug for chronic renal failure, marketing rights would be transferred to Mitsubishi Tanabe Pharma as of April 1, 2011. (January 2011)
- Mitsubishi Tanabe Pharma confirmed that quality tests for some product lots may not have been conducted prior to shipping from the Ashikaga Plant of Mitsubishi Tanabe Pharma Factory Ltd., a consolidated subsidiary of Mitsubishi Tanabe Pharma. Mitsubishi Tanabe Pharma therefore implemented a voluntary recall of possibly untested lots. (January 2011)
- The European Union granted Novartis Pharma approval for FTY720, an S1P receptor modulator, for which that company received global development and marketing rights (ex-Japan) from Mitsubishi Tanabe Pharma. (March 2011)

Chemicals

Production of ethylene, a basic raw material for petrochemicals, increased 4.5%, to 1.19 million metric tons. This was despite a halt in production at the ethylene facilities of Mitsubishi Chemical's Kashima Plant because of the Great East Japan Earthquake, and reflected a scale-down of regular production facilities maintenance. Sales surged for basic petrochemicals, chemical derivatives, and synthetic fiber materials owing to price increases to cover higher raw materials and fuel costs. Other key factors were greater demand, the consolidation of Mitsubishi Rayon, and flourishing terephthalic acid markets overseas for synthetic fibers. In carbon products, sales of blast furnace coke were up on higher volumes and price increases to cover climbing coking coal costs.

Segment sales therefore gained ¥109.6 billion, or 13.9%, to ¥895.4 billion. Operating income climbed ¥46.0 billion, to ¥52.9 billion, reflecting an increased gap between prices and raw materials costs, and greater volumes.

Major Initiatives

- Mitsubishi Chemical, Nippon Petroleum Refining Co., Ltd., Japan Energy Corporation, and Asahi Kasei Chemicals Corporation have collaborated extensively at the Mizushima petrochemicals complex in Kurashiki, Okayama Prefecture. The Research Association of Refinery Integration for Group-Operation recognized the effort in 2009 as a model Project for the Stable Supply of Petroleum Products. (April 2010)
- Following an extensive feasibility study, MCHC and Asahi Kasei Corporation signed a memorandum of understanding to establish a joint venture to integrate their basic petrochemicals operations in Mizushima with the start-up of unified operations of naphtha crackers in April 2011. (May 2010)
- Mitsubishi Chemical and Dai-ichi Kogyo Seiyaku Co., Ltd., agreed to transfer all shares in Yokkaichi Chemical Company Limited, their ethylene oxide derivatives joint venture, to Dai-ichi Kogyo Seiyaku. (September 2010)
- MCHC, Mitsubishi Chemical, Asahi Kasei, and Asahi Kasei Chemicals resolved to establish Nishi Nippon Ethylene LLP to integrate management of their naphtha cracker operations in Mizushima from April 1, 2011. (February 2011)

Polymers

Sales of synthetic resins soared owing to increased demand and price rises to address greater raw materials and fuel costs. Another factor was the new contribution of Mitsubishi Rayon's methyl methacrylate (MMA) monomers, for which volumes rose, amid strong domestic and overseas markets.

Segment sales gained ¥252.1 billion, or 52.6%, to ¥731.1 billion. Operating income was ¥55.0 billion, from an operating loss of ¥22.4 billion a year earlier. The improvement stemmed mainly from the increase in sales, as well as an improvement in inventory valuation, with higher raw materials and fuel costs.

Major Initiatives

- Mitsubishi Chemical and Royal DSM N.V. completed their nylon and polycarbonate business exchanges. (June 2010)
- Japan Polypropylene Corporation decided to terminate its No. 1 polypropylene production line at the Kashima Plant and the No. 2 polypropylene production line at the Goi Plant. (July 2010)
- Mitsubishi Chemical announced it would jointly support the Biodegradable Plastic Bags for Organic Fertilizer Production on Samet Island Project, organized by the National Innovation Agency in Thailand, with PTT Public Company Limited and the Department of Natural Parks, Wildlife and Plant Conservation. (July 2010)
- Mitsubishi Chemical decided to dissolve V-Tech Corporation, a joint venture with Toagosei Co., Ltd., by around the end of September 2011. (February 2011)

• Mitsubishi Rayon and Honam Petrochemical Corp. decided to expand MMA monomer and acrylic resin pellet manufacturing facilities at joint venture Daesan MMA Corp. They agreed to lift annual MMA monomer capacity from 90,000 metric tons, to 188,000 metric tons, and raise acrylic resin pellet capacity from 50,000 metric tons, to 110,000 metric tons. (February 2011)
• Japan Polypropylene concluded an agreement with China Petroleum & Chemical Corporation (Sinopec) on licensing the HORIZEN process, Japan Polypropylene's polypropylene production technology. (March 2011)
• Mitsubishi Rayon subsidiary Lucite International Group Limited decided to build a methacrylic acid plant at its facility in Beaumont, Texas. (March 2011)

Others

Engineering sales rose on the consolidation of Mitsubishi Rayon, offsetting a reduction in external orders. Logistics services sales increased in line with gains in external orders.

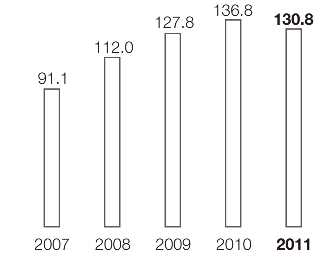
Segment sales therefore gained ¥83.4 billion, or 58.8%, to ¥225.2 billion. However, the reduction of external orders in engineering caused operating income to decrease ¥1.7 billion, or 27.4%, to ¥4.5 billion.

Notes
1. From fiscal 2010, MCHC adopted the Revised Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (ASBJ Statement No. 17, March 27, 2009) and Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (ASBJ Guidance No. 20, March 21, 2008). MCHC therefore changed from business segment to reporting segment disclosure. Although retaining the segment names, MCHC redefined businesses according to the new standard and guidance adopted. Note 18 overviews the reporting segments under the new disclosure categories.
2. MCHC has recalculated figures for the previous fiscal year to enable segment performance comparisons.

R&D Expenditures

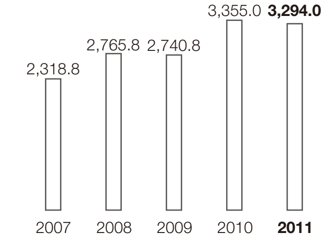
Group companies maintain independent R&D programs and collaborate with each other by sharing technology and market information, and conducting joint research. They are also working closely with businesses outside the Group to refine and develop technologies. In fiscal 2010, consolidated R&D expenditures decreased ¥6.0 billion, or 4.4%, to ¥130.8 billion. There were 5,160 R&D employees at the close of the term.

R&D Expenditures



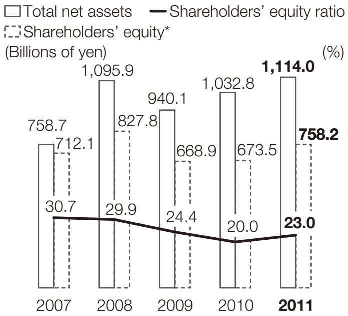
Years ended March 31

Total Assets



As of March 31

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



As of March 31

* Shareholders' equity represents the sum of total shareholders' equity and total accumulated other comprehensive income.

Liquidity and Source of Funds

Financial Policies

Under *APTSIS 10*, which ended in fiscal 2010, the MCHC Group prioritized operating income and return on assets (ROA).

The Group was therefore able to generate ¥226.4 billion in operating income for the year under review, exceeding its target of ¥190.0 billion.

ROA, calculated as income before income taxes and minority interests in consolidated subsidiaries divided by average total assets, was 5.1% for the year, below the objective of at least 6.0%.

The Group funds working capital and capital expenditure by drawing on internal reserves, loans, commercial paper, corporate bonds, and bonds with warrants. It has deployed a cash management system to employ Group funds efficiently and cut financial expenses.

Financial Position

Assets

As of March 31, 2011, total assets stood at ¥3,294.0 billion, down ¥61.0 billion. Key reasons were a decrease in the yen equivalent of assets of overseas consolidated subsidiaries, owing to the yen's appreciation, and a drop in tangible fixed assets because capital expenditures were smaller than the depreciation allowance. These factors offset a rise in inventories in keeping with higher raw materials and fuel costs.

Liabilities

Total liabilities at year-end were ¥2,180.0 billion, down ¥142.2 billion, reflecting a decrease in interest-bearing debt.

Net Assets

Net assets were ¥1,114.0 billion, up ¥81.1 billion. This was despite a ¥22.2 billion decline in foreign currency translation adjustments attributable to the yen's appreciation against other currencies, and reflected ¥83.5 billion in net income and an increase in shareholders' equity through a share exchange with Mitsubishi Rayon.

The shareholders' equity ratio therefore rose 3.0 percentage points, to 23.0%.

Cash Flows

Net cash provided by operating activities was ¥288.8 billion, up ¥172.7 billion. This was despite an increase in working capital and reflected ¥169.5 billion in income before income taxes and minority interests in consolidated subsidiaries, and depreciation and amortization.

Net cash used in investing activities was ¥101.0 billion, down ¥225.9 billion, mainly because there were no major purchases of investments in subsidiaries resulting in change in scope of consolidation in the year under review.

Net cash used in financing activities was ¥149.4 billion, compared with ¥94.4 billion provided by such activities a year earlier, mainly attributable to a redemption in commercial paper and cash dividends paid.

For cash flows from operating and investing activities, MCHC thus posted ¥187.7 billion in free cash flow, compared with ¥210.9 billion in negative free cash flow a year earlier. Cash and cash equivalents at year-end were therefore ¥143.7 billion, up ¥31.1 billion.

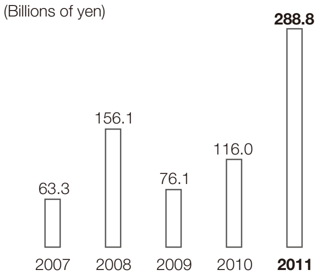
Capital Expenditures

Capital expenditures for the fiscal year ended March 31, 2011, were ¥117.8 billion, a decrease of ¥1.2 billion compared with the previous fiscal year. The majority of these expenditures were applied to construction of new or expanded facilities, renewal of existing facilities, and rationalization investments in other existing facilities.

The major new or expanded facilities include the ethylene oxide storage facility of MCC Kashima Plant, the Research Building of MTPC Yokohama Office, and a pilot plant to manufacture propylene at MCC Mizushima Plant.

Net Cash Provided by Operating Activities

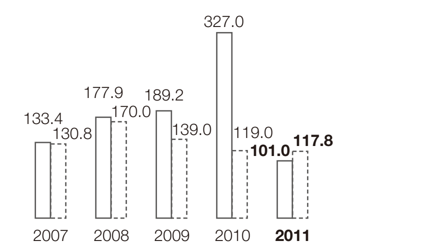
(Billions of yen)



Years ended March 31

Net Cash Used in Investing Activities and Capital Expenditures

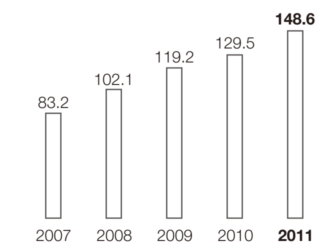
Net cash used in investing activities Capital expenditures
(Billions of yen)



Years ended March 31

Depreciation and Amortization

(Billions of yen)



Years ended March 31

Business Risks

The MCHC Group faces the following key risks, which could adversely affect its operating results and financial position. This section contains forward-looking statements based on information deemed relevant at March 31, 2011. The business risks presented are not all-encompassing.

Changes Affecting Operating Results

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

(a) Performance Products Domain

Many of these products must satisfy high quality and performance requirements, and the Group must develop and supply them at the appropriate times to meet market needs. Group business results ("results") may be adversely affected if market needs change far more than the Group envisages, or if the Group is unable to ensure the timely supply of products that meet market needs, including issues with the availability of raw materials. If supply is interrupted for raw materials, such as rare earths from the PRC and certain other areas, or which come from suppliers that rely on those areas, then this could affect adversely results.

The Group outsources production of most electronics applications products to other Asian manufacturers, so disasters or other issues with those facilities could disrupt the supply structure, adversely affecting results. Film and sheet products rely greatly on demand for liquid crystal display panels and other IT devices, so deteriorating performances in the IT sector could adversely affect results.

(b) Health Care Domain

Earnings in this domain are primarily from the pharmaceuticals business. Several factors could adversely affect results. They include the inability to deploy adequate policies to maintain earnings by expanding sales of existing drugs or by rationalizing in response to regular revisions in Japan's NHI drug prices. Another would be health insurance system reform trends around the world as part of efforts to constrain medical spending.

MCHC allocates planned research and development expenditures to create ethical drugs. R&D lead times are frequently long, and because legislation in countries worldwide prohibits sales without authorization, the Group may be unable to obtain approvals or accurately project their timing. Not all R&D endeavors bear commercial fruit, and an inability to obtain the required authorizations and launch products in a timely manner could adversely affect results. MCHC relies on certain supply sources for some raw materials, and supply disruptions could make it impossible to efficiently provide pharmaceuticals to domestic and overseas markets, thereby adversely affecting results. Entries of foreign companies into the Japanese market or intensified competition from other companies developing rival products could make it impossible for MCHC to recoup R&D spending on commercialized ethical drugs, affecting results. Another potential impact on results could be reports of new side effects of pharmaceuticals after MCHC has launched them and they are widely prescribed, with sales plunging or governments withdrawing approvals.

The Health Care domain relies heavily on key pharmaceuticals for its performance, and any factors causing a decline in sales of those core offerings could also adversely affect results.

(c) Industrial Materials Domain

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

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

(d) Others

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

(e) Overall Operations

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

The Group's broad overseas activities include exporting products and manufacturing around the world. International geopolitical problems, inadequate supplies from utilities or other infrastructural shortfalls, or other unforeseeable issues with regulations, taxation, working conditions, customs, or transportation delays could adversely affect results.

Interest-Bearing Debt	The Group aims to balance its growth and innovation strategies with efforts to enhance its financial position. MCHC's results could be adversely affected in a situation where interest payments on interest-bearing debt rises, such as because interest-bearing debt increases, interest rates rise, or MCHC's credit rating declines owing to fluctuating Group performances. Results could also be adversely affected if it becomes essential to procure funds to upgrade facilities and the Group must obtain financing at unfavorable terms.
Risks Associated with Acquisitions, Mergers, or Restructuring	Results could be adversely affected if mergers, acquisitions, or joint ventures created in Japan or abroad to expand scale or overhaul MCHC's business portfolio fail to deliver anticipated synergies or other benefits, or if the Group's financial burden thereby increases or, if after mergers or acquisitions, the Group encounters new debt or other issues that it did not initially envisage. Other factors that could adversely affect results include reorganizations as part of business selection and concentration initiatives, through which MCHC withdraws from unprofitable businesses or liquidates affiliates.
Deferred Tax Assets	The Group records deferred tax assets for deductible temporary differences on tax loss carryforwards. Deferred tax assets are calculated based on various predictions and assumptions about future taxable income. If results differ from such predictions and assumptions, or if tax rates change in line with changes to the tax system, MCHC would need to recalculate deferred tax assets, which could adversely affect results.
Impairment of Securities	The Group holds marketable securities, mainly as a minority shareholder in customer companies or financial institutions to maintain long-term relationships with them. Major declines in the market values of such securities could adversely affect results.
Impairment of Fixed Assets	The Group applies accounting standards related to fixed asset impairment. The Group would incur impairment losses owing to dramatically deteriorating performances or major declines in property values, which could adversely affect results.
Pension and Severance Plans	The Group calculates retirement benefit obligations and expenses for current and former employees based on actuarial assumptions, investment returns on plan assets, and other factors. A decline in the value of pension assets, fluctuations in the interest rate climate, and changes in retirement benefit obligations and expenses owing to changes in the retirement plan and pension systems could adversely affect results.
Impact of Inventory Valuations	The Group states inventory assets principally at cost based on the moving average method. Declines in the costs of naphtha or raw materials could detract from earnings by affecting relatively expensive inventories at the start of a term, thereby increasing the cost of sales. Earnings would conversely rise if fuel costs rose. Changes in fuel costs could therefore affect results. The Group applies the Accounting Standard for Measurement of Inventories (ASBJ Statement No. 9), so any book value write-down based on lower profitability could adversely affect results.
Changes in Foreign Exchange Rates	The Group endeavors to minimize the short-term impact of fluctuations in foreign currency transactions, primarily for exports and imports, notably by using forward foreign exchange contracts. Changes in exchange rates in the short, medium, and long terms may affect results. The Group engages in production and sales in Asia, Europe, North America, and other locations overseas. It translates sales, expenses, assets, and other items denominated in foreign currencies in such regions into yen in its consolidated financial statements. Even if the foreign currency valuations of such items remain unchanged, the yen equivalents could change after conversion from other currencies, so foreign exchange rate fluctuations could affect the Group's results and financial position.

Laws and Regulations	The Group's businesses are subject to relevant laws and regulations in Japan and abroad. In Japan, these include the High Pressure Gas Safety Act, the Fire Service Act, the Act on the Prevention of Disasters in Petroleum Industrial Complexes and Other Petroleum Facilities, and other safety regulations. Environmental and chemical substances regulations include the Air Pollution Control Act, the Water Pollution Control Act, the Waste Disposal and Public Cleansing Law, the Soil Pollution Prevention Act, and the Law Concerning the Evaluation of Chemical Substances and Regulation of their Manufacture. Drug safety laws include the Pharmaceutical Affairs Law. The Group implements voluntary rules that exceed legal requirements and rigorously ensures compliance while adhering strictly to laws and regulations in conducting its business. Dramatic changes in laws and regulations and more stringent enforcement might restrict the Group's activities or increase costs. Any legal violations could subject plants to shutdowns or other administrative actions. Such factors could adversely affect results.
Product Liability	The Group manufactures and sells products that conform with ISO 9001, the international standard for quality management systems. The Group endeavors to prevent product liability problems from arising when launching products or improving quality by previously evaluating such liability risks. The Group cannot guarantee, however, that all of its products will be free of defects. It therefore has product liability insurance to cover possible accidents, but cannot guarantee that such insurance is sufficient for all damages. Product defects that could cause major product liability exposure could adversely affect results.
Accidents and Disasters	The Group regularly inspects its plants and otherwise endeavors to prevent facilities accidents. It cannot, however, completely prevent or mitigate accidents at such facilities, nor natural disasters such as earthquakes. Accidents or natural disasters that damage property, cause human suffering or loss of life, or create environmental pollution could lead to massive costs and reduce social trust in the Group, thereby adversely affecting results.
Information Management	The Group strictly manages corporate and personal information in its possession. Problems resulting from leaks of such information could adversely affect results.
Research and Development	The Group deems research and development as pivotal to supporting sustainable corporate growth, and has long undertaken solid R&D. It intends to deploy resources in a planned and sustainably stable manner from long-term perspectives. Results could be adversely affected, however, if the fruits of R&D are far less than anticipated.
Intellectual Property	The Group takes ample precautions to avoid violating the intellectual property of third parties. Nonetheless, injunctions or damages claims by third parties on the basis of patent or other infringements could adversely affect results.
Litigation	The Group maintains various businesses, as mentioned in Changes Affecting Operating Results. In engaging in business, or in reorganizing or restructuring operations, the Group could face litigation from business partners or other third parties relating to intellectual property or the Group's products. It is impossible to predict or assess the results of such lawsuits, which could adversely affect results. Litigation proceedings to which the Group is currently subject are as follows: a. Mitsubishi Tanabe Pharma and Benesis Corporation were codefendants with the Japanese government in damages lawsuits over blood products tainted with hepatitis C virus. In September 2008, the defendants concluded a basic agreement with nationwide plaintiff groups and their attorneys to resolve this case in response to the Act on Special Measures concerning the Payment of Benefits to Relieve the Victims of Hepatitis C Infected through Specified Fibrinogen Concentrates and Specified Coagulation Factor XI Concentrates. The plaintiffs began dropping litigation against both companies, and in April 2009 the two companies decided to pay costs to the hepatitis C sufferers according to the payment apportionment standards of the above act. b. Consolidated subsidiary Verbatim Corporation (US) was sued for trademark infringement in Brazil. In May 2007, the court in Manaus, in the Brazilian state of Amazonas, ruled in favor of the plaintiff and ordered Verbatim to pay 377 million reals, or ¥19,245 million ($231,867 thousand). Verbatim, believing that no trademark infringement took place, and dissatisfied with the fact that reasons for recognizing the plaintiff's monetary claim were not disclosed, immediately filed an appeal with Brazil's Supreme Court. In February 2008, the Supreme Court ruled in favor of Verbatim and returned the case to the Manaus court for retrial. The case continues in court.

Consolidated Balance Sheets

Mitsubishi Chemical Holdings Corporation and Consolidated Subsidiaries
As of March 31

		Millions of yen		Thousands of U.S. dollars (Note 2)
		2011	2010	**2011**
Assets	**Current assets:**			
	Cash and deposits (Notes 8, 10)	**¥ 130,195**	¥ 119,114	**$ 1,568,614**
	Trade receivables (Note 8)	**597,189**	595,661	**7,195,048**
	Securities (Notes 8, 9)	**84,798**	59,737	**1,021,663**
	Inventories:			
	Finished goods	**240,439**	240,513	**2,896,855**
	Work in process	**79,722**	77,625	**960,506**
	Raw materials and supplies	**161,924**	153,277	**1,950,892**
	Land held for sale	**2,976**	3,317	**35,855**
	Deferred income taxes—current (Note 14)	**39,442**	37,867	**475,205**
	Prepaid expenses and other current assets	**62,455**	84,810	**752,470**
	Allowance for doubtful accounts	**(2,482)**	(2,786)	**(29,904)**
	Total current assets	**1,396,658**	1,369,135	**16,827,205**
	Property, plant and equipment:			
	Land	**261,285**	267,387	**3,148,012**
	Buildings	**912,968**	911,110	**10,999,614**
	Machinery and equipment	**2,367,167**	2,394,986	**28,520,084**
	Construction in progress	**61,013**	111,810	**735,096**
		3,602,433	3,685,293	**43,402,807**
	Accumulated depreciation	**(2,514,064)**	(2,518,220)	**(30,289,928)**
	Property, plant and equipment, net	**1,088,369**	1,167,073	**13,112,880**
	Investments and other assets:			
	Investment securities (Notes 8, 9)	**365,648**	390,301	**4,405,398**
	Long-term loans receivable	**1,639**	2,165	**19,747**
	Deferred income taxes—noncurrent (Note 14)	**109,608**	114,269	**1,320,578**
	Goodwill	**154,844**	171,699	**1,865,590**
	Other	**180,201**	143,740	**2,171,096**
	Allowance for doubtful accounts	**(2,953)**	(3,285)	**(35,578)**
	Total investments and other assets	**808,987**	818,889	**9,746,831**
	Total assets	**¥3,294,014**	¥3,355,097	**$39,686,916**

The accompanying notes are an integral part of these statements.

		Millions of yen		Thousands of U.S. dollars (Note 2)
		2011	2010	**2011**
Liabilities and Net Assets	**Current liabilities:**			
	Short-term debt (Notes 8, 17)	**¥ 304,717**	¥ 445,888	**$ 3,671,289**
	Current portion of long-term debt (Notes 8, 17)	**171,895**	76,122	**2,071,024**
	Trade payables (Note 8)	**378,411**	370,846	**4,559,169**
	Accrued expenses (Note 1)	**72,795**	74,217	**877,048**
	Accrued income taxes	**26,879**	20,933	**323,843**
	Other current liabilities (Notes 1, 14)	**190,876**	186,436	**2,299,711**
	Total current liabilities	**1,145,573**	1,174,442	**13,802,084**
	Long-term liabilities:			
	Long-term debt (Notes 8, 17)	**827,977**	932,116	**9,975,627**
	Accrued retirement benefits (Note 12)	**125,724**	134,743	**1,514,747**
	Other noncurrent liabilities (Notes 1, 14)	**80,737**	80,931	**972,735**
	Total long-term liabilities	**1,034,438**	1,147,790	**12,463,108**
	Net assets:			
	Shareholders' equity:			
	Common stock:			
	Authorized—6,000,000 thousand shares:			
	Issued and outstanding—1,506,288 thousand shares at March 31, 2011 and 2010	**50,000**	50,000	**602,410**
	Additional paid-in capital	**317,582**	303,279	**3,826,289**
	Retained earnings	**451,934**	379,354	**5,444,988**
	Less, treasury stock at cost—31,970 thousand shares at March 31, 2011 and 134,426 thousand shares at March 31, 2010	**(10,758)**	(38,768)	**(129,614)**
	Total shareholders' equity	**808,758**	693,865	**9,744,072**
	Accumulated other comprehensive income:			
	Net unrealized holding gain on other securities	**5,216**	11,756	**62,843**
	Loss on deferred hedges	**(738)**	(132)	**(8,892)**
	Land revaluation surplus	**1,426**	1,426	**17,181**
	Foreign currency translation adjustments	**(52,378)**	(30,123)	**(631,060)**
	Unfunded retirement benefit obligation with respect to a foreign subsidiary	**(4,037)**	(3,218)	**(48,639)**
	Total accumulated other comprehensive income	**(50,511)**	(20,291)	**(608,566)**
	Warrants (Notes 6, 13)	**696**	653	**8,386**
	Minority interests in consolidated subsidiaries	**355,060**	358,638	**4,277,831**
	Total net assets	**1,114,003**	1,032,865	**13,421,723**
	Total liabilities and net assets	**¥3,294,014**	¥3,355,097	**$39,686,916**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Operation

Mitsubishi Chemical Holdings Corporation and Consolidated Subsidiaries
Years ended March 31

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2011	2010	**2011**
Net sales	**¥3,166,771**	¥2,515,079	**$38,153,867**
Cost of sales	**2,379,647**	1,953,938	**28,670,446**
Gross profit	**787,124**	561,141	**9,483,422**
Selling, general and administrative expenses (Note 5)	**560,631**	494,799	**6,754,590**
Operating income	**226,493**	66,342	**2,728,831**
Other income (expenses):			
Interest and dividend income	**7,234**	6,672	**87,157**
Equity in earnings of affiliates	**15,139**	6,502	**182,398**
Gain on cancellation of derivatives	**2,379**	—	**28,663**
Interest expense	**(16,179)**	(13,081)	**(194,928)**
Foreign exchange gains (losses), net	**(5,013)**	1,925	**(60,398)**
Gain (loss) on sales of investment securities, net	**751**	(274)	**9,048**
Gain on business transfer	**1,077**	—	**12,976**
Losses on the Great East Japan Earthquake (Note 3)	**(22,451)**	—	**(270,494)**
Loss on valuation of investment securities	**(10,767)**	(575)	**(129,723)**
Provision for prospective loss on removal of fixed assets	**(6,068)**	(1,836)	**(73,108)**
Loss on sales and retirement of noncurrent assets, net	**(5,545)**	(2,363)	**(66,807)**
Impairment loss	**(3,681)**	(4,420)	**(44,349)**
Non-recurring depreciation on noncurrent assets	**(2,433)**	(4,520)	**(29,313)**
Special retirement expenses (Note 12)	**(1,043)**	(1,753)	**(12,566)**
Gain on negative goodwill	**—**	13,663	—
Insurance income	**—**	4,640	—
Loss on liquidation of subsidiaries and affiliates	**—**	(12,557)	—
Gain on step acquisitions	**—**	7,497	—
Provision for possible losses in connection with litigation	**—**	(3,000)	—
Other, net	**(10,341)**	(19,551)	**(124,590)**
Income before income taxes and minority interests in consolidated subsidiaries	**169,552**	43,311	**2,042,795**
Income taxes (Note 14)**:**			
Current	**47,837**	35,191	**576,349**
Deferred	**(870)**	(24,709)	**(10,482)**
	46,967	10,482	**565,867**
Income before minority interests	**122,585**	32,829	**1,476,928**
Minority interests in consolidated subsidiaries	**(39,004)**	(19,996)	**(469,928)**
Net income	**¥ 83,581**	¥ 12,833	**$ 1,007,000**

	Yen		U.S. dollars
Per share (Note 16)**:**	**2011**	2010	**2011**
Net income—Basic	**¥58.72**	¥9.32	**$0.71**
—Diluted	**54.17**	8.55	**0.65**
Cash dividends	**10.00**	8.00	**0.12**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Comprehensive Income

Mitsubishi Chemical Holdings Corporation and Consolidated Subsidiaries
Years ended March 31

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2011	2010	**2011**
Income before minority interests	**¥ 122,585**	¥ 32,829	**$1,476,928**
Other comprehensive income (expenses):			
Net unrealized holding gain (loss) on other securities	**(6,520)**	733	**(78,554)**
Gain (loss) on deferred hedges	**(937)**	484	**(11,289)**
Foreign currency translation adjustments	**(25,008)**	1,908	**(301,301)**
Unfunded retirement benefit obligation with respect to a foreign subsidiary	**(819)**	1,001	**(9,867)**
Portion of other comprehensive income of affiliates accounted for using the equity method	**(2,559)**	558	**(30,831)**
Other comprehensive income (expenses), net	**(35,843)**	4,684	**(431,843)**
Total comprehensive income	**¥ 86,742**	¥ 37,513	**$1,045,084**
Total comprehensive income attributable to:			
Shareholders of the parent	**¥ 51,601**	¥ 16,289	**$ 621,699**
Minority interests	**35,141**	21,224	**423,386**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Net Assets

Mitsubishi Chemical Holdings Corporation and Consolidated Subsidiaries
Years ended March 31

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2011	2010	**2011**
Number of outstanding shares of common stock (thousands)			
Balance at beginning of year	**1,506,288**	1,506,288	**—**
Balance at end of year	**1,506,288**	1,506,288	**—**
Shareholders' equity:			
Common stock			
Balance at beginning of year	**¥ 50,000**	¥ 50,000	**$ 602,410**
Balance at end of year	**¥ 50,000**	¥ 50,000	**$ 602,410**
Additional paid-in capital			
Balance at beginning of year	**¥303,279**	¥303,194	**$3,653,964**
Disposal of treasury stock	**14,303**	85	**172,325**
Balance at end of year	**¥317,582**	¥303,279	**$3,826,289**
Retained earnings			
Balance at beginning of year	**¥379,354**	¥376,375	**$4,570,530**
Cash dividends	**(12,374)**	(11,013)	**(149,084)**
Net income	**83,581**	12,833	**1,007,000**
Increase due to merger of non-consolidated subsidiaries by a consolidated subsidiary	**—**	153	**—**
Increase due to merger of non-consolidated subsidiaries by an equity method affiliate	**126**	383	**1,518**
Change in scope of consolidation	**39**	248	**470**
Change in scope of equity method	**(30)**	36	**(361)**
Reversal of revaluation reserve for land	**—**	339	**—**
Increase due to change in currencies of overseas consolidated subsidiaries	**1,238**	—	**14,916**
Balance at end of year	**¥451,934**	¥379,354	**$5,444,988**
Treasury stock at cost			
Balance at beginning of year	**¥ (38,768)**	¥ (37,278)	**$ (467,084)**
Purchase of treasury stock	**(182)**	(336)	**(2,193)**
Disposal of treasury stock	**28,192**	174	**339,663**
Effect of changes in the shares of equity method affiliates	**—**	(23)	**—**
Change in scope of consolidation	**—**	(1,012)	**—**
Change in scope of equity method	**—**	(293)	**—**
Balance at end of year	**¥ (10,758)**	¥ (38,768)	**$ (129,614)**
Total shareholders' equity			
Balance at beginning of year	**¥693,865**	¥692,291	**$8,359,819**
Cash dividends	**(12,374)**	(11,013)	**(149,084)**
Net income	**83,581**	12,833	**1,007,000**
Purchase of treasury stock	**(182)**	(336)	**(2,193)**
Disposal of treasury stock	**42,495**	259	**511,988**
Effect of changes in the shares of equity method affiliates	**—**	(23)	**—**
Increase due to merger of non-consolidated subsidiaries by a consolidated subsidiary	**—**	153	**—**
Increase due to merger of non-consolidated subsidiaries by an equity method affiliate	**126**	383	**1,518**
Change in scope of consolidation	**39**	(764)	**470**
Change in scope of equity method	**(30)**	(257)	**(361)**
Reversal of revaluation reserve for land	**—**	339	**—**
Increase due to change in currencies of overseas consolidated subsidiaries	**1,238**	—	**14,916**
Balance at end of year	**¥808,758**	¥693,865	**$9,744,072**

The accompanying notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2011	2010	**2011**
Accumulated other comprehensive income:			
Net unrealized holding gain on other securities			
Balance at beginning of year	**¥ 11,756**	¥ 12,411	**$ 141,639**
Net change in items other than those in shareholders' equity	**(6,540)**	(655)	**(78,795)**
Balance at end of year	**¥ 5,216**	¥ 11,756	**$ 62,843**
Loss on deferred hedges			
Balance at beginning of year	**¥ (132)**	¥ (567)	**$ (1,590)**
Net change in items other than those in shareholders' equity	**(606)**	435	**(7,301)**
Balance at end of year	**¥ (738)**	¥ (132)	**$ (8,892)**
Land revaluation surplus			
Balance at beginning of year	**¥ 1,426**	¥ 1,765	**$ 17,181**
Reversal of revaluation reserve for land	**—**	(339)	**—**
Net change in items other than those in shareholders' equity	**—**	—	**—**
Balance at end of year	**¥ 1,426**	¥ 1,426	**$ 17,181**
Foreign currency translation adjustments			
Balance at beginning of year	**¥ (30,123)**	¥ (32,708)	**$ (362,928)**
Increase due to change in currencies of overseas consolidated subsidiaries	**1,791**	—	**21,578**
Net change in items other than those in shareholders' equity	**(24,046)**	2,585	**(289,711)**
Balance at end of year	**¥ (52,378)**	¥ (30,123)	**$ (631,060)**
Unfunded retirement benefit obligation with respect to a foreign subsidiary			
Balance at beginning of year	**¥ (3,218)**	¥ (4,219)	**$ (38,771)**
Net change in items other than those in shareholders' equity	**(819)**	1,001	**(9,867)**
Balance at end of year	**¥ (4,037)**	¥ (3,218)	**$ (48,639)**
Total accumulated other comprehensive income			
Balance at beginning of year	**¥ (20,291)**	¥ (23,318)	**$ (244,470)**
Reversal of revaluation reserve for land	**—**	(339)	**—**
Increase due to change in currencies of overseas consolidated subsidiaries	**1,791**	—	**21,578**
Net change in items other than those in shareholders' equity	**(32,011)**	3,366	**(385,675)**
Balance at end of year	**¥ (50,511)**	¥ (20,291)	**$ (608,566)**
Warrants			
Balance at beginning of year	**¥ 653**	¥ 805	**$ 7,867**
Net change in items other than those in shareholders' equity	**42**	(152)	**506**
Balance at end of year	**¥ 696**	¥ 653	**$ 8,386**
Minority interests in consolidated subsidiaries			
Balance at beginning of year	**¥ 358,638**	¥ 270,336	**$ 4,320,940**
Increase due to change in currencies of overseas consolidated subsidiaries	**1,560**	—	**18,795**
Net change in items other than those in shareholders' equity	**(5,138)**	88,302	**(61,904)**
Balance at end of year	**¥ 355,060**	¥ 358,638	**$ 4,277,831**
Total net assets			
Balance at beginning of year	**¥1,032,865**	¥ 940,114	**$12,444,157**
Cash dividends	**(12,374)**	(11,013)	**(149,084)**
Net income	**83,581**	12,833	**1,007,000**
Purchase of treasury stock	**(182)**	(336)	**(2,193)**
Disposal of treasury stock	**42,495**	259	**511,988**
Effect of changes in the shares of equity method affiliates	**—**	(23)	**—**
Increase due to merger of non-consolidated subsidiaries by a consolidated subsidiary	**—**	153	**—**
Increase due to merger of non-consolidated subsidiaries by an equity method affiliate	**126**	383	**1,518**
Change in scope of consolidation	**39**	(764)	**470**
Change in scope of equity method	**(30)**	(257)	**(361)**
Reversal of revaluation reserve for land	**—**	—	**—**
Increase due to change in currencies of overseas consolidated subsidiaries	**4,589**	—	**55,289**
Net change in items other than those in shareholders' equity	**(37,106)**	91,516	**(447,060)**
Balance at end of year	**¥1,114,003**	¥1,032,865	**$13,421,723**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

Mitsubishi Chemical Holdings Corporation and Consolidated Subsidiaries
Years ended March 31

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2011	2010	**2011**
Cash flows from operating activities:			
Income before income taxes and minority interests in consolidated subsidiaries	**¥ 169,552**	¥ 43,311	**$ 2,042,795**
Adjustments for:			
Depreciation and amortization	**146,264**	125,054	**1,762,217**
Non-recurring depreciation on noncurrent assets	**2,433**	4,520	**29,313**
Amortization of goodwill	**12,141**	8,350	**146,277**
Interest expense	**16,179**	13,081	**194,928**
Interest and dividend income	**(7,234)**	(6,672)	**(87,157)**
Equity in earnings of affiliates	**(15,139)**	(6,502)	**(182,398)**
Foreign exchange (gains) losses	**3,800**	(2,119)	**45,783**
Gain on cancellation of derivatives	**(2,379)**	—	**(28,663)**
(Gain) loss on sales of investment securities, net	**(751)**	274	**(9,048)**
Gain on business transfer	**(1,077)**	—	**(12,976)**
Losses on the Great East Japan Earthquake (Note 3)	**22,451**	—	**270,494**
Loss on valuation of investment securities	**10,767**	575	**129,723**
Provision for prospective loss on removal of fixed assets	**6,068**	1,836	**73,108**
Loss on sales and retirement of noncurrent assets, net	**5,545**	2,363	**66,807**
Impairment loss	**3,681**	4,420	**44,349**
Gain on negative goodwill	**—**	(13,663)	**—**
Gain on step acquisitions	**—**	(7,497)	**—**
Loss on liquidation of subsidiaries and affiliates	**—**	12,557	**—**
Provision for possible losses in connection with litigation	**—**	3,000	**—**
(Increase) decrease in trade receivables	**(14,411)**	3,194	**(173,627)**
(Increase) decrease in inventories	**(17,448)**	63,439	**(210,217)**
Increase (decrease) in trade payables	**22,065**	(75,714)	**265,843**
Decrease in provision for retirement benefits	**(18,240)**	(4,601)	**(219,759)**
Other, net	**(10,998)**	(12,375)	**(132,506)**
Subtotal	**333,269**	156,831	**4,015,289**
Interest and dividend income received	**11,610**	8,402	**139,880**
Interest expenses paid	**(16,001)**	(13,362)	**(192,783)**
Income taxes paid	**(40,025)**	(35,798)	**(482,229)**
Net cash provided by operating activities	**288,853**	116,073	**3,480,157**
Cash flows from investing activities:			
Payment for time deposits	**(19,262)**	—	**(232,072)**
Proceeds from repayment of time deposits	**17,994**	—	**216,795**
Purchase of short-term investment securities	**(74,834)**	(58,990)	**(901,614)**
Proceeds from sales and redemption of securities	**100,610**	53,183	**1,212,169**
Purchase of property, plant and equipment	**(111,965)**	(118,852)	**(1,348,976)**
Proceeds from sales of property, plant and equipment	**6,530**	5,169	**78,675**
Purchase of intangible assets	**(3,467)**	(1,695)	**(41,771)**
Purchase of investment securities	**(32,582)**	(62,591)	**(392,554)**
Proceeds from sales and redemption of investment securities	**12,485**	8,217	**150,422**
Purchase of investments in subsidiaries resulting in change in scope of consolidation	**—**	(156,859)	**—**
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	**—**	9,248	**—**
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	**—**	722	**—**
Payment for sales of investments in subsidiaries resulting in change in scope of consolidation	**(117)**	**—**	**(1,410)**
Decrease in loans receivable, net	**7,316**	6,832	**88,145**
Purchase of long-term prepaid expenses	**(3,014)**	(5,459)	**(36,313)**
Other, net	**(758)**	(5,931)	**(9,133)**
Net cash used in investing activities	**(101,064)**	(327,006)	**(1,217,639)**

The accompanying notes are an integral part of these statements.

Cash flows from financing activities:			
Increase (decrease) in short-term debt, net	**(133,770)**	71,086	**(1,611,687)**
Proceeds from issuance of long-term debt	**133,355**	162,856	**1,606,687**
Repayment of long-term debt	**(125,941)**	(119,361)	**(1,517,361)**
Cash dividends paid	**(12,374)**	(11,013)	**(149,084)**
Cash dividends paid to minority shareholders	**(12,129)**	(8,516)	**(146,133)**
Purchase of treasury stock	**(182)**	(87)	**(2,193)**
Proceeds from sales of treasury stock	**1,619**	—	**19,506**
Other, net	**(71)**	(528)	**(855)**
Net cash provided by (used in) financing activities	**(149,493)**	94,437	**(1,801,120)**
Effect of exchange rate changes on cash and cash equivalents	**(7,946)**	1,422	**(95,735)**
Net increase (decrease) in cash and cash equivalents	**30,350**	(115,074)	**365,663**
Cash and cash equivalents at beginning of the year	**112,591**	226,410	**1,356,518**
Increase in cash and cash equivalents resulting from change in scope of consolidation	**806**	1,255	**9,711**
Cash and cash equivalents at end of period (Note 10)	**¥ 143,747**	¥ 112,591	**$ 1,731,892**

The accompanying notes are an integral part of these statements.

Note 1

Significant Accounting Policies

(a) Basis of Presentation

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

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

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

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

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

(c) Securities

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

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

(d) Inventories

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

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

(e) Property, Plant and Equipment
Property, plant and equipment is stated at cost. Depreciation of property, plant and equipment of MCHC and its consolidated subsidiaries in Japan in the chemicals and polymers segments (at March 30, 2010, excluding Mitsubishi Rayon and its subsidiaries) is principally calculated using the straight-line method. Other depreciation is principally calculated using the declining-balance method. Depreciation of property, plant and equipment of 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.

Changes in Depreciation of Significant Depreciable Assets
From the fiscal year ended March 31, 2011, MCHC adopted the straight-line method for depreciation, mainly for domestic consolidated subsidiaries (excluding Mitsubishi Rayon, which became a consolidated subsidiary on March 30, 2010, and its subsidiaries) in the chemicals and polymers segments. Previously, MCHC mainly used the declining-balance method to depreciate tangible fixed assets and generally used the straight-line method for overseas consolidated subsidiaries.

Of major investments determined for the basic chemicals and polymers segments based on *KAKUSHIN*: Phase 2, an earlier mid-term management plan that ended in March 2008, operations overseas started over the last few years, while large domestic investments were completed and operations started through the year ended March 31, 2011. Under *APTSIS 10*, a mid-term management plan that ended in March 2011, MCHC set about reinforcing and expanding overseas operations, including by forming strategic alliances with strong partners. In Japan, it constrained capital expenditures and restructured, notably by withdrawing from unprofitable businesses.

In light of changes in the capital investment situations for the chemicals and polymers segments in Japan, management reviewed its depreciation methods. As a result of this assessment, management decided that changing to the straight-line method for depreciation would ensure more rational expenditure allocations, mainly for key domestic consolidated subsidiaries that are principally in the chemicals and polymers segments. The goals were to ensure stable capacity utilization in keeping with the nature of these businesses and to respond to prospective changes in capital expenditures in line with future changes in the business climate.

For the fiscal year ended March 31, 2011, these changes increased both operating income and income before income taxes and minority interests in consolidated subsidiaries by ¥17,851 million ($215,072 thousand). The impact on segment information is as described in Note 18, Segment Information.

Adoption of Accounting Standard for Asset Retirement Obligations
From the fiscal year ended March 31, 2011, MCHC adopted the Accounting Standard for Asset Retirement Obligations (ASBJ Statement No. 18, March 31, 2008) and the Guidance on Accounting Standard for Asset Retirement Obligations (ASBJ Guidance No. 21, March 31, 2008). This change reduced operating income by ¥346 million ($4,169 thousand), and income before income taxes and minority interests in consolidated subsidiaries by ¥1,940 million ($23,373 thousand). The impact on segment information was minimal.

(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) 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 balances of ¥38,867 million ($468,277 thousand) and ¥35,570 million are included in “Accrued expenses” in the accompanying consolidated balance sheets as of March 31, 2011 and 2010, respectively.

(h) Reserves for Possible Losses in Connection with Litigation
Reserves for possible losses in connection with litigation are set aside for payments to settle lawsuits and in preparation for payments that may arise in the future.

1. Reserve for Health Management Allowances for HIV Compensation
Balances of ¥1,513 million ($18,229 thousand) and ¥1,627 million are included in “Other noncurrent liabilities” in the accompanying consolidated balance sheets as of March 31, 2011 and 2010, respectively.

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

2. Reserve for HCV Litigation
Balances of ¥4,627 million ($55,747 thousand) and ¥10,689 million are included in “Other noncurrent liabilities” in the accompanying consolidated balance sheets as of March 31, 2011 and 2010, respectively.

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

3. Reserve for Health Management Allowances for Sub-acute Myelo-Optical Neuropathy (SMON) Compensation
Balances of ¥3,835 million ($46,205 thousand) and ¥4,205 million are included in “Other noncurrent liabilities” in the accompanying consolidated balance sheets as of March 31, 2011 and 2010, respectively.

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

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

(i) Reserve for Periodic Repairs
Several consolidated subsidiaries provide for costs of periodic repairs of production facilities in plants and oil tanks. The corresponding balances of ¥7,507 million ($90,446 thousand) and ¥5,909 million are included in “Other current liabilities” and “Other noncurrent liabilities” in the accompanying consolidated balance sheets as of March 31, 2011 and 2010, respectively.

(j) Accrued Retirement Benefits and Pension Plans
Upon terminating their employment, employees of MCHC and its subsidiaries are entitled, under most circumstances, to lump-sum severance payments or pension payments by defined benefit plans and/or defined contribution plans. 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 some of 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.

(k) Directors' Retirement Benefits
Accrued lump-sum retirement benefits for directors, executive officers and corporate auditors are determined based on internal regulations. The corresponding balances of ¥1,286 million ($15,494 thousand) and ¥1,594 million are included in "Other noncurrent liabilities" in the accompanying consolidated balance sheets as of March 31, 2011 and 2010, respectively.

(l) Reserve for Costs Associated with Liquidation of Subsidiaries and Affiliates
Several consolidated subsidiaries provide for estimated costs derived from liquidation of its subsidiaries and affiliates. The corresponding balances of ¥6,432 million ($77,494 thousand) and ¥9,639 million are included in "Other noncurrent liabilities" in the accompanying consolidated balance sheets as of March 31, 2011 and 2010, respectively.

(m) Reserve for Prospective Loss on Removal of Fixed Assets
Several consolidated subsidiaries provide for prospective loss on removal of fixed assets. The corresponding balances of ¥11,973 million ($144,253 thousand) and ¥6,419 million are included in "Other current liabilities" and "Other noncurrent liabilities" in the accompanying consolidated balance sheets as of March 31, 2011 and 2010, respectively.

(n) Provision for Losses on Earthquake Disaster
A balance of ¥15,564 million ($187,518 thousand) is included in "Other current liabilities" in the accompanying consolidated balance sheets as of March 31, 2011, as a new provision, to cover the estimated costs deemed necessary in restoring fixed and other assets damaged in the Great East Japan Earthquake of March 11, 2011.

(o) Provision for Environmental Measures
A balance of ¥1,562 million ($18,819 thousand) is included in "Other noncurrent liabilities" in the accompanying consolidated balance sheets as of March 31, 2011, as a new provision, to cover estimated future losses from environmental measures work.

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

(q) Foreign Currency Financial Statements
The balance sheet accounts of foreign 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.

(r) Amortization of Goodwill and Negative Goodwill
Goodwill and negative goodwill prior to March 31, 2009, are amortized on a straight-line basis over less than 20 years, depending on the source. Goodwill related to the launch of consolidated subsidiary Mitsubishi Tanabe Pharma Corporation is being amortized over 15 years. Goodwill from making Mitsubishi Plastics, Inc., a wholly owned subsidiary is being amortized over 10 years. Goodwill from making Mitsubishi Rayon Co., Ltd., a wholly owned subsidiary is being amortized over 20 years.

(s) 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.

(t) Research and Development
Expenses related to research and development activities are charged to income as incurred.

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

(v) 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.

(w) Consolidated Statements of Comprehensive Income
From the fiscal year ended March 31, 2011, MCHC adopted the Accounting Standard for Presentation of Comprehensive Income (ASBJ Statement No. 25, June 30, 2010). Prior to this change, accumulated other comprehensive income and total accumulated other comprehensive income were stated as valuation, translation adjustments and other, and total valuation, translation adjustments and other.

Note 2

U.S. Dollar Amounts

MCHC and its domestic consolidated subsidiaries maintain their accounting records in Japanese yen. The U.S. dollar amounts are included solely for convenience and have been translated, as a matter of arithmetical computation only, at the rate of ¥83 to U.S.$1.00, the approximate exchange rate prevailing on the Tokyo foreign exchange market at March 31, 2011. This translation should not be construed as a representation that yen amounts actually represent, or have been, or could be, converted into U.S. dollars at this, or any other rate.

Note 3

Losses on the Great East Japan Earthquake

The principal loss components are a ¥15,564 million ($187,518 thousand) provision for disaster losses (of which ¥14,388 million ($173,349 thousand) is mainly for restoration costs), ¥3,486 million ($42,000 thousand) for fixed expenses during downtimes owing to the earthquake, and a ¥1,712 million ($20,627 thousand) loss on damaged inventories.

Insurance payments covering damage were not determined in the fiscal year ended March 31, 2011, and are not stated.

Note 4

Contingent Liabilities

At March 31, 2011, MCHC and its consolidated subsidiaries were contingently liable for trade notes transferred by means of endorsement of ¥45 million ($542 thousand). They were also guarantors for the following borrowings principally incurred by unconsolidated subsidiaries, affiliates and others:

	Gross including third parties' liabilities		Net MCHC's and consolidated subsidiaries' own liabilities	
	Millions of yen	Thousands of U.S. dollars	Millions of yen	Thousands of U.S. dollars
Guarantees	**¥15,970**	**$192,410**	**¥15,861**	**$191,096**
Stand-by guarantees	**851**	**10,253**	**851**	**10,253**
Others	**7**	**84**	**7**	**84**

Trademark Infringement Lawsuit
The consolidated subsidiary Verbatim Corporation (US) was sued for trademark infringement in Brazil. In May 2007, a court in Manaus, in the Brazilian state of Amazonas, ruled in favor of the plaintiff and ordered Verbatim Corporation to pay 377 million reals, or ¥19,245 million ($231,867 thousand). Verbatim Corporation, believing that no trademark infringement took

place, and dissatisfied with the fact that reasons for recognizing the plaintiff's monetary claim were not disclosed, immediately filed an appeal with Brazil's Supreme Court. In February 2008, the Supreme Court ruled in favor of Verbatim Corporation and returned the case to the Manaus court for retrial.

Note 5

Selling, General and Administrative Expenses

For the years ended March 31, 2011 and 2010, the following items were recorded in the consolidated statements of income:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2011	March 31, 2010	**March 31, 2011**
Transportation costs	**¥ 86,089**	¥ 69,881	**$1,037,217**
Labor costs	**127,624**	105,472	**1,537,639**
Research and development	**130,825**	136,863	**1,576,205**

Notes: 1. Labor costs include a provision for bonuses of ¥14,001 million ($168,687 thousand) and ¥11,743 million for the years ended March 31, 2011 and 2010, respectively.
2. "Research and development" includes expenditures on personnel, and depreciation and amortization of research facilities.

Note 6

Supplementary Information for Consolidated Statements of Changes in Net Assets

(a) Type and Number of Outstanding Shares

	Year ended March 31, 2011			
	Number of shares (Thousands)			
	Balance at beginning of year	Increase in shares during the year	Decrease in shares during the year	Balance at end of year
Type of shares				
Issued stock:				
Common stock	1,506,288	—	—	1,506,288
Total	1,506,288	—	—	1,506,288
Treasury stock:				
Common stock[1, 2]	134,426	379	102,836	31,970
Total	134,426	379	102,836	31,970

1. A 379 thousand increase in the number of shares of common stock held in treasury was as follows:

Purchases of fractional shares of less than one unit	271 thousand
Purchases from dissenting shareholders in line with share exchange	108 thousand

2. A 102,836 thousand decrease in the number of shares of common stock held in treasury was as follows:

Sales of fractional shares of less than one unit	33 thousand
Withdrawal related to the exercise of stock options	65 thousand
Consolidated subsidiary sales of MCHC stock	3,010 thousand
Equity method affiliate sales of MCHC stock	44 thousand
Change in equity	1 thousand
Disbursements through share exchange	99,681 thousand

(b) Warrants

			Number of outstanding shares (Thousands)				
	Description	Type of outstanding shares	Balance at beginning of year	Increase (Decrease)	Balance at end of year	Millions of yen	Thousands of U.S. dollars
MCHC	Warrants as stock options			—		¥696	$8,386
Consolidated subsidiaries	—			—		—	—
Total				—		¥696	$8,386

(c) Dividends

(1) Dividends paid to shareholders

Date of approval	Resolution approved by	Type of shares	Amount (Millions of yen)	Amount (Thousands of U.S. dollars)	Amount per share (Yen)	Amount per share (U.S. dollars)	Entitlement date	Effective date
June 24, 2010	Annual general meeting of shareholders	Common stock	¥5,506	$66,337	¥4	$0.05	March 31, 2010	June 25, 2010
November 2, 2010	Board of Directors	Common stock	¥6,883	$82,928	¥5	$0.06	September 30, 2010	December 2, 2010

(2) Dividends whose entitlement date was in the year ended March 31, 2011, and whose effective date will be in the subsequent fiscal year

Date of approval	Resolution approved by	Type of shares	Amount (Millions of yen)	Amount (Thousands of U.S. dollars)	Paid from	Amount per share (Yen)	Amount per share (U.S. dollars)	Entitlement date	Effective date
June 24, 2011	Annual general meeting of shareholders	Common stock	¥7,380	$88,916	Retained earnings	¥5	$0.06	March 31, 2011	June 27, 2011

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

(d) Change in Currencies of Overseas Consolidated Subsidiaries

From the fiscal year ended March 31, 2011, MCC PTA India Corp. Private Limited, an overseas consolidated subsidiary, switched from producing its financial statements in rupees to U.S. dollars.

Note 7

Lease Transactions

At March 31, 2011 and 2010, as lessee, finance leases other than those deemed to transfer the ownership of the leased assets to the lessees were accounted for as follows:

The pro forma acquisition costs, accumulated depreciation, accumulated impairment loss and balance at year-end

	Millions of yen		Thousands of U.S. dollars
	March 31, 2011	March 31, 2010	**March 31, 2011**
Machinery and equipment:			
Acquisition costs	**¥10,097**	¥14,826	**$121,651**
Accumulated depreciation	**8,320**	10,862	**100,241**
Accumulated impairment loss	**—**	148	**—**
Balance at year-end	**¥ 1,777**	¥ 3,816	**$ 21,410**

Notes: 1. Acquisition costs includes interest.
2. Acquisition costs excludes subleased assets.

Future minimum lease payments for the remaining lease periods

	Millions of yen		Thousands of U.S. dollars
	March 31, 2011	March 31, 2010	**March 31, 2011**
Due within one year	**¥1,180**	¥2,221	**$14,217**
Due after one year	**615**	1,646	**7,410**
	¥1,795	¥3,867	**$21,627**
Impairment loss on leased assets	**¥ —**	¥ 10	**$ —**

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

	Millions of yen		Thousands of U.S. dollars
	March 31, 2011	March 31, 2010	**March 31, 2011**
Paid lease fees	**¥2,263**	¥3,268	**$27,265**
Amortization expense amount	**10**	32	**120**
Depreciation expense amount	**¥2,253**	¥3,236	**$27,145**
Impairment loss on leased assets	**¥ —**	¥ —	**$ —**

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

At March 31, 2011 and 2010, as lessee, noncancellable operating lease obligations were accounted for as follows:

Future minimum lease payments for the remaining lease periods

	Millions of yen		Thousands of U.S. dollars
	March 31, 2011	March 31, 2010	**March 31, 2011**
Due within one year	**¥ 4,621**	¥ 4,295	**$ 55,675**
Due after one year	**9,214**	10,976	**111,012**
	¥13,835	¥15,271	**$166,687**

At March 31, 2011 and 2010, finance leases other than those deemed to transfer the ownership of the leased assets to the lessees were accounted for as follows:

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

	Millions of yen		Thousands of U.S. dollars
	March 31, 2011	March 31, 2010	**March 31, 2011**
Buildings			
Acquisition costs	**¥921**	¥921	**$11,096**
Accumulated depreciation	**330**	304	**3,976**
Accumulated impairment loss	**—**	—	**—**
Balance at year-end	**¥591**	¥617	**$ 7,120**

	Millions of yen		Thousands of U.S. dollars
	March 31, 2011	March 31, 2010	**March 31, 2011**
Machinery, equipment and vehicles			
Acquisition costs	**¥665**	¥939	**$8,012**
Accumulated depreciation	**467**	620	**5,627**
Accumulated impairment loss	**—**	—	**—**
Balance at year-end	**¥198**	¥319	**$2,386**

Future minimum sublease income for the remaining lease periods

	Millions of yen		Thousands of U.S. dollars
	March 31, 2011	March 31, 2010	**March 31, 2011**
Due within one year	**¥151**	¥209	**$1,819**
Due after one year	**610**	771	**7,349**
	¥761	¥980	**$9,169**

Sublease income, amortization expense, depreciation expense and impairment loss

	Millions of yen		Thousands of U.S. dollars
	March 31, 2011	March 31, 2010	**March 31, 2011**
Sublease income	**¥150**	¥195	**$1,807**
Amortization expense amount	**—**	—	**—**
Depreciation expense amount	**110**	156	**1,325**
Impairment loss on leased assets	**¥ —**	¥ —	**$ —**

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

At March 31, 2011 and 2010, noncancellable operating lease receivables were accounted for as follows:

Future minimum sublease income for the remaining lease periods

	Millions of yen		Thousands of U.S. dollars
	March 31, 2011	March 31, 2010	**March 31, 2011**
Due within one year	**¥ 82**	¥ 91	**$ 988**
Due after one year	**475**	544	**5,723**
	¥557	¥635	**$6,711**

Note 8

Financial Instruments

Overview

(1) Policy for Financial Instruments

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

(2) Financial Instruments and Risks

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

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

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

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

(3) Financial Instrument Risk Management Structure

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

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

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

The maximum credit risk amount at March 31, 2011, is the balance sheet value of financial assets exposed to such risks.

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

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

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

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

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

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

Estimated Fair Value of Financial Instruments

The carrying value of financial instruments in the consolidated balance sheets as of March 31, 2011, and estimated fair value are shown in the following table. The table below excludes instruments whose fair value is extremely difficult to determine (see Note 8, 2.).

	Millions of yen			
March 31, 2011	Carrying value	Gross unrealized gains	Gross unrealized losses	Fair value
Cash and deposits	¥ 130,195	¥ —	¥ —	¥ 130,195
Trade receivables	597,189	—	—	597,189
Marketable and investment securities:				
Held-to-maturity debt securities	24,837	—	(2,109)	22,728
Shares of affiliates	40,238	5,667	—	45,905
Other marketable securities	269,333	—	—	269,333
Total assets	¥1,061,792	¥ 5,667	¥(2,109)	¥1,065,350
Trade payables	¥ 378,411	¥ —	¥ —	¥ 378,411
Short-term debt	326,564	—	—	326,564
Commercial paper	50,000	—	—	50,000
Bonds due in one year or less	30,000	—	—	30,000
Bonds with subscription rights to shares due in one year or less	70,048	—	—	70,048
Corporate bonds	155,000	6,195	—	161,195
Bonds with subscription rights to shares	70,000	—	(1,641)	68,359
Long-term debt*	602,977	8,016	—	610,993
Total liabilities	¥1,683,000	¥14,211	¥(1,641)	¥1,695,570
Derivatives transactions:				
Hedge accounting not applied	¥ 1,869	¥ —	¥ —	¥ 1,869
Hedge accounting applied	(1,884)	—	—	(1,884)
Total derivatives transactions	¥ (15)	¥ —	¥ —	¥ (15)

* "Long-term debt" in this table excludes corporate bonds and corporate bonds with subscription rights to shares.

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

March 31, 2010	Millions of yen Carrying value	Gross unrealized gains	Gross unrealized losses	Fair value
Cash and deposits	¥ 119,114	¥ —	¥ —	¥ 119,114
Trade receivables	595,661	—	—	595,661
Marketable and investment securities:				
Held-to-maturity debt securities	22,540	—	(1,880)	20,660
Shares of affiliates	39,152	20,092	—	59,244
Other marketable securities	270,846	105	—	270,951
Total assets	¥1,047,313	¥20,197	¥(1,880)	¥1,065,630
Trade payables	¥ 370,846	¥ —	¥ —	¥ 370,846
Short-term debt	367,010	—	—	367,010
Commercial paper	125,000	—	—	125,000
Bonds due in one year or less	30,000	—	—	30,000
Corporate bonds	185,000	5,498	—	190,498
Bonds with subscription rights to shares	140,136	—	(6,917)	133,219
Long-term debt	606,980	8,030	—	615,010
Total liabilities	¥1,824,972	¥13,528	¥(6,917)	¥1,831,583
Derivatives transactions:				
Hedge accounting not applied	(1,376)	—	—	(1,376)
Hedge accounting applied	¥ (507)	¥ —	¥ —	¥ (507)
Total derivatives transactions	¥ (1,883)	¥ —	¥ —	¥ (1,883)

March 31, 2011	Thousands of U.S. dollars Carrying value	Gross unrealized gains	Gross unrealized losses	Fair value
Cash and deposits	**$ 1,568,614**	**$ —**	**$ —**	**$ 1,568,614**
Trade receivables	**7,195,048**	**—**	**—**	**7,195,048**
Marketable and investment securities:				
Held-to-maturity debt securities	**299,241**	**—**	**(25,410)**	**273,831**
Shares of affiliates	**484,795**	**68,277**	**—**	**553,072**
Other marketable securities	**3,244,976**	**—**	**—**	**3,244,976**
Total assets	**$12,792,675**	**$ 68,277**	**$(25,410)**	**$12,835,542**
Trade payables	**$ 4,559,169**	**$ —**	**$ —**	**$ 4,559,169**
Short-term debt	**3,934,506**	**—**	**—**	**3,934,506**
Commercial paper	**602,410**	**—**	**—**	**602,410**
Bonds due in one year or less	**361,446**	**—**	**—**	**361,446**
Bonds with subscription rights to shares	**843,952**	**—**	**—**	**843,952**
Corporate bonds	**1,867,470**	**74,639**	**—**	**1,942,108**
Bonds with subscription rights to shares	**843,373**	**—**	**(19,771)**	**823,602**
Long-term debt	**7,264,783**	**96,578**	**—**	**7,361,361**
Total liabilities	**$20,277,108**	**$171,217**	**$(19,771)**	**$20,428,554**
Derivatives transactions:				
Hedge accounting not applied	**$ 22,518**	**$ —**	**$ —**	**$ 22,518**
Hedge accounting applied	**(22,699)**	**—**	**—**	**(22,699)**
Total derivatives transactions	**$ (181)**	**$ —**	**$ —**	**$ (181)**

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

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

Assets

Cash and deposits

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

Trade receivables

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

Marketable and investment securities

The fair value of stocks is based on quoted market prices, while the fair value of debt securities is based on quoted market prices or the prices provided by the financial institutions with which MCHC conducts transactions. Book value is used for negotiable certificates of deposit and commercial paper, as it approximates market value because of the short settlements of these instruments. For information on securities classified by holding purpose, please refer to Note 9, Securities.

Liabilities

Trade payables, short-term debt, commercial paper, and bonds due in one year or less

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

Corporate bonds and bonds with subscription rights to shares

The market price of corporate bonds and bonds with subscription rights to shares that MCHC issues is based on the quoted market price or, in the absence of quoted prices, is based on present value by totaling the value of principle and interest, discounted by the interest rate determined taking into account the remaining maturities of the relevant corporate bonds and their credit risks.

Long-term debt

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

Long-term debt is subject to special procedures for interest rate swaps (see Note 11, Derivative Financial Instruments and Hedge Accounting) and the total principal and interest for these swaps are discounted using rationally estimated interest rates for similar new debt.

Derivative Transactions

Please refer to Note 11, Derivative Financial Instruments and Hedge Accounting.

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

	Millions of yen		Thousands of U.S. dollars
	March 31, 2011	March 31, 2010	**March 31, 2011**
Unlisted shares	**¥108,922**	¥111,671	**$1,312,313**
Unlisted bonds	**3,000**	2,000	**36,145**
Investment securities	**1,940**	2,062	**23,373**

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

3. Projected Redemptions of Monetary Claims and Marketable Securities Due after March 31, 2011

	Millions of yen			
March 31, 2011	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	¥130,195	¥ —	¥ —	¥ —
Trade receivables	597,189	—	—	—
Marketable and investment securities				
Held-to-maturity debt securities				
(1) Government bonds	500	10	2,018	—
(2) Others	4,582	5,209	2,518	10,000
Other securities with maturities				
(1) Government bonds	28,585	61,841	—	—
(2) Others	55,547	—	—	—
Total	¥816,598	¥67,060	¥4,536	¥10,000

March 31, 2010	Millions of yen Due in one year or less	 Due after one year through five years	 Due after five years through ten years	 Due after ten years
Cash and deposits	¥119,114	¥ —	¥ —	¥ —
Trade receivables	595,661	—	—	—
Marketable and investment securities				
Held-to-maturity debt securities				
(1) Government bonds	10	—	2,285	—
(2) Others	2,602	2,609	2,034	13,000
Other securities with maturities				
(1) Government bonds	27,116	67,641	—	—
(2) Others	32,587	—	—	—
Total	¥770,090	¥70,250	¥4,319	¥13,000

March 31, 2011	Thousands of U.S. dollars Due in one year or less	 Due after one year through five years	 Due after five years through ten years	 Due after ten years
Cash and deposits	$1,568,614	$ —	$ —	$ —
Trade receivables	7,195,048	—	—	—
Marketable and investment securities				
Held-to-maturity debt securities				
(1) Government bonds	6,024	120	24,313	—
(2) Others	55,205	62,759	30,337	120,482
Other securities with maturities				
(1) Government bonds	344,398	745,072	—	—
(2) Others	669,241	—	—	—
Total	$9,838,530	$807,952	$54,651	$120,482

4. See Note 17 for Scheduled Repayments of Corporate Bonds, Long-Term Debt and Other Interest-Bearing Debt after the Close of the Term.

Note 9

Securities

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

However, certain held-to-maturity debt securities have fair value. The carrying value, gross unrealized gains, gross unrealized losses and estimated fair value of held-to-maturity debt securities at March 31, 2011 and 2010, are summarized as follows:

March 31, 2011	Millions of yen Carrying value	 Gross unrealized gains	 Gross unrealized losses	 Estimated fair value
Held-to-maturity debt securities:				
Government bonds	**¥ 2,028**	**¥238**	**¥ —**	**¥ 2,266**
Corporate bonds	**500**	**0**	**—**	**500**
Other debt securities	**22,309**	**6**	**(2,353)**	**19,962**
	¥24,837	**¥244**	**¥(2,353)**	**¥22,728**

March 31, 2010	Millions of yen Carrying value	 Gross unrealized gains	 Gross unrealized losses	 Estimated fair value
Held-to-maturity debt securities:				
Government bonds	¥ 2,295	¥153	¥ —	¥ 2,448
Corporate bonds	1,078	9	—	1,087
Other debt securities	19,167	1	(2,043)	17,125
	¥22,540	¥163	¥(2,043)	¥20,660

March 31, 2011	Thousands of U.S. dollars Carrying value	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Held-to-maturity debt securities:				
Government bonds	**$ 24,434**	**$2,867**	**$ —**	**$ 27,301**
Corporate bonds	**6,024**	**0**	**—**	**6,024**
Other debt securities	**268,783**	**72**	**(28,349)**	**240,506**
	$299,241	**$2,940**	**$(28,349)**	**$273,831**

Other securities with quoted market prices are measured at fair value. Differences between fair value and acquisition costs are recorded as a component of net assets. The differences at March 31, 2011 and 2010, are summarized as follows:

	Millions of yen				
				(Breakdown)	
March 31, 2011	Acquisition costs	Fair value	Net differences	Gross gains	Gross losses
Other securities:					
Equity securities	**¥104,021**	**¥122,880**	**¥18,859**	**¥35,751**	**¥(16,892)**
Government bonds	**145,416**	**145,973**	**557**	**563**	**(6)**
Corporate bonds	**—**	**—**	**—**	**—**	**—**
Other debt securities	**492**	**480**	**(12)**	**—**	**(12)**
	¥249,929	**¥269,333**	**¥19,404**	**¥36,314**	**¥(16,910)**

	Millions of yen				
				(Breakdown)	
March 31, 2010	Acquisition costs	Fair value	Net differences	Gross gains	Gross losses
Other securities:					
Equity securities	¥104,844	¥142,937	¥38,093	¥59,035	¥(20,942)
Government bonds	126,630	127,344	714	784	(70)
Corporate bonds	—	—	—	—	—
Other debt securities	573	565	(8)	2	(10)
	¥232,047	¥270,846	¥38,799	¥59,821	¥(21,022)

	Thousands of U.S. dollars				
				(Breakdown)	
March 31, 2011	Acquisition costs	Fair value	Net differences	Gross gains	Gross losses
Other securities:					
Equity securities	**$1,253,265**	**$1,480,482**	**$227,217**	**$430,735**	**$(203,518)**
Government bonds	**1,752,000**	**1,758,711**	**6,711**	**6,783**	**(72)**
Corporate bonds	**—**	**—**	**—**	**—**	**—**
Other debt securities	**5,928**	**5,783**	**(145)**	**—**	**(145)**
	$3,011,193	**$3,244,976**	**$233,783**	**$437,518**	**$(203,735)**

Sales of other securities for the fiscal year ended March 31, 2011, are shown below:

	Millions of yen Sales	Gains	Losses
Year ended March 31, 2011	**¥5,073**	**¥2,217**	**¥287**

	Thousands of U.S. dollars Sales	Gains	Losses
Year ended March 31, 2011	**$61,120**	**$26,711**	**$3,458**

Investment securities of unconsolidated subsidiaries and affiliates at March 31, 2011, are shown below:

	Millions of yen	Thousands of U.S. dollars
At March 31, 2011	**¥116,838**	**$1,407,687**

Note 10

Supplementary Cash Flow Information

Cash and cash equivalents as of March 31, 2011 and 2010, are reconciled to the accounts reported in the consolidated balance sheets as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2011	March 31, 2010	**March 31, 2011**
Cash and deposits	**¥130,195**	¥119,114	**$1,568,614**
Time deposits with maturities of more than three months	**(11,945)**	(9,623)	**(143,916)**
Cash equivalents included in securities[1]	**25,497**	3,100	**307,193**
Cash and cash equivalents	**¥143,747**	¥112,591	**$1,731,892**

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

Significant Non-Cash Transactions

In the fiscal year ended March 31, 2011, consolidated subsidiary Mitsubishi Rayon Co., Ltd., became a wholly owned subsidiary following a share exchange. As a result, the capital surplus increased by ¥14,132 million ($170,265 thousand), while treasury stock decreased by ¥27,136 million ($326,940 thousand).

Note 11

Derivative Financial Instruments and Hedge Accounting

Derivative Transactions

1. Unhedged Derivative Transactions

(1) Currency-related transactions

	Millions of yen			
Year ended March 31, 2011	Notional value	Maturing after one year	Fair value	Appraised gains/losses
Off-market transactions				
Forward exchange agreements				
Put				
U.S. dollars	**¥ 191**	**¥ —**	**¥ (3)**	**¥ (3)**
Euros	**732**	**—**	**23**	**23**
Won	**1,305**	**—**	**(11)**	**(11)**
Australian dollars	**28**	**—**	**(2)**	**(2)**
Currency swaps				
Receive yen, pay U.S. dollars	**5,706**	**5,706**	**2,272**	**2,272**
Receive U.S. dollars, pay Thai baht	**5,280**	**5,280**	**(410)**	**(410)**

	Millions of yen			
Year ended March 31, 2010	Notional value	Maturing after one year	Fair value	Appraised gains/losses
Off-market transactions				
Forward exchange agreements				
Put				
Thai baht	¥ 104	¥ —	¥ (1)	¥ (1)
Currency swaps				
Receive yen, pay U.S. dollars	20,000	20,000	(1,371)	(1,371)
Receive U.S. dollars, pay Thai baht	3,207	3,207	(4)	(4)

	Thousands of U.S. dollars			
Year ended March 31, 2011	Notional value	Maturing after one year	Fair value	Appraised gains/losses
Off-market transactions				
Forward exchange agreements				
Put				
U.S. dollars	**$ 2,301**	**$ —**	**$ (36)**	**$ (36)**
Euros	**8,819**	**—**	**277**	**277**
Won	**15,723**	**—**	**(133)**	**(133)**
Australian dollars	**337**	**—**	**(24)**	**(24)**
Currency swaps				
Receive yen, pay U.S. dollars	**68,747**	**68,747**	**27,373**	**27,373**
Receive U.S. dollars, pay Thai baht	**63,614**	**63,614**	**(4,940)**	**(4,940)**

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

2. Hedged Derivative Transactions

(1) Currency-related transactions

Year ended March 31, 2011	Main hedging targets	Millions of yen Notional amounts	Maturing after one year	Fair value
Hedge accounting method				
Principle-based accounting				
Forward exchange agreements				
Put				
U.S. dollars	Accounts receivable trade	**¥ 83**	**¥ —**	**¥ 0**
British pounds	Accounts receivable trade	**24**	**—**	**0**
Call				
U.S. dollars	Accounts payable trade, etc.	**28,325**	**13,454**	**(1,654)**
Euros	Accounts payable trade, etc.	**362**	**—**	**19**
British pounds	Accounts payable trade, etc.	**1,103**	**—**	**17**
Renminbi	Accounts payable trade, etc.	**234**	**—**	**(1)**
Malaysian ringgit	Accounts payable trade, etc.	**4,455**	**2,512**	**104**
Currency options				
Put				
U.S. dollars	Accounts payable trade	**8,972**	**8,972**	**2**
Call				
U.S. dollars	Accounts payable trade	**8,972**	**8,972**	**(60)**
Hedge accounting method				
Forward exchange deferral accounting				
Forward exchange contracts				
Put				
U.S. dollars	Accounts receivable trade	**2,508**	**—**	
Euros	Accounts receivable trade	**1,438**	**—**	
British pounds	Accounts receivable trade	**3**	**—**	
Call				
U.S. dollars	Accounts payable trade	**84**	**—**	
Euros	Accounts payable trade	**32**	**—**	

Year ended March 31, 2010	Main hedging targets	Millions of yen Notional amounts	Maturing after one year	Fair value
Hedge accounting method				
Principle-based accounting				
Forward exchange agreements				
Put				
U.S. dollars	Accounts receivable trade	¥ 227	¥ —	¥ (5)
Call				
U.S. dollars	Accounts payable trade, etc.	24,734	11,629	(558)
Euros	Accounts payable trade, etc.	697	—	7
British pounds	Accounts payable trade, etc.	622	—	9
Malaysian ringgit	Accounts payable trade, etc.	6,887	4,456	354
Currency options				
Put				
U.S. dollars	Accounts payable trade	9,779	9,779	(33)
Call				
U.S. dollars	Accounts payable trade	9,779	9,779	(63)
Hedge accounting method				
Forward exchange deferral accounting				
Currency swaps				
Receive yen, pay U.S. dollars	Long-term debt	1,642	1,642	
Forward exchange contracts				
Put				
U.S. dollars	Accounts receivable trade	3,679	—	
Euros	Accounts receivable trade	1,097	—	
British pounds	Accounts receivable trade	59	—	
Call				
U.S. dollars	Accounts payable trade	312	—	
Euros	Accounts payable trade	91	—	

Year ended March 31, 2011	Main hedging targets	Thousands of U.S. dollars Notional amounts	Maturing after one year	Fair value
Hedge accounting method				
Principle-based accounting				
Forward exchange agreements				
Put				
U.S. dollars	Accounts receivable trade	**$ 1,000**	**$ —**	**$ 0**
British pounds	Accounts receivable trade	**289**	**—**	**0**
Call				
U.S. dollars	Accounts payable trade, etc.	**341,265**	**162,096**	**(19,928)**
Euros	Accounts payable trade, etc.	**4,361**	**—**	**229**
British pounds	Accounts payable trade, etc.	**13,289**	**—**	**205**
Renminbi	Accounts payable trade, etc.	**2,819**	**—**	**(12)**
Malaysian ringgit	Accounts payable trade, etc.	**53,675**	**30,265**	**1,253**
Currency options				
Put				
U.S. dollars	Accounts payable trade	**108,096**	**108,096**	**24**
Call				
U.S. dollars	Accounts payable trade	**108,096**	**108,096**	**(723)**
Hedge accounting method				
Forward exchange deferral accounting				
Forward exchange contracts				
Put				
U.S. dollars	Accounts receivable trade	**30,217**	**—**	
Euros	Accounts receivable trade	**17,325**	**—**	
British pounds	Accounts receivable trade	**36**	**—**	
Call				
U.S. dollars	Accounts payable trade	**1,012**	**—**	
Euros	Accounts payable trade	**386**	**—**	

Notes: 1. Fair value calculations are based on quoted prices from financial and other institutions with which MCHC conducts transactions.
2. MCHC accounts for forward exchange deferrals by together accounting for hedged long-term debt and trade receivables and payables, and thus presents fair values that include the fair values of those instruments.

(2) Interest-related transactions

Year ended March 31, 2011	Main hedging targets	Millions of yen Notional amounts	Maturing after one year	Fair value
Hedge accounting method				
Principle-based accounting				
Interest rate swaps				
Pay fixed rate, receive floating rate	Long-term debt	**¥ 7,978**	**¥ 7,762**	**¥ (290)**
Special accounting procedures for interest rate swaps				
Interest rate swaps				
Pay floating rate, receive fixed rate	Long-term debt	**3,822**	**3,070**	
Pay fixed rate, receive floating rate	Long-term debt	**259,423**	**240,224**	

Year ended March 31, 2010	Main hedging targets	Millions of yen Notional amounts	Maturing after one year	Fair value
Hedge accounting method				
Principle-based accounting				
Interest rate swaps	Long-term debt	¥ 9,407	¥ 8,780	¥ (209)
Pay fixed rate, receive floating rate	Securitized receivables	2,000	—	(7)
Special accounting procedures for interest rate swaps				
Interest rate swaps				
Pay floating rate, receive fixed rate	Long-term debt	8,574	6,872	
Pay fixed rate, receive floating rate	Long-term debt	214,337	207,581	

Year ended March 31, 2011	Main hedging targets	Thousands of U.S. dollars		
		Notional amounts	Maturing after one year	Fair value
Hedge accounting method				
Principle-based accounting				
Interest rate swaps				
Pay fixed rate, receive floating rate	Long-term debt	**$ 96,120**	**$ 93,518**	**$ (3,494)**
Special accounting procedures for interest rate swaps				
Interest rate swaps				
Pay floating rate, receive fixed rate	Long-term debt	**46,048**	**36,988**	
Pay fixed rate, receive floating rate	Long-term debt	**3,125,578**	**2,894,265**	

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

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

Note 12

Pension and Severance Plans

At March 31, 2011 and 2010, a breakdown of the amounts recognized in the accompanying consolidated balance sheets was as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2011	March 31, 2010	**March 31, 2011**
Projected benefit obligation at end of year	**¥(545,969)**	¥(556,882)	**$(6,577,940)**
Fair value of plan assets at end of year	**417,455**	422,773	**5,029,578**
Funded status	**(128,514)**	(134,109)	**(1,548,361)**
Unrecognized transition amount under post-employment benefit accounting	**3,188**	4,004	**38,410**
Unrecognized actuarial loss	**65,312**	51,661	**786,892**
Unrecognized prior service cost	**450**	(1,708)	**5,422**
Net amount recognized	**(59,564)**	(80,152)	**(717,639)**
Prepaid pension expense	**66,160**	54,591	**797,108**
Accrued retirement benefits	**(125,724)**	(134,743)	**(1,514,747)**

The components of net pension and severance cost for the years ended March 31, 2011 and 2010, were as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2011	March 31, 2010	**March 31, 2011**
Service cost	**¥13,803**	¥11,983	**$166,301**
Interest cost	**13,691**	10,336	**164,952**
Expected return on plan assets	**(10,541)**	(7,131)	**(127,000)**
Amortization of transition amount under post-employment benefit accounting	**815**	756	**9,819**
Recognized actuarial loss (gain)	**8,820**	14,094	**106,265**
Amortization of prior service cost	**685**	202	**8,253**
Defined contribution plan cost	**4,093**	2,454	**49,313**
Net periodic pension cost	**¥31,366**	¥32,694	**$377,904**

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 15 years from the year ended March 31, 2001.

4. Additional benefits for employees' early retirement amounting to ¥1,043 million ($12,566 thousand) and ¥1,753 million were recorded in addition to the amount of net periodic pension cost for the years ended March 31, 2011 and 2010, respectively.

5. Main assumptions used for the years ended March 31, 2011 and 2010, were discount rates of 2.0% in both years and an expected return on plan assets of 2.5% or 2.0% in both years.

Note 13

Stock-Based Compensation Plan

Information on stock-based compensation plans at March 31, 2011, is shown below:

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

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

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

	2007 plan	2007 plan	2007 plan
Grantees	2 directors of MCHC	1 executive officer of MCHC	1 director of a subsidiary
		2 retiring directors of MCHC	1 retiring director of a subsidiary
			20 executive officers of a subsidiary
			5 retiring executive officers of a subsidiary
Type of stock	Common stock	Common stock	Common stock
Date of grant	December 12, 2007	December 12, 2007	December 14, 2007
Number of shares granted	39,700	49,450	311,100
Exercise price (yen)	1	1	1
Exercisable period	from December 13, 2007 to December 12, 2027	from December 13, 2007 to December 12, 2027	from December 15, 2007 to December 14, 2027

	2006 plan	2006 plan	2006 plan	2005 plan
Grantees	3 directors of MCHC	1 executive officer of MCHC	2 directors of a subsidiary	7 directors of a subsidiary
		1 retiring director of MCHC	1 retiring director of a subsidiary	19 executive officers of a subsidiary
			19 executive officers of a subsidiary	3 retiring executive officers of a subsidiary
			4 retiring executive officers of a subsidiary	
Type of stock	Common stock	Common stock	Common stock	Common stock
Date of grant	December 13, 2006	December 13, 2006	December 15, 2006	July 1, 2005
Number of shares granted	70,400	28,200	331,000	466,050
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	from June 28, 2006 to June 27, 2026

Note 14

Income Taxes

At March 31, 2011 and 2010, significant components of deferred tax assets and liabilities were as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2011	March 31, 2010	**March 31, 2011**
Deferred tax assets:			
Tax loss carryforwards	**¥ 137,653**	¥ 150,187	**$ 1,658,470**
Employees' retirement benefits	**32,781**	38,600	**394,952**
Accrued bonuses to employees	**14,712**	13,714	**177,253**
Write-downs of investment securities	**11,623**	13,584	**140,036**
Allowance for doubtful accounts	**8,877**	—	**106,952**
Depreciation	**9,523**	11,016	**114,735**
Impairment loss on fixed assets	**7,814**	8,507	**94,145**
Loss on liquidation of subsidiaries and affiliates	**6,695**	7,280	**80,663**
Unrealized profit on sale of fixed assets	**5,733**	—	**69,072**
Other	**65,240**	68,427	**786,024**
Gross deferred tax assets	**¥ 300,651**	¥ 311,315	**$ 3,622,301**
Valuation allowance	**(92,704)**	(104,343)	**(1,116,916)**
Total deferred tax assets	**¥ 207,947**	¥ 206,972	**$ 2,505,386**
Deferred tax liabilities:			
Valuation of assets	**¥ (42,768)**	¥ (28,376)	**$ (515,277)**
Accelerated tax depreciation	**(22,521)**	(19,825)	**(271,337)**
Valuation gain on investment securities	**(12,133)**	(19,595)	**(146,181)**
Tax deductible reserve	**(4,067)**	(4,257)	**(49,000)**
Other	**(3,705)**	(3,839)	**(44,639)**
Total deferred tax liabilities	**¥ (85,194)**	¥ (75,892)	**$ (1,026,434)**
Net deferred tax assets	**¥ 122,753**	¥ 131,080	**$ 1,478,952**

At March 31, 2011 and 2010, deferred tax assets and liabilities included in the consolidated balance sheets are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2011	March 31, 2010	**March 31, 2011**
Deferred income taxes—current	**¥ 39,442**	¥ 37,867	**$ 475,205**
Deferred income taxes—noncurrent	**109,608**	114,269	**1,320,578**
Other current liabilities	**(283)**	(15)	**(3,410)**
Other noncurrent liabilities	**(26,014)**	(21,041)	**(313,422)**

A reconciliation of the statutory tax rates to the effective tax rates for the years ended March 31, 2011 and 2010, was as follows:

	March 31, 2011	March 31, 2010
Statutory tax rate	**40.6%**	40.6%
Increase (decrease) in taxes resulting from:		
Amortization of goodwill	**2.7**	7.0
Permanent differences	**2.5**	8.5
Difference of statutory tax rate in overseas subsidiaries	**(6.9)**	(3.4)
Valuation allowance	**(5.5)**	10.4
Equity in earnings of unconsolidated subsidiaries and affiliates	**(3.6)**	(5.4)
Tax credits for research and development costs	**(3.3)**	(13.6)
Increase in valuation allowance for cumulative losses of consolidated subsidiaries	—	7.1
Unrecognized tax effect on unrealized gains and losses	—	5.5
Gain on changes in equity of affiliated companies	—	(21.5)
Decrease in valuation allowance for cumulative losses of consolidated subsidiaries	—	(12.4)
Other	**1.2**	1.4
Effective tax rate	**27.7%**	24.2%

Note 15

Business Combination and Divestitures

1. Share Exchange with Mitsubishi Rayon

MCHC and consolidated subsidiary Mitsubishi Rayon Co., Ltd., exchanged shares (hereinafter, “share exchange”) to make the latter company a wholly owned subsidiary as of October 1, 2010. The following presents the goals and overview of the share exchange.

(1) Profile of Mitsubishi Rayon, Legal Form of Business Combination, Name after Business Combination and Overview of Transaction, Including Goals

a. Profile of Mitsubishi Rayon (as of September 30, 2010)
Name: Mitsubishi Rayon Co., Ltd.
Headquarters address: 6-41, Konan 1-chome, Minato-ku, Tokyo
Paid-in capital: ¥53,229 million ($641,313 thousand)
Number of issued and outstanding shares: 599,997 thousand
Net assets: ¥175,411 million ($2,113,386 thousand) (consolidated)
Total assets: ¥549,243 million ($6,617,386 thousand) (consolidated)
Net sales (year to September 2010): ¥231,809 million ($2,792,880 thousand) (consolidated)
Net income (year to September 2010): ¥7,724 million ($93,060 thousand) (consolidated)
Principal businesses: Chemicals and plastics business, acrylonitrile and derivatives business, carbon fibers & composite materials business, fibers business and others business
Representative: Masanao Kambara, Representative Director and President
Number of employees: 8,478 (consolidated)

b. Legal Form of Business Combination
Common control transaction (in which Mitsubishi Rayon became a wholly owned subsidiary through the share exchange)

c. Name after Business Combination
The name remained unchanged after the business combination.

d. Overview of Transaction, Including Goals
MCHC implemented a tender offer for all of the issued and outstanding shares of Mitsubishi Rayon from February through March 2010, acquiring shares representing 74.5% of the total number issued and outstanding. Mitsubishi Rayon thus became a consolidated subsidiary in March 2010. MCHC was unable to acquire all of the issued and outstanding shares, so as originally planned both companies decided to make Mitsubishi Rayon a wholly owned subsidiary of MCHC as of October 1, 2010, through a share exchange.

Mitsubishi Rayon delisted on September 28, 2010. The transaction was in keeping with the simplified share exchange procedures of Article 796, Paragraph 3, of the Companies Act of Japan, and therefore did not require approval at a general meeting of shareholders.

The business combination between MCHC and Mitsubishi Rayon added the latter as a core operating business company of MCHC, a pure holding company for the Group, enabling the two companies to integrate management resources, expand corporate scale and establish a solid business foundation while strengthening business competitiveness and fortifying development capabilities. The goal is to ensure that the group prevails amid intensifying global competition.

(2) Summary of Accounting Procedures
The share exchange was processed as common control transaction based on the Accounting Standard for Business Combinations (ASBJ Statement No. 21, December 26, 2008) and the Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, December 26, 2008).

(3) Additional Acquisitions of Subsidiary Shares

a. Acquisition Cost
¥41,268 million ($497,205 thousand)
No direct expense was required for this acquisition.

b. Share Exchange Ratio by Share Category, Basis of Calculations, and Number of Shares Exchanged

(i) Share Category
Category of shares: Common stock
Exchange ratio: 0.80 share of common stock of MCHC for one stock of Mitsubishi Rayon

(ii) Basis of Calculations

The two companies requested third party appraisers to calculate the share exchange ratio. For this purpose, MCHC appointed Mitsubishi UFJ Securities Co., Ltd. (now Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.). Mitsubishi Rayon appointed Mizuho Securities Co., Ltd. and JPMorgan Securities Japan Co., Ltd.

Mitsubishi UFJ Securities used the average market price method to evaluate the shares of MCHC and determined that the share value of Mitsubishi Rayon would equal the purchase price. Mizuho Securities employed the market price method, the comparable companies comparison method, and the discounted cash flow method, and determined that the share value of Mitsubishi Rayon would equal the purchase price. JPMorgan Securities Japan adopted the average market price method, the comparable companies comparison method, and the discounted cash flow method, and determined that the value of Mitsubishi Rayon's shares would equal the purchase price.

MCHC and Mitsubishi Rayon evaluated the calculation results from their respective third-party appraisers, and after considering various conditions and results of the tender offer, both companies engaged in a series of discussions and concluded that the above share exchange ratio was appropriate.

(iii) Number of Shares Exchanged

99,681,436

Based on the above exchange ratio, MCHC exchanged its shares of treasury stock (common stock) with the shares of Mitsubishi Rayon shareholders of record immediately before the effective date of the share exchange. Before the share exchange, Mitsubishi Rayon canceled all of the treasury shares it held.

c. Goodwill, Source, and Amortization Method and Period

(i) Goodwill: ¥9,683 million ($116,663 thousand)

(ii) Source

The goodwill derives from the difference between the value of the equity interest in Mitsubishi Rayon and the acquisition cost.

(iii) Amortization Method and Period

Goodwill is being amortized over 20 years using the straight-line method.

2. Completion of Purchase Price Allocation Procedures

The tender offer for Mitsubishi Rayon's shares was just before the close of the fiscal year, therefore MCHC accounted for some of Mitsubishi Rayon's assets and liabilities on a preliminary basis based on paragraph 69 of the Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, revised 2008).

Purchase price allocation procedures were completed by the third quarter of the year ended March 31, 2011. Goodwill for the year ended March 31, 2010, has been recalculated to reflect the completion of purchase price allocation procedures, as shown below:

Amended items	Amended goodwill	
	Millions of yen	Thousands of U.S. dollars
Goodwill before amendment	¥ 77,122	$ 929,181
Intangible fixed assets	(33,432)	(402,795)
Deferred tax liabilities	13,572	163,518)
Minority interests in consolidated subsidiaries	4,093	49,313
Other	1,095	13,193
Total amendments	(14,672)	(176,771)
Post-amendment goodwill	¥ 62,450	$ 752,410

Note 16

Per Share Information

	Yen	U.S. dollars
	March 31, 2011	**March 31, 2011**
Net assets	**¥514.30**	**$6.20**
Net income—Basic	**58.72**	**0.71**
—Diluted	**54.17**	**0.65**

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

	Millions of yen	Thousands of U.S. dollars
Net income per share	**March 31, 2011**	**March 31, 2011**
Net income	**¥ 83,581**	**$1,007,000**
Net income applicable to common shares	**83,581**	**1,007,000**
Average number of common shares during period (thousands of shares)	**1,423,355**	**—**
Adjustment of net income:	**(52)**	**(627)**
Interest income (after deducting tax)	**(52)**	**(627)**
Increase in number of common shares: (thousands of shares)	**118,533**	**—**
Bonds with subscription rights to shares	**117,468**	**—**
Warrants	**1,065**	**—**

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

	Millions of yen	Thousands of U.S. dollars
Net assets per share	**March 31, 2011**	**March 31, 2011**
Total net assets	**¥1,114,003**	**$13,421,723**
Amounts deducted from total net assets:	**355,756**	**4,286,217**
Warrants	**696**	**8,386**
Minority interests in consolidated subsidiaries	**355,060**	**4,277,831**
Net assets applicable to common shares	**758,247**	**9,135,506**
Number of common shares at the end of the fiscal year used in calculation of net assets per share (thousands of shares)	**1,474,317**	**—**

Note 17

Short-Term Debt and Long-Term Debt

At March 31, 2011 and 2010, short-term debt of MCHC and its consolidated subsidiaries consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2011	March 31, 2010	**March 31, 2011**
Short-term loans principally from banks and other financial institutions at average interest rate of: 0.684% at March 31, 2011, and 0.812% at March 31, 2010	**¥254,717**	¥ 320,888	**$3,068,880**
Commercial paper	**50,000**	125,000	**602,410**
	¥304,717	¥ 445,888	**$3,671,289**

At March 31, 2011 and 2010, long-term debt of MCHC and its consolidated subsidiaries consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2011	March 31, 2010	**March 31, 2011**
Debt issued by MCC:			
1.15% notes due 2010	**¥ —**	¥ 10,000	**$ —**
1.30% notes due 2011	**—**	10,000	**—**
1.46% notes due 2011	**10,000**	10,000	**120,482**
1.51% notes due 2011	**10,000**	10,000	**120,482**
1.80% notes due 2013	**15,000**	15,000	**180,723**
1.16% notes due 2013	**10,000**	10,000	**120,482**
1.90% notes due 2014	**10,000**	10,000	**120,482**
2.02% notes due 2014	**10,000**	10,000	**120,482**
1.20% notes due 2014	**15,000**	15,000	**180,723**
2.01% notes due 2016	**20,000**	20,000	**240,964**
2.05% notes due 2016	**10,000**	10,000	**120,482**
2.03% notes due 2018	**20,000**	20,000	**240,964**
2.02% notes due 2019	**10,000**	10,000	**120,482**
Debt issued by MCHC:			
Bonds with subscription rights to shares due 2011	**70,048**	70,136	**843,952**
Bonds with subscription rights to shares due 2013	**70,000**	70,000	**843,373**
Debt issued by consolidated subsidiaries other than MCC, due 2010–2019 at interest rates ranging from 1.07% to 1.94% at March 31, 2011, and from 0.98% to 1.94% at March 31, 2010	**45,000**	55,000	**542,169**
Loans, principally from banks and insurance companies due 2010 to 2025:			
Collateralized	**13,077**	18,080	**157,554**
Non-collateralized	**661,747**	635,022	**7,972,855**
	¥ 999,872	¥1,008,238	**$12,046,651**
Less current portion	**(171,895)**	(76,122)	**(2,071,024)**
	¥ 827,977	¥ 932,116	**$ 9,975,627**

Note: The average interest rates of loans were as follows:
March 31, 2011
Current portion 1.515%
Less current portion 1.419%

At March 31, 2011, assets pledged as collateral and debt secured by such assets were as follows:

	Millions of yen	Thousands of U.S. dollars
	March 31, 2011	**March 31, 2011**
Collateral assets	**¥147,644**	**$1,778,843**
Secured debt	**¥ 17,436**	**$ 210,072**

Secured assets as of March 31, 2011 and 2010, are shown below:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2011	March 31, 2010	**March 31, 2011**
Buildings	**¥ 29,382**	¥ 37,885	**$ 354,000**
Land	**21,703**	23,586	**261,482**
Machinery and equipment	**96,559**	108,722	**1,163,361**
Total	**¥147,644**	¥170,193	**$1,778,843**

Secured liabilities as of March 31, 2011 and 2010, are shown below:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2011	March 31, 2010	**March 31, 2011**
Short-term debt	**¥ 5,023**	¥12,578	**$ 60,518**
Long-term debt	**12,277**	11,248	**147,916**
Trade payables	**136**	135	**1,639**
Total	**¥17,436**	¥23,961	**$210,072**

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

	Millions of yen	Thousands of U.S. dollars
	March 31, 2011	**March 31, 2011**
2013	**¥106,029**	**$ 1,277,458**
2014	**222,270**	**2,677,952**
2015	**163,773**	**1,973,169**
2016	**96,870**	**1,167,108**
2017 and thereafter	**239,035**	**2,879,940**
	¥827,977	**$ 9,975,627**

Note 18

Segment Information 1. Overview of Reporting Segments

The Company’s reporting segments comprise financial information that can be segregated, and the Board of Directors can regularly assess this information in deciding how to allocate resources and evaluate results.

MCHC is a pure holding company for four key businesses, namely Mitsubishi Chemical Corporation, Mitsubishi Tanabe Pharma Corporation, Mitsubishi Plastics, Inc., and Mitsubishi Rayon Co., Ltd. MCHC coordinates Group operations, categorizing each company’s businesses by product and managing its portfolio based on those categories. Accordingly, MCHC’s segments comprise product-specific business categories. The five principle reporting segments are Electronics Applications, Designed Materials, Health Care, Chemicals, and Polymers.

The main products in each reporting segment are as follows.

Reporting Segment	Main Products
Electronics Applications	Recording media, electronics products, and information equipment
Designed Materials	Food ingredients, battery materials, fine chemicals, polymer processing products, inorganic chemicals, and chemical fibers
Health Care	Pharmaceuticals and diagnostic and clinical testing products
Chemicals	Basic petrochemical products, chemical products, synthetic fiber materials, and carbon products
Polymers	Synthetic resins

2. Basis for Calculating Sales, Earnings or Losses, Assets, Liabilities, and Other Amounts by Reporting Segment

The Company accounts for its reported business segments as described in Note 1. Inter-segment sales and transfers are based mainly on prevailing market prices.

3. Information on Sales, Earnings or Losses, Assets, Liabilities and Other Financials by Reporting Segment

	Net Sales*			Inter-segment Sales and Transfers		
	Millions of yen		Thousands of U.S. dollars	Millions of yen		Thousands of U.S. dollars
REPORTING SEGMENT	**March 31, 2011**	March 31, 2010	**March 31, 2011**	**March 31, 2011**	March 31, 2010	**March 31, 2011**
Electronics Applications	**¥ 152,425**	¥ 167,259	**$ 1,836,446**	**¥ 3,965**	¥ 1,307	**$ 47,771**
Designed Materials	**657,567**	436,786	**7,922,494**	**24,598**	12,480	**296,361**
Health Care	**504,922**	504,414	**6,083,398**	**1,969**	746	**23,723**
Chemicals	**895,403**	785,708	**10,787,988**	**157,567**	147,401	**1,898,398**
Polymers	**731,193**	479,071	**8,809,554**	**81,912**	62,465	**986,892**
Others	**225,261**	141,841	**2,713,988**	**144,333**	152,617	**1,738,952**
Subtotal	**3,166,771**	2,515,079	**38,153,867**	**414,344**	377,016	**4,992,096**
Adjustments	**—**	—	**—**	**(414,344)**	(377,016)	**(4,992,096)**
Total	**¥3,166,771**	¥2,515,079	**$38,153,867**	**¥ —**	¥ —	**$ —**

* Inter-segment sales and transfers are not included.

	Segment Earnings			Segment Assets		
	Millions of yen		Thousands of U.S. dollars	Millions of yen		Thousands of U.S. dollars
REPORTING SEGMENT	**March 31, 2011**	March 31, 2010	**March 31, 2011**	**March 31, 2011**	March 31, 2010	**March 31, 2011**
Electronics Applications	**¥ 962**	¥ (1,439)	**$ 11,590**	**¥ 129,348**	¥ 138,727	**$ 1,558,410**
Designed Materials	**36,471**	13,339	**439,410**	**712,546**	716,677	**8,584,892**
Health Care	**85,096**	71,041	**1,025,253**	**852,704**	832,469	**10,273,542**
Chemicals	**52,970**	6,905	**638,193**	**655,875**	681,545	**7,902,108**
Polymers	**55,017**	(22,490)	**662,855**	**744,552**	745,508	**8,970,506**
Others	**4,530**	6,246	**54,578**	**296,018**	324,209	**3,566,482**
Subtotal	**235,046**	73,602	**2,831,880**	**3,391,043**	3,439,135	**40,855,940**
Adjustments	**(8,553)**	(7,260)	**(103,048)**	**(97,029)**	(84,038)	**(1,169,024)**
Total	**¥226,493**	¥ 66,342	**$2,728,831**	**¥3,294,014**	¥3,355,097	**$39,686,916**

	Depreciation and Amortization			Amortization of Goodwill		
	Millions of yen		Thousands of U.S. dollars	Millions of yen		Thousands of U.S. dollars
REPORTING SEGMENT	**March 31, 2011**	March 31, 2010	**March 31, 2011**	**March 31, 2011**	March 31, 2010	**March 31, 2011**
Electronics Applications	**¥ 9,057**	¥ 9,362	**$ 109,120**	**¥ 263**	¥ 239	**$ 3,169**
Designed Materials	**48,309**	32,899	**582,036**	**3,408**	1,814	**41,060**
Health Care	**18,882**	19,879	**227,494**	**5,662**	5,407	**68,217**
Chemicals	**31,064**	40,698	**374,265**	**(4)**	428	**(48)**
Polymers	**34,490**	19,051	**415,542**	**2,581**	227	**31,096**
Others	**3,916**	4,292	**47,181**	**231**	235	**2,783**
Subtotal	**145,718**	126,181	**1,755,639**	**12,141**	8,350	**146,277**
Adjustments	**2,979**	3,393	**35,892**	**—**	—	**—**
Total	**¥148,697**	¥129,574	**$1,791,530**	**¥12,141**	¥8,350	**$146,277**

	Investment in Equity Method Affiliates			Increase in Tangible and Intangible Fixed Assets*		
	Millions of yen		Thousands of U.S. dollars	Millions of yen		Thousands of U.S. dollars
REPORTING SEGMENT	**March 31, 2011**	March 31, 2010	**March 31, 2011**	**March 31, 2011**	March 31, 2010	**March 31, 2011**
Electronics Applications	**¥ —**	¥ —	**$ —**	**¥ 6,580**	¥ 9,799	**$ 79,277**
Designed Materials	**18,054**	15,515	**217,518**	**34,468**	33,290	**415,277**
Health Care	**1,425**	2,175	**17,169**	**18,488**	16,289	**222,747**
Chemicals	**26,521**	22,691	**319,530**	**29,323**	38,656	**353,289**
Polymers	**26,327**	27,583	**317,193**	**21,873**	14,941	**263,530**
Others	**40,339**	39,458	**486,012**	**3,207**	4,256	**38,639**
Subtotal	**112,666**	107,422	**1,357,422**	**113,939**	117,231	**1,372,759**
Adjustments	**—**	—	**—**	**3,867**	1,794	**46,590**
Total	**¥112,666**	¥107,422	**$1,357,422**	**¥117,806**	¥119,025	**$1,419,349**

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

Notes:
1. The Others category is a business segment excluded from reporting segments and mainly encompasses engineering, transportation, and warehousing operations.
2. Adjustments are as follows:
   (1) The ¥8,553 million ($103,048 thousand) adjustment for segment earnings or losses includes ¥8,338 million ($100,458 thousand) in corporate costs not allocated to each reporting segment and ¥215 million ($2,590 thousand) in inter-segment eliminations. Corporate costs include expenditures on basic testing, research, and other activities not allocated to reporting segments.
   (2) The segment asset adjustment of ¥97,029 million ($1,169,024 thousand) includes corporate assets of ¥199,865 million ($2,408,012 thousand) not allocated to reporting segments and inter-segment eliminations of ¥296,894 million ($3,577,036 thousand).
   (3) Adjustments to depreciation and amortization of ¥2,979 million ($35,892 thousand) are corporate costs that are not allocated to reporting segments.
   (4) Adjustments to increase in tangible and intangible fixed assets of ¥3,867 million ($46,590 thousand) are corporate assets that are not allocated to reporting segments.
3. Total segment earnings and adjustments match operating income in the consolidated financial statements.
4. As stated in "Changes in Depreciation of Significant Depreciable Assets," in (e) of Note 1, Significant Accounting Policies, the Company shifted from the declining-balance to the straight-line method of depreciation, mainly for domestic consolidated subsidiaries (excluding Mitsubishi Rayon, which became a consolidated subsidiary on March 30, 2010, and its subsidiaries) in the chemicals and polymers segments. Compared with the previous method, therefore, earnings in the year ended March 31, 2011, were ¥8,879 million ($106,976 thousand) higher in the chemicals segment, ¥5,532 million ($66,651 thousand) higher in the polymers segment, and ¥3,440 million ($41,446 thousand) higher in other segments.

Additional Information
From the fiscal year ended March 31, 2011, MCHC adopted Revised Accounting Standard for Disclosures about Segments of an Enterprise and Related information (ASBJ Statement No. 17, March 27, 2009) and Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (ASBJ Guidance No. 20, March 21, 2008).

4. Related Information

Geographic Information

(1) Sales

	Millions of yen			
	Japan	PRC	Other	Total
Year ended March 31, 2011	**¥2,079,213**	**¥314,308**	**¥773,250**	**¥3,166,771**

	Thousands of U.S. dollars			
	Japan	PRC	Other	Total
Year ended March 31, 2011	**$25,050,759**	**$3,786,843**	**$9,316,265**	**$38,153,867**

Note: Sales are based on the locations of customers and categorized according to country or region.

(2) Tangible Fixed Assets

	Millions of yen		
	Japan	Other	Total
Year ended March 31, 2011	**¥820,937**	**¥267,430**	**¥1,088,367**

	Thousands of U.S. dollars		
	Japan	Other	Total
Year ended March 31, 2011	**$9,890,807**	**$3,222,048**	**$13,112,855**

5. Information on Impairment Loss by Reporting Segment

Year ended March 31, 2011	Impairment Loss	
REPORTING SEGMENT	Millions of yen	Thousands of U.S. dollars
Electronics Applications	**¥ 945**	**$11,386**
Designed Materials	**1,669**	**20,108**
Health Care	**660**	**7,952**
Chemicals	**109**	**1,313**
Polymers	**287**	**3,458**
Others	**11**	**133**
Corporate and Eliminations	**—**	**—**
Total	**¥3,681**	**$44,349**

6. Information on Amortization of Goodwill and Unamortized Balance by Reporting Segment

March 31, 2011	Balance at year-end	
REPORTING SEGMENT	Millions of yen	Thousands of U.S. dollars
Electronics Applications	**¥ 729**	**$ 8,783**
Designed Materials	**40,984**	**493,783**
Health Care	**65,603**	**790,398**
Chemicals	**37**	**446**
Polymers	**47,282**	**569,663**
Others	**209**	**2,518**
Corporate and Eliminations	**—**	**—**
Total	**¥154,844**	**$1,865,590**

Report of Independent Auditors

The Board of Directors
Mitsubishi Chemical Holdings Corporation

We have audited the accompanying consolidated balance sheets of Mitsubishi Chemical Holdings Corporation and consolidated subsidiaries as of March 31, 2011 and 2010, and the related consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the years then ended, all expressed in 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 audits.

We conducted our audits 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 audits provide 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, 2011 and 2010, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Supplemental Information

As described in Note 1 Significant Accounting Policies (e) Property, Plant and Equipment, from the fiscal year ended March 31, 2011, the company adopted straight-line method for depreciation, mainly for domestic consolidated subsidiaries in the chemicals and polymers segments.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2011 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 2.

Ernst & Young ShinNihon LLC

June 24, 2011

Corporate Data

As of March 31, 2011

Mitsubishi Chemical Holdings Group

● Consolidated subsidiaries
● Affiliates accounted for by the equity method

Major Subsidiaries—Direct Investees

	Major Products or Lines of Business	Capital	Equity Participation (%)
● Mitsubishi Chemical Corporation	Manufacture and marketing of chemicals products	¥50.0 billion	100.0%
● Mitsubishi Tanabe Pharma Corporation	Manufacture and marketing of pharmaceuticals	¥50.0 billion	56.4%
● Mitsubishi Plastics, Inc.	Manufacture and marketing of polymer processing products	¥21.5 billion	100.0%
● Mitsubishi Rayon Co., Ltd.	Manufacture and marketing of chemicals products	¥53.2 billion	100.0%
● The KAITEKI Institute, Inc.	Research and investigation into future social trends	¥10.0 million	100.0%

Major Subsidiaries and Affiliates—Indirect Investees

Performance Products Domain

Electronics Applications Segment

	Major Products or Lines of Business	Capital	Equity Participation (%)
● Shinryo Corporation	Ecological recycling; manufacture and marketing of semiconductors	¥0.5 billion	100.0%
● Verbatim Americas, LLC	Marketing of recording media and computer peripheral equipment	U.S.$87 million	100.0%
● Verbatim Limited (U.K.)	Marketing of recording media and computer peripheral equipment	€3 million	100.0%

Designed Materials Segment

	Major Products or Lines of Business	Capital	Equity Participation (%)
● The Nippon Synthetic Chemical Industry Co., Ltd.	Manufacture and marketing of polymer processing products	¥17.9 billion	40.7%
● Nippon Kasei Chemical Co., Ltd.	Manufacture and marketing of inorganic chemicals products	¥6.5 billion	52.8%
● Mitsubishi Polyester Film, Inc. (U.S.A.)	Manufacture and marketing of polyester film	U.S.$29 million	100.0%
● Mitsubishi Polyester Film GmbH (Germany)	Manufacture and marketing of polyester film	€160,000	100.0%

Health Care Domain

Health Care Segment

	Major Products or Lines of Business	Capital	Equity Participation (%)
● API Corporation	Manufacture and marketing of active pharmaceuticals ingredients and intermediates	¥4.0 billion	100.0%
● Mitsubishi Chemical Medience Corporation	Clinical testing and medical support services; marketing of in vitro diagnostic agents	¥3.0 billion	99.3%

Industrial Materials Domain

Chemicals Segment

	Major Products or Lines of Business	Capital	Equity Participation (%)
● Kansai Coke and Chemicals Co., Ltd.	Manufacture and marketing of coke	¥6.0 billion	51.0%
● Dia-Nitrix Company Ltd.	Manufacture and marketing of acrylonitrile and acrylamide	¥2.0 billion	100.0%
● MCC PTA India Corp. Private Limited	Manufacture and marketing of terephthalic acid	Rs7,392 million	65.9%
● Ningbo Mitsubishi Chemical Co., Ltd.	Manufacture and marketing of terephthalic acid	RMB1,005 million	90.0%
● P.T. Mitsubishi Chemical Indonesia	Manufacture and marketing of terephthalic acid	U.S.$146 million	100.0%
● MCC PTA Asia Pacific Private Company Ltd.	Marketing of terephthalic acid	U.S.$20 million	100.0%
● Kawasaki Kasei Chemicals Ltd.	Manufacture and marketing of chemicals derivatives	¥6.2 billion	36.3%
● Kashima-Kita Electric Power Corporation	Generation and supply of electric power	¥6.0 billion	40.8%

Polymers Segment

	Major Products or Lines of Business	Capital	Equity Participation (%)
● Japan Polyethylene Corporation	Manufacture and marketing of polyethylene	¥7.5 billion	58.0%
● V-Tech Corporation	Manufacture and marketing of vinyl chloride	¥6.0 billion	85.1%
● Japan Polypropylene Corporation	Manufacture and marketing of polypropylene	¥5.0 billion	65.0%
● J-Film Corporation	Manufacture and marketing of plastic film	¥1.2 billion	87.7%
● Lucite International Inc. (U.S.A.)	Manufacture and marketing of MMA monomers, acrylic resin boards and coating materials	U.S.$363 million	100.0%
● Lucite International UK Limited	Manufacture and marketing of MMA monomers, acrylic resin boards and coating materials	£20 million	100.0%

Others

Others

	Major Products or Lines of Business	Capital	Equity Participation (%)
● Mitsubishi Chemical Logistics Corporation	Logistics and warehousing services	¥1.5 billion	100.0%
● Mitsubishi Chemical Engineering Corporation	Engineering and construction services	¥1.4 billion	100.0%
● Taiyo Nippon Sanso Corporation	Manufacture and marketing of industrial gas	¥27.0 billion	15.1%
● Kodama Chemical Industry Co., Ltd.	Manufacture and marketing of plastics products	¥3.0 billion	20.6%
● Nitto Kako Co., Ltd.	Manufacture and marketing of rubber and plastics products	¥1.9 billion	37.1%

Directory

Mitsubishi Chemical Holdings Corporation

Domestic	Address	TEL	FAX
Head Office	14-1, Shiba 4-chome, Minato-ku, Tokyo 108-0014, Japan	[+81] (0)3-6414-4870	[+81] (0)3-6414-4879
Overseas			
Mitsubishi Chemical Holdings America, Inc.	One North Lexington Avenue, White Plains, NY10601, USA	[+1]-914-286-3659	[+1]-914-286-3677
Mitsubishi Chemical Holdings (Beijing) Co., Ltd.	Room 710, Beijing Fortune Building, Dong San Huan Bei Lu 5, Chao Yang District, Beijing 100004, PRC	[+86]-10-6590-8621	[+86]-10-6590-8623

Mitsubishi Chemical Corporation

Domestic	Address	TEL	FAX
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 Europe GmbH	Willstaetterstr. 30, 40549 Duesseldorf, Germany	[+49] (0)211-520541-0	[+49] (0)211-591272
Mitsubishi Chemical Hong Kong Ltd.	Unit 2513, 25th Floor, Miramar Tower, 132 Nathan Road, Tsimshatsui, Kowloon, Hong Kong	[+852] 2522-7031	[+852] 2868-1470
Mitsubishi Chemical Singapore Pte Ltd	60 Anson Road, #10-01, Mapletree Anson, Singapore 079914	[+65] 6226-3707	[+65] 6226-1676
Mitsubishi Chemical (Thailand) Co., Ltd.	18th Floor, Regent House Building, 183 Rajdamri Road, Bangkok 10330, Thailand	[+66] (0)2-255-2821	[+66] (0)2-255-2824
Mitsubishi Chemical India Private Ltd.	Office No. 8 & 9, Ground Floor, Tower 'B', Unitech Cyber Park, Sector 39, Gurgaon 122001, Haryana, India	[+91] (0)124-469-9800	[+91] (0)124-420-2030
Mitsubishi Chemical China Commerce Limited	Room 4201B, The Center, No. 989 Chang Le Road, Shanghai 200031, PRC	[+86] (0)21-5407-6161	[+86] (0)21-5407-6262

Mitsubishi Tanabe Pharma Corporation

Domestic	Address	TEL	FAX
Head Office	6-18, Kitahama 2-chome, Chuo-ku, Osaka 541-8505, Japan	[+81] (0)6-6205-5085	[+81] (0)6-6205-5262
Tokyo Head Office	2-6, Nihonbashi-Honcho 2-chome, Chuo-ku, Tokyo 103-8405, Japan	[+81] (0)3-3241-4670	[+81] (0)3-3241-5188
Overseas			
Shanghai Office	Room 1505B, Westgate Mall 1038 West, Nanjing Road, Shanghai 200041, PRC	[+86] (0)21-5228-9316	—

Mitsubishi Plastics, Inc.

Domestic	Address	TEL	FAX
Head Office	2-2, Nihonbashihongokucho 1-chome, Chuo-ku, Tokyo 103-0021, Japan	[+81] (0)3-3279-3800	—
Overseas			
Taiwan Representative Office	8F-A, No. 57, Tien Shiang Road, Taipei, Taiwan	[+886] (0)2-2586-7371	—

Mitsubishi Rayon Co., Ltd.

Domestic	Address	TEL	FAX
Head Office	6-41, Konan 1-chome, Minato-ku, Tokyo 108-8506, Japan	[+81] (0)3-5495-3100	[+81] (0)3-5495-3184
Overseas			
Mitsubishi Rayon America Inc.	747 Third Avenue, 19th Floor, New York, NY 10017, USA	[+1] 212-223-3043	[+1] 212-223-3017
MRC Asia (Thailand) Ltd.	100/63 Sathorn Nakorn Tower, 30th Floor, North Sathorn Road, Khwaeng Silom, Khet Bangrak, Bangkok, 10500, Thailand	[+66] (0)2-636-7569	[+66] (0)2-636-7576
MRC Hong Kong Co. Ltd.	Suites 1610–11, 16/F, North Tower, World Finance Centre, Harbour City, Kowloon, Hong Kong	[+852] 2368-0121	[+852] 2724-4174
Mitsubishi Rayon (Shanghai) Co., Ltd.	Room 1601 AEtna Tower, No. 107 Zunyi Road, Shanghai 200051, PRC	[+86] (0)21-6237-5868	[+86] (0)21-6237-5832

Corporate Information

As of March 31, 2011

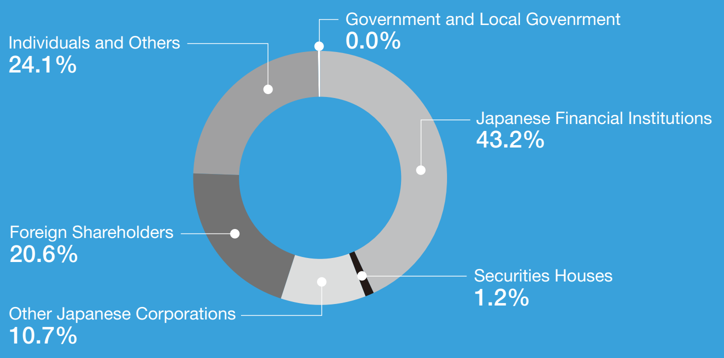
Mitsubishi Chemical Holdings Corporation

Establishment:	October 3, 2005
Paid-in Capital:	¥50,000 million
Authorized Shares:	6,000,000,000
Outstanding Shares:	1,506,288,107
Number of Shareholders:	200,281
General Meeting of Shareholders:	The general meeting of shareholders was held on June 24, 2011.
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

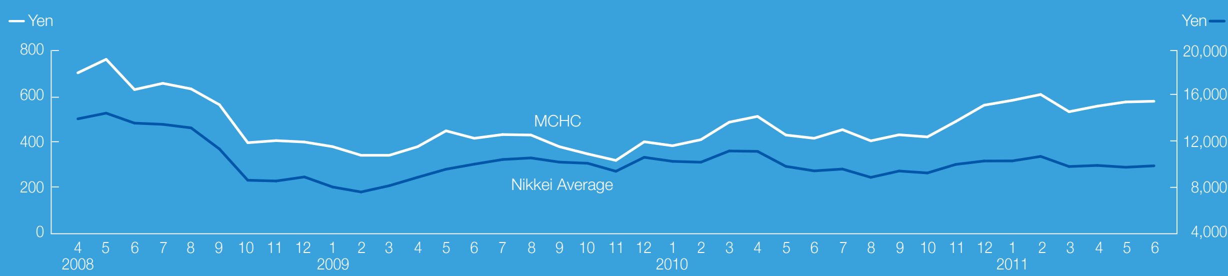
Major Shareholders

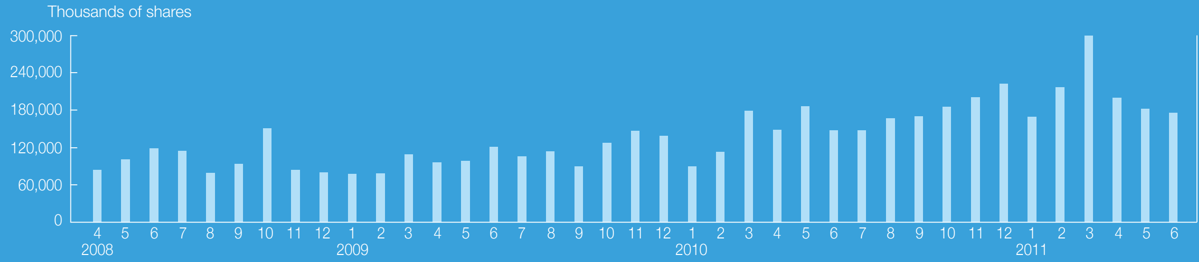
Name	Number of Shares (Thousands)	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	91,355	6.06
Meiji Yasuda Life Insurance Company	64,388	4.27
Japan Trustee Services Bank, Ltd. (Trust account)	63,044	4.18
Takeda Pharmaceutical Company Limited	51,730	3.43
Nippon Life Insurance Company	49,429	3.28
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	41,105	2.72
Tokio Marine & Nichido Fire Insurance Co., Ltd.	37,626	2.49
SSBT OD05 Omnibus Account (Treaty clients)	24,260	1.61
Japan Trustee Services Bank, Ltd. (Trust account 9)	23,645	1.56
Mitsubishi UFJ Trust and Banking Corporation	20,289	1.34

Stock Held by Investor Type



Stock Price Movement and Trading Volume





Mitsubishi Chemical Holdings Corporation

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