May 11, 2006

FASF MEMBERSHIP

Mitsubishi Chemical Holdings Corporation
Condensed Consolidated Financial Information
for the Year Ended March 31, 2006

1. Business Results for the Year Ended March 31, 2006 (Business period: April 1, 2005 - March 31, 2006)

	Millions of Yen		Thousands of U.S. Dollars
	FY2005	FY2004	FY2005
	Year Ended March 31, 2006	Year Ended March 31, 2005	Year Ended March 31, 2006
(1) Results of Operations: (Note.1)			
Net sales	**2,408,945**	2,189,462	20,589,274
Operating income	**133,619**	148,624	1,142,043
Income before income taxes	**115,070**	106,604	983,504
Net income	**85,569**	55,372	731,359
(2) Financial Position:			
Total assets	**2,126,612**	1,970,528	18,176,171
Inventories	**317,573**	277,721	2,714,299
Property, plant and equipment	**686,680**	674,953	5,869,060
Short-term and long-term debt	**636,669**	704,077	5,441,615
Shareholders' equity	**656,060**	445,977	5,607,350
Ratio of shareholders' equity to total assets (%)	**30.9**	22.6	
(3) Cash Flows:			
Net cash provided by operating activities	**179,723**	222,821	1,536,094
Net cash used in investing activities	**(74,365)**	(57,642)	(635,598)
Net cash provided by (used in) financing activities	**(97,181)**	(171,306)	(830,607)
Cash and cash equivalents at end of the year	**61,547**	52,575	526,043
(4) General:			
Capital expenditures	**97,864**	67,123	836,444
Depreciation and amortization	**88,165**	87,708	753,547
R&D expenditures	**89,594**	89,215	765,761
Employees (number)	**32,955**	33,261	
(5) Per Share: (Note.2)			(U.S. dollar)
Net income	**69.51**	25.40	0.59
Shareholders' equity	**478.72**	205.09	4.09

* Net income per share is based on the average number of common shares (excluding treasury stocks) during the respective period.

[March 31, 2006] 1,228,718,734 [March 31, 2005] 2,173,796,826

* Shareholders' equity per share is based on the number of common shares outstanding (excluding treasury stocks) as of the following closing dates.

* Shareholders' equity per share of the Previous Fiscal Year is calculated based on the number of common share of Mitsubishi Chemical Corporation (not adjusted as Mitsubishi Chemical Holdings Corporation)

[March 31, 2006] 1,370,090,113 [March 31, 2005] 2,173,794,699

(6) Ratio of Net Income to:

Shareholders' equity	**15.5**	13.1
Total assets	**4.1**	2.7
Net sales	**3.5**	2.5

* Based on the average of each amount at the beginning and at the end of the respective periods.

* Because Mitsubishi Chemical Holding Corporation was established at the middle of the current fiscal year, ratio of net income to shareholders' equity is calculated by weighted average shareholders' equity.

* Ratio of net Income to shareholders' equity of the previous fiscal year is calculated based on the figure of Mitsubishi Chemical Corporation (not adjusted as Mitsubishi Chemical Holdings Corporation).

	Millions of Yen		Thousands of U.S. Dollars
	FY2005	FY2004	FY2005
	Year Ended March 31, 2006	Year Ended March 31, 2005	Year Ended March 31, 2006

(7) Segment Information:

[Net Sales by Segment] (Note.3)

Petrochemicals	**1,053,991**	933,425	9,008,470
Performance Products	**548,788**	469,946	4,690,496
Functional Products	**373,191**	356,641	3,189,667
Health Care	**280,561**	277,808	2,397,957
Services	**152,414**	151,642	1,302,684
Total	**2,408,945**	2,189,462	20,589,274

[Operating Income (Loss) by Segment]

Petrochemicals	**30,867**	58,586	263,821
Performance Products	**46,602**	40,642	398,308
Functional Products	**22,795**	21,499	194,829
Health Care	**33,962**	28,694	290,274
Services	**10,519**	11,215	89,906
Elimination & corporate costs	**(11,126)**	(12,012)	(95,094)
Total	**133,619**	148,624	1,142,043

[Total Assets by Segment]

Petrochemicals	**722,010**	631,681	6,171,026
Performance Products	**483,488**	426,098	4,132,376
Functional Products	**341,888**	331,888	2,922,120
Health Care	**338,661**	331,293	2,894,538
Services	**310,333**	293,418	2,652,419
Elimination & corporate assets	**(69,768)**	(43,850)	(596,308)
Total	**2,126,612**	1,970,528	18,176,171

[Depreciation by Segment]

Petrochemicals	**23,805**	23,660	203,462
Performance Products	**20,435**	20,021	174,658
Functional Products	**17,505**	17,808	149,615
Health Care	**16,121**	14,119	137,786
Services	**7,008**	7,311	59,897
Corporate costs	**3,291**	4,789	28,128
Total	**88,165**	87,708	753,547

[Capital Expenditures by Segment]

Petrochemicals	**34,949**	14,019	298,709
Performance Products	**23,129**	17,916	197,684
Functional Products	**18,548**	12,122	158,530
Health Care	**11,127**	15,709	95,103
Services	**6,977**	5,238	59,632
Corporate assets	**3,134**	2,119	26,786
Total	**97,864**	67,123	836,444

2. Prospects for the Following Fiscal Year

	Millions of Yen		Thousands of U.S. Dollars	
	The First Half of Following Fiscal Year	The Following Fiscal Year	The First Half of Following Fiscal Year	The Following Fiscal Year
	April 1, 2006 - September 30, 2006	April 1, 2006 - March 31, 2007	April 1, 2006 - September 30, 2006	April 1, 2006 - March 31, 2007
Net sales	1,260,000	2,600,000	10,769,231	22,222,222
Operating income	56,000	136,000	478,632	1,162,393
Net income	58,000	100,000	495,726	854,701
				(U.S. dollar)
Net income per share	42.33	72.87	0.36	0.62

Notes:

1. Financial results of Mitsubishi Chemical Holdings for the FY2005 is calculated based on Mitsubishi Chemical Corporation's consolidated financial results for the first half of FY2005. All figure of the previous fiscal year for comparison are Mitsubishi Chemical Corporation's consolidated financial results.
2. Net income per share is calculated based on the weighted-average number of common share of Mitsubishi Chemical Corporation (first half) and Mitsubishi Chemical Holdings Corporation (latter half). The number of common share of Mitsubishi Chemical Corporation is adjusted according to allotment ratio to the common share of Mitsubishi Chemical Holdings Corporation.

   Net income per share of the previous fiscal year is calculated based on the number of common share of Mitsubishi Chemical Corporation (not adjusted as Mitsubishi Chemical Holdings Corporation).

   If the Net income per share is calculated under the assumption that Mitsubishi Chemical Holdings Corporation was established at the beginning of the current fiscal year, after the net income is corrected by adding back the minority interest of 3,963 million yen for Mitsubishi Pharma Group and the number of common share is adjusted, the figure is 65.16 yen per share.
3. From this period, one consolidated subsidiary was reclassified from the Health Care Segment to the Performance Products Segment to reflect its performance in the appropriate segment. This change has increased the sales by 951 million yen and the total assets by 1,718 million yen in the Performance Products Segment and decreased the sales by 951 million yen and the total assets by 1,718 million yen in the Health Care Segment from those calculated under the previous segmentation. The impact on the operating income, depreciation, and capital expenditures of both segments is immaterial.
4. The Corporation and its domestic consolidated subsidiaries maintain their accounting recorded 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 117 yen to US$1, the approximate exchange rate prevailing in the Tokyo foreign exchange market at the end of March 2006.

3. Management Policies

(1) Basic Management Policies

Mitsubishi Chemical Holdings Corporation was jointly established by Mitsubishi Chemical Corporation and Mitsubishi Pharma Corporation by means of a stock-for-stock exchange as of October 3, 2005. Mitsubishi Chemical Holdings Corporation will manage business portfolios of Mitsubishi Chemical Holdings Group, with both Mitsubishi Chemical Corporation and Mitsubishi Pharma Corporation respectively managing their business operations.

Under the corporate philosophy: 'Good Chemistry for Tomorrow' which expresses Mitsubishi Chemical Holdings Group's continuing approach to respond to the needs of industry and society, creating better relationships among people, society and our planet, the Group business operations are based on the three pillars of petrochemicals, performance products (performance and functional products), and health care (pharmaceuticals, clinical testing and diagnostics) set in the Group's mid-term management plan, 'KAKUSHIN Plan: Phase 2' (Phase 2). Selection and concentration of business operations will be further accelerated to increase sustainable growth and the Group strengths. ROA (net income before tax/total asset) is used as managerial index.

(2) Policy for Profit Distribution

Mitsubishi Chemical Holdings Corporation's basic policy is to give our shareholders continued dividends according to the business results, while considering stable dividends for mid- and long-term perspectives and expanding reserves for the future business development.

(3) Mid- and Long-Term Management Strategies

Mitsubishi Chemical Holdings Corporation has carried on the Mitsubishi Chemical Group's Phase 2. 'KAKUSHIN' means the implementation of changes to the status quo and represents our determination to make a quantum leap through continuous innovation and renovation. The 'KAKUSHIN Plan' is a five-year plan composed of a two-step approach and is targeted for a vision of the Group in the fiscal year ending March 31, 2008 (FY2007). The 'KAKUSHIN Plan: Phase 1' (Phase 1) from FY2003-2004 was a preparation phase for rebuilding the business foundation and the Phase 2 from FY2005- 2007 will be a period for consolidating strength and building momentum for sustainable growth. As mentioned above, Mitsubishi Chemical Holdings Corporation has succeeded the Phase 2.

Here is the outline for the Phase 2:

1) Basic Concept

The Mitsubishi Chemical Holdings Group positions petrochemicals, performance and functional products, and health care as the three business pillars. The Group will promote sustainable growth through waves of change (KAKUSHIN) by constantly creating new products, processes, business models, and new markets in a global market; and constantly reforming business portfolio according to the changing social environments.

2) Major Action Items
   i) Execution of growth strategy
      Implementation of the following tasks in the targeted market areas of automotive, IT, environment and energy, daily necessities, and health care are:

      - Selection of businesses for growth and focused allocation of resources
      - Incubation of new products, processes, and business models
        (Target rate of new product development: 35%)
      - Focusing R&D on selected future targeted projects, aligning with the business strategies
      - Ease control on capital investment for future growth

   ii) Strengthening of management foundation
      - Improvement of financial position
      - Strategic reorganization of major domestic production sites
      - Further progress of ‘Production KAKUSHIN”
      - Securing and nurturing of human resources

   iii) Integration of the Group Strengths
      - Reinforcement of the Group management
      - Strengthening corporate social responsibilities

3) Numerical Targets
   Target profits for FY2007 (ending March 31, 2008)

Operating Income:	> ¥140.0 billion (Net Sales: ¥2,350.0 billion)
ROA (earnings before income taxes):	>5.5%
D/E Ratio:	<1.5

4. Business Performances and Financial Position

(1) Business Performances

(i) Consolidated Performance for the Fiscal Year Ended March 31, 2006

(FY2005: April 1, 2005 - March 31, 2006)

During the fiscal year ended March 2006, the Japanese economy continued to progress firmly as a whole owing to brisk exports driven by the economic boom in the US and China, the increase in capital investment as the result of improved business performances, and strong personal spending reflecting improved employment condition, despite sharp hike and continued high level of crude oil price.

The business environment for the Group was generally firm under the booming demand in both domestic and overseas industries, despite unprecedentedly high prices of crude oil and naphtha in such a short time.

Under these circumstances, the Group has strongly continued to expand sales, develop markets, and correct product prices; worked on positive investment in focused business areas; and intensive cost reduction according to the mid-term management plan, the ‘KAKUSHIN Plan: Phase 2’ (April 2005 – March 2008).

As the result, the consolidated business results for the fiscal year ended March 2006 were as follows. The net sales increased to ¥2,408.9 billion (¥219.4 billion or 10.0% increase compared to the previous fiscal year), supported by price rise in petrochemicals owing to soaring naphtha price and active demand in the steel-related industries. Operating income amounted to ¥133.6 billion (¥15.0 billion or 10.1% decrease compared to the previous fiscal year), due to reduction in production volume by the regular maintenance in the Mizushima Plant and progress of overseas market price in a weak note for petrochemicals. Recurring profit amounted to ¥143.6 billion (¥4.5 billion or 3.0% decrease compared to the previous fiscal year), due to improvements in financial income and profits on equity method; consolidated net income increased to ¥85.6 billion (¥30.2 billion or 54.5% increase compared to the previous fiscal year), due to decrease in extraordinary loss.

(ii) Dividends

Mitsubishi Chemical Holdings Corporation intends to pay year-end dividends of ¥8 per share, considering business performance of the fiscal year ended March 31, 2006; comprehensively.

(iii) Overview of Business Segments

<u>Petrochemicals</u>

Net sales of the segment were ¥1054.0 billion (¥120.6 billion or 12.9% increase compared to the previous fiscal year). Operating income was ¥30.9 billion (¥27.7 billion or 47.3%

decrease compared to the previous fiscal year), owing to the reduced production by the regular maintenance in the Mizushima Plant in the first quarter and weakened overseas market price.

The production volume of ethylene, a major basic raw material for petrochemicals was 1,270 thousand tons, a reduction by 5% compared to the previous fiscal year. This was owing to the regular maintenance as mentioned above and a temporal suspension of production due to earthquake and a mechanical trouble in the first quarter.

As for basic petrochemicals, chemical products, synthetic fiber intermediates, businesses were faced with a significant hiking of naphtha price. The domestic demands stayed in a high level, and business efforts were paid to raise product prices reflecting soaring naphtha price. Products such as styrene monomer, ethylene glycol, and purified terephthalic acid were faced with weakened overseas market prices.

Major actions taken for the Petrochemicals Segment during the fiscal year ended March 2006 were as follows:

- Sun-Dia Polymers, Ltd. constructed a plant for super-absorbent polymers in Nantong, China, and has started the commercial production. (April 2005)

- Ningbo Mitsubishi Chemical Corporation has started construction of a plant for purified terephthalic acid in the Ningbo Daxie Development Zone, China. (May 2005)

- Mitsubishi Chemical Corporation acquired shares of Echizen Polymer Co., Ltd. held by Kanebo, Ltd. (September 2005)

- Mitsubishi Chemical Corporation and Mitsubishi Gas Chemical Company, Inc. have reached a basic agreement to establish a joint venture to produce polyols (polyvalent alcohols) including neopentyl glycol, trimethylol propane and ester glycol. (September 2005)

- Mitsubishi Chemical Corporation and Japan Energy Corporation have reached an agreement on establishing a new production facility for aromatic products, light naphtha and others, using imported condensate as raw material, as a joint investment business. (November 2005)

- Mitsubishi Chemical Corporation completed the expansion of facilities at the chemical complex of the Kashima Plant in response to diversification of raw materials, which aims at increase of its competitiveness. (December 2005)

- Japan Polypropylene Corporation has decided to increase production capacity of polypropylene by building a new 300kt/y production facility at its Kashima Plant. (December 2005)

- Mitsubishi Chemical Corporation has decided to increase production capacity of purified terephthalic acid by 800kt/y in a new production facility of MCC PTA India Corp. Private Limited. (December 2005)

- Mitsubishi Chemical Corporation has decided to shutdown production facility for linear alkyl benzene at the end of March 2006 and to withdraw from the business. (December 2005)

- V-Tech Corporation increased its production capacity of PVC monomer by 50kt/y to 400kt/y. (December 2005)

- Mitsubishi Chemical Corporation has decided to transfer 15% of shares of the joint venture, Dia Nitrix Co., Ltd. to the partner company, Mitsubishi Rayon Co., Ltd, and to decrease the equity ratio from 50% to 35%. (February 2006)

- J-Film Corporation and Mitsubishi-Kagaku Foods Corporation succeeded in a joint development of a new functional film, "Allyl-Z" which releases mustard extract vapor having potent anti-microbial and preservative effects, depending on degree of humidity, and J-Film Corporation has started shipment of premarketing samples. (March 2006)

Performance Products

Net sales of the segment amounted to ¥548.8 billion (¥78.8 billion or 16.8% increase compared to the previous year), and the operating income increased to ¥46.6 billion (¥6.0 billion or 14.7% increase compared to the previous year).

Favorable business results in sales continued for performance polymers and food ingredients. DVD business progressed firmly as increase in sales volume offset price fall. Sales increased in both imaging devices, such as organic photo conductor (OPC) drums, toner, and chemical toner. Also, sales increased in display materials, such as color resists owing to active demands in liquid crystal displays (LCDs). In the carbon businesses, coking coal business continued favorably overall, despite its price decrease in the fourth quarter, while carbon black business was in difficult circumstances by the hiking price of raw materials. Rationalization was carried out for fertilizer business under a sever business condition with the rising raw material costs.

Major actions taken for the Performance Products Segment during the fiscal year ended March 2006 were as follows:

- API Corporation has started contract production of *Cefzon* bulk for overseas market for Astellas Pharma Inc. (April 2005)

- Mitsubishi-Kagaku Foods Corporation started producing and marketing *Ryoto Aquoil Barrier*, protein gel for preventing migration of moisture and oil in the food with the production technology introduced by BioEnvelop Technologies Corporation. (May 2005)

- Mitsubishi Kagaku Media Co., Ltd. and Pioneer Corporation jointly succeeded in developing a next-generation write-once blu-ray disc, applying organic dye recording material to the recording layer, with the spin coating process method. (June 2005)

- Mitsubishi Kagaku Media Co., Ltd. and Hitachi Maxell, Ltd. succeeded in development of a prototype of a HD DVD-R disc, the write-once next generation DVD disc, that can be easily produced at high volume on standard DVD-Recordable production lines, by using a new organic dye specifically developed by Hayashibara Biochemical Laboratories, Mitsubishi Kagaku Media Co., Ltd., and Toshiba Corporation. (June 2005)

- Mitsubishi Kagaku Media Co., Ltd. developed a 8x double-layer DVD+R disc, which became the first of its kind in the world to receive certification from the Philips Verification Laboratory. (June 2005)

- Nippon Kasei Chemical Company Limited has decided to withdraw from three businesses: dimethylol propionic acid, dimethylol butane acid, and hexamethylenetetramine. (July 2005)

- Mitsubishi Kagaku Media Co., Ltd. launched DVD+R/CD-R discs for LightScribe that allow direct writing of index information such as letters and graphics on disc label side. (July 2005)

- Mitsubishi Kagaku Media Co., Ltd. launched new single-sided dual-layer 8.5 GB DVD-R disc which users can print labels with inkjet printers or written by hand with water-based felt pens. (July 2005)
- Mitsubishi Kagaku Media Co., Ltd. launched 8x double-layer DVD+R discs. (September 2005)

- Mitsubishi Kagaku Imaging Corporation (VA, USA) expanded the production facility of organic photo conductors. (September 2005)

- Kasei Optonix, Ltd. expanded the production facility of phosphors for backlight of LCDs. (September 2005)

- Mitsubishi Kagaku Media Co., Ltd. has started marketing a mastering disc called the *Green Tune* CD-R, which maximizes sound reproduction quality and meets every requirement for professional operations in the music studio. (November 2005)

- Mitsubishi Chemical Corporation has decided to expand production facility for thermoplastic olefin elastomer, *Zelas*, in addition to the co-production facility for thermoplastic olefin elastomer, *THERMORUN* and thermoplastic styrene elastomer, *Rabalon*. (November 2005)

- Mitsubishi Chemical Corporation has started shipping of GaN substrate samples used for blue LDs and LEDs. (November 2005)

- Mitsubishi Chemical Infonics Pte Ltd has decided to expand production facility of organic photo conductors. (December 2005)

- Mitsubishi Kagaku Media Co., Ltd. launched a 8x recordable single-sided dual-layer 8.5 GB DVD-R DL disc. (March 2006)

- Mitsubishi Chemical Corporation expanded production facility of color resists in the Kurosaki Plant. (March 2006)

Functional Products

Sales of the segment were ¥373.2 billion (¥16.6 billion or 4.6% increase compared to the previous fiscal year), and the operating income was ¥22.8 billion (¥1.3 billion or 6.0% increase compared to the previous fiscal year).

All types of films including composite films and sheets progressed soundly, mainly due to vigorous demand persisted for information and electronics industry, such application as protective polyester films for LCDs. Both construction materials including composite materials and industrial application materials such as carbon fibers and alumina fibers increased net sales at a satisfactory pace.

Major actions taken for the Functional Products Segment during the fiscal year ended March 2006 were as follows:

- Mitsubishi Plastics, Inc. developed and launched PVC plate for industrial use, which contains no lead stabilizer and is certified by FM Approvals, meeting standards of flame resistance for clean room materials. (June 2005)

- Mitsubishi Chemical Functional Products, Inc. succeeded in developments of high performance carbon brake disc, which achieved significant weight reduction from the metallic base disc by combining silicon with carbon-carbon composites. (July 2005)

- Biodegradable plastic film, *Ecoloju* of Mitsubishi Plastics, Inc. was adopted as biodegradable plastic label of pet bottles for the first time in Japan. (July 2005)

- Mitsubishi Plastics, Inc. launched heat-ray absorbing polycarbonate corrugated plate, *Hishinami Polyca Heat Guard Hyper* which heat-ray absorbing rate is improved by about 18% than existing products. (July 2005)

- Mitsubishi Chemical Functional Products, Inc. started shipments of high performance carbon composite robot arms and other carbon fiber products for the 8th generation liquid crystal glass substrates carrier system. (September 2005)

- Mitsubishi Plastics, Inc. has started marketing a new type X of *TECHBARRIER*, SiOx vacuum coated plastic film with improved gas barrier property. (December

2005)

- Mitsubishi Kagaku Functional Products, Inc. has decided to construct a new 300t/y production facility of alumina fiber in the Sakaide Plant. (March 2006)

Health Care

Net sales of the segment increased to ¥280.5 billion (¥2.7 billion or 1.0% increase compared to the previous fiscal year), and the operating income also increased to ¥33.9 billion (¥5.2 billion or 18.4% increase compared to the previous fiscal year).

In the pharmaceutical business, growth in sales of an ethical neuroprotective agent, *RADICUT inj.* and anti-platelet agent, *ANPLAG* offset decrease in sales for some of other products. Net sales for clinical testing increased as the results of contribution from new branch laboratories within hospitals in various parts of Japan. Business in testing for clinical trials also progressed satisfactory.

Major actions taken for the Health Care Segment during the fiscal year ended March 2006 were as follows:

- Mitsubishi Pharma Europe Ltd. received approval in June 2005, for the sale in Germany of the selective antithrombin agent *Argatroban*, which was released by Mitsubishi Pharma Deutschland GmbH in July under the brand name *Argatra*. (July 2005)

- Osadano plant of Benesis Corporation started integrated manufacturing of plasma fractionation preparations. (October 2005)

- Thrombolytic agent (rt-PA) *Grtpa* of Mitsubishi Pharma Corporation received approval for the additional indication of acute ischemic stroke. (October 2005)

- Mitsubishi Kagaku Bio-Clinical Laboratories, Inc., Mitsubishi Kagaku Iatron, Inc., and Mitsubishi Chemical Safety Institute Ltd. have entered into a basic agreement to commence studies on their possible integration. (January 2006)

- Mitsubishi Pharma Corporation and Lequio Pharma Co., Ltd. concluded a license agreement for the internal hemorrhoid sclerotherapy agent, *Zione Injection*, with the South Korean company Yuhan Corporation. (February 2006)

- MP-Technopharma Corporation, a wholly owned subsidiary of Mitsubishi Pharma Corporation has signed a contract manufacturing agreement for four of Chugai Pharmaceutical’s prescription pharmaceutical products (seven items) and started the transaction for the first contracted product. (March 2006)

- Mitsubishi Kagaku Iatron, Inc. launched *IMM-FAST Check J2* for detecting food allergen-specific IgE, which employs immunochromatography assay and is the most rapid test kit combining high sensitivity as well as enables the whole blood to use as specimens. (March 2006)

<u>Services</u>

Net sales of the segment were ¥152.4 billion (¥0.7 billion or 0.5% increase compared to the previous fiscal year), and the operating income was ¥10.5 billion (¥0.7 billion or 6.2% decrease compared to the previous fiscal year).

Both logistics and engineering services progressed as expected.

Major actions taken for the Services Segment during the fiscal year ended March 2006 were as follows:

- Mitsubishi Chemical Logistics Corporation and KAWASAKI KINKAI KISEN KAISHA, LTD. have decided to jointly operate new logistics services between Hitachi Port and Hiakari Port by roll on roll off ships, starting from around July 2006. (December 2005)

<u>Others</u>

Expenses including corporate research and technology development that cannot be defined to specific businesses have not been included in the operational income for each segment. The concerned investment was ¥11.1 billion for the fiscal year ended March 2006.

Major actions taken other than the above-mentioned items in each segment during the fiscal year ended March 31, 2006 were as follows:

- Mitsubishi Chemical Corporation announced to establish a research partnership with Yamaguchi University on the development of the light source in white LED with high conversion efficiency, as of April 1, 2005. (April 2005)

- MC Research and Innovation Center, Inc. established a laboratory to support the research partnership between Mitsubishi Chemical Corporation and the University of California, Santa Barbara on advanced materials. (May 2005)

- Mitsubishi Chemical Corporation agreed that Mitsubishi Corporation constructs a power station using natural gas as fuel and supplies utility in the Kawajiri area of the Yokkaichi Plant as from April 2007. (June 2005)

- Mitsubishi Chemical Corporation and Dalian University of Technology reached a basic agreement on establishing a comprehensive industry-academia partnership for research and development to facilitate business applications in the fields of organic synthesis, catalytic chemistry, inorganic chemistry, and chemical process. (June 2005)
- Mitsubishi Chemical Corporation, The Tokyo Electric Power Company, Incorporated, and JFE Holdings, Inc. have reached an agreement on a joint research for application of dimethyl ether as the next-generation fuel. (November 2005)

- Mitsubishi Chemical Corporation and Mitsubishi Chemical Group Science and Technology Research Center, Inc. have developed an organic light-emitting diode (OLED) device with the highest efficiency in the world in their new blue phosphorescence OLED material. (December 2005)

- Mitsubishi Chemical Corporation has decided to establish a customer laboratory at the Yokkaichi Plant. (December 2005)

- Reduction of capital reserve of Mitsubishi Chemical Holdings Corporation for the purpose of securing financial flexibility including dividend payment was approved in the extraordinary general meeting of shareholders held on February 22, 2006. (February 2006)

- Mitsubishi Chemical Corporation succeeded in joint prototyping of a 8 x 8 dot-active matrix panel employed organic light-emitting transistor with Rohm Co., Ltd. and Pioneer Corporation. (February 2006)

- Mitsubishi Chemical Corporation has decided to dissolve Mitsubishi Chemical America, Inc. as part of improvement of business structure in the US. (March 2006)

(iv) Business Forecast for the Fiscal Year Ending March 31, 2007

In terms of the business environment, continuation of strong export driven by continuing overseas economic growth mainly in the US and China, increase in capital investment and private consumption in the domestic market are expected. We do, however, recognize concerns on further rise in crude oil prices, and economic slowdown of the extended boom.

Under these circumstances, however, the Mitsubishi Chemical Holdings Group will continue to execute various action plans based on the mid-term management plan, the 'KAKUSHIN Plan: Phase 2', and to strive to strengthen business competencies, intensify rationalization against soaring naphtha prices, price increases, and put efforts in increasing profits.

As to the forecast for the consolidated business results for the fiscal year ending March 31, 2007, we expect the net sales to increase and will amount to ¥2,600.0 billion, as a further increase in naphtha prices is expected. Operating income of ¥136.0 billion and recurring profit of ¥141.0 billion are expected. Net profit is expected to exceed and amount to ¥100.0 billion, with a substantial decrease in extraordinary loss and a drecrease in tax according to acquisition of treasury stock.

The expected numerical values of the major indices are as follows:

(Unit: Billions of yen)

	Forecast for the fiscal year ending March 2007	Actual results for the fiscal year ended March 2006
Capital investment	122.0	97.9
Depreciation	86.0	88.2
R&D expenditures	95.0	89.6
Exchange rate (¥/$)	115	111
Naphtha (¥/kl)	50,000	42,350

(2) Financial Position

(i) Financial Position for the Fiscal Year Ended March 2006

Total consolidated assets at the end of the fiscal year were ¥2,126.6 billion, an increase of

¥156.1 billion compared to the end of the previous fiscal year. The increase was mainly due to valuation gain on investment securities, rise in inventories by soaring naphtha price, and gain in operating receivables due to increase in net sales.

Total consolidated liabilities at the end of the fiscal year rose by ¥16.5 billion to ¥1,401.7 billion compared to the end of the previous fiscal year due primarily to rise in trade liability reflecting high naphtha price and booked allowance in loss on sales and disposable of businesses in subsidiaries and affiliates, despite the reduction of interest-bearing debts particularly borrowings.

Mitsubishi Chemical Holdings Corporation was jointly established by Mitsubishi Chemical Corporation and Mitsubishi Pharma Corporation by means of a stock-for-stock exchange as of October 3, 2005. The balance of shareholders' equity at the end of the fiscal year increased to ¥656.1 billion by ¥210.1 billion compared to the end of the previous fiscal year. This result was mainly due to consolidated net income of ¥85.6 billion, unrealized gains on investment securities of ¥49.6 billion, and gain in equity according to stock transfer of ¥84.9 billion. Minority interests at the end of the fiscal year decreased by ¥70.5 billion from the end of the previous fiscal year, to ¥68.9 billion.

As a result, shareholders' equity to total assets at the end of the fiscal year was 30.9% (8.3% increase compared to the previous fiscal year), and debt-equity ratio improved to 0.98 from 1.59 (a significant improvement by 0.61 compared to the previous fiscal year).

(ii) Consolidated Statements of Cash Flows of the Fiscal Year Ended March 31, 2006

The free cash flow (operation cash flow and investing cash flow) for the fiscal year was ¥105.4 billion, a decrease of ¥59.8 billion compared to the previous fiscal year. In spite of the net income before income taxes of ¥115.1 billion, the decrease of free cash flow was due primarily to increase in working capital by rising naphtha prices and increase in capital expenditure. The cash and cash equivalents generated by the above free cash flow was mainly used for repayment of interest-bearing debts and dividend paid to Mitsubishi Chemical Corporation's shareholders and minority shareholders of subsidiary companies. The ending balance of cash and cash equivalents at the end of the fiscal year was ¥61.5 billion, an increase of ¥9.0 billion compared to the end of previous fiscal year.

The net cash provided by operating activities in the fiscal year ended March 2006 was ¥179.7 billion, a decrease of ¥43.1 billion compared to the previous fiscal year mainly due to the increase in both working capital, owing to the rising naphtha price, and such payments for income tax.

The net cash used in investing activities was ¥74.4 billion, an increase of ¥16.7 billion compared with the previous fiscal year. This was mainly due to increase in capital expenditures.

The net cash used in financing activities was ¥97.2 billion, a decrease of ¥74.1 billion compared to the previous fiscal year, mainly due to repayment of interest-bearing debts and dividend payment.

(iii) Forecast for the Fiscal Year Ending March 31, 2007

The consolidated net income before income taxes in the next fiscal year ending March 2007 is expected to increase to ¥136.0 billion, compared to the previous fiscal year. However, increases in capital investment and working capital caused by skyrocketing raw material prices are anticipated. Considering the balance of growth strategy, the financial standing will be continuously improved in the next fiscal year ending March 2007.

(iv) Cash Flow Ratios

	Fiscal year ended March 2003	Fiscal year ended March 2004	Fiscal year ended March 2005	Fiscal year ended March 2006
Ratio of shareholders' equity to total assets (%)	16.5	19.8	22.6	30.9
Ratio of market value shareholders' equity to total assets (%)	21.6	34.5	37.7	46.8
Debt payment year (year)	7.3	6.0	3.2	3.6
Interest coverage ratio (%)	792.4	1094.1	2055.2	1577.3

・Ratio of shareholders' equity to total assets:

Book value of shareholders' equity / Book value of total assets

・Ratio of market value shareholders' equity to total assets:

Market value of shareholders' equity / Book value of total assets

・Debt payment year:

Interest-bearing debts / Net cash provided by operating activities

・Interest coverage ratio:

Net cash provided by operating activities / Interest paid

1. Each ratio is calculated by consolidated financial figures.
2. Market value shareholders' equity is calculated by multiplying market value of a share by the number of shares outstanding at the end of the fiscal year.
3. Net cash provided by operating activities is from ‘net cash provided by operating activities’ in the consolidated financial information.

   Interest-bearing debts consist of all of the liabilities which bear interest in the consolidated balance sheet including discounted notes.

   Interest paid is from the consolidated statement of cash flows.

(3) Business Risks

The Group companies execute production and sales businesses in many different fields: olefin, styrene monomer, terephthalic acid, polyolefins and others in petrochemicals; carbon products such as coke; inorganic products; information and electronics related products; pharmaceuticals; processed resin products such as polyester films; composite materials. These business results are subjected to, including but not limited to the following: Influences of world demands, exchange rates, price and procurement volume of crude oil and naphtha, trend of market price, speed in technology innovation, National Health Insurance price revision, product liabilities, lawsuits, laws and regulations.

Forward-Looking Statements

The forward-looking statements are based largely on company expectations and information available as of the date hereof, and are subject to risks and uncertainties, which may be beyond company control. Actual results could differ materially due to numerous factors, including without limitation, market conditions and the effects of industry competition. The company expectations for the forward-looking statements are described in page [3], [5], [15] and [17], hereof.