

Mitsubishi Chemical Holdings Corporation

C O R P O R A T E   S O C I A L   R E S P O N S I B I L I T Y   R E P O R T

2010

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# CSR REPORT 2010

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# Message from the Top Management

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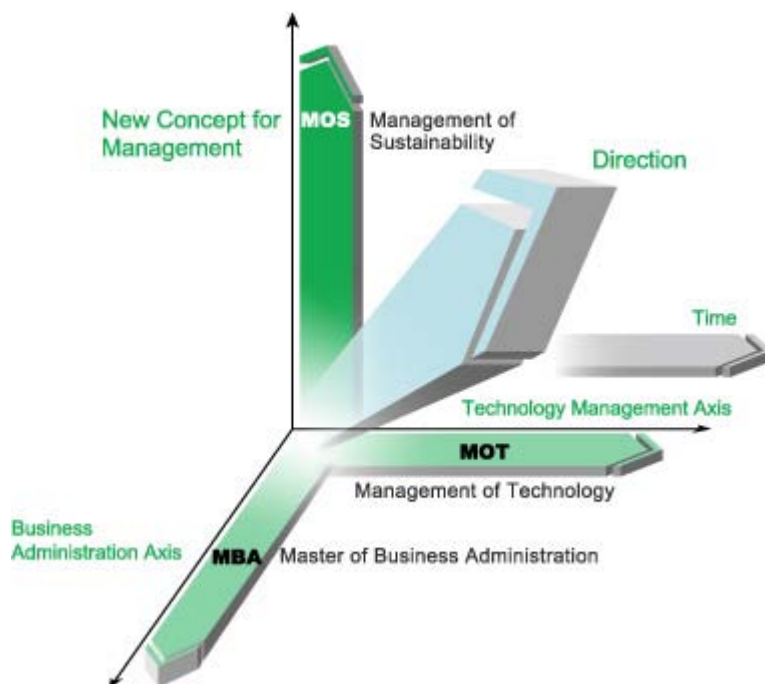
The Mitsubishi Chemical Holdings Group's philosophy is "Good Chemistry for Tomorrow—creating better relationships among people, society, and our planet." This phrase expresses our unwavering dedication to leveraging chemistry to support the environment and society as a whole. It also refers to the compatibility, relationships and connections among peoples, objects, and between people and objects. The philosophy embodies the sustainable relationships we hope to create on the earth, among different peoples, throughout society and between diverse stakeholders.

The Mitsubishi Chemical Holdings Group is regularly involved in developing businesses in a number of areas, a variety of businesses. To clarify the direction of our corporate activities and to make our contribution toward sustainable development more certain, we have defined three development criteria: *sustainability*, *health* and *comfort*.

We feel that in the past, management approaches focused overmuch on short-term results and shareholder value in a monetary sense—the Master of Business Administration (MBA) approach. The question of how to ensure that development is achieved in harmony with society led to another approach, the Management of Technology (MOT), which embraces a technology-driven view toward innovation as a source of socially sustainable development.

However, amid the turmoil surrounding the global economic slump that followed the Lehman Brothers collapse, it became clear to us that our management chart required an additional axis. We needed to incorporate the additional considerations of environmental maintenance/improvement; the conservation of fossil fuels, metals and other natural resources; and efforts to improve the health and raise the standard of living of humankind—in emerging economies as well as in the rest of the world. We have begun referring to this overall aspect of corporate operations that are involve contributing—both directly and indirectly—to such improvements the Management of Sustainability (MOS). The Group is embarking on a number of measures that showcases its understanding of operations measured also along the MOS axis.

[ Management of Sustainability (MOS) Axis ]



The Mitsubishi Chemical Holdings Group aims to achieve what it terms "*The KAITEKI society.*" Rather than simply on increasing profits or solely on technological innovation, we are working toward the realization of a society that measures a third leg of value. *The KAITEKI society* that we envisage places value on keeping our planet beautiful and remaining a comfortable environment for humankind.

## Leveraging the Limitless Possibilities of Chemistry to Achieve KAITEKI

At present, Mitsubishi Chemical Holdings is promoting business selection and concentration in accordance with the abovementioned criteria based on *APTSIS 10*, its current mid-term management plan.

Under our innovation strategy, we use the decision criteria mentioned above to define core next-generation growth businesses on which to focus. We believe developing these businesses will substantially reduce the overall environmental impact and contribute to sustainable society from the standpoint of life-cycle analysis (LCA), which evaluates the environmental impact of all the processes over a product's entire life cycle, from resource procurement, manufacturing and product use to end-of-life disposal.

We aim to focus on and accelerate the commercialization of such products as LED lighting, which features superb emission efficiency; materials for lithium-ion secondary batteries, which are highly energy efficient; lightweight thin-film organic photovoltaic cells; and materials such as bioplastics, which are made from sustainable resources.

Leveraging the cumulative results of our efforts in resource and energy conservation activities—namely, Group product manufacturing activities geared toward cutting its output of greenhouse gas emissions and our environmental impact, the Mitsubishi Chemical Holdings Group is working to maximize manufacturing process initiatives and develop transformative processes and is taking the initiative in forging alliances with organizations in chemical or other manufacturing sectors.

We aim to expand the role that chemistry and science in general plays in building a truly sustainable global society. By doing so, we plan to transform our era into a "century of chemistry."

By pursuing chemistry's limitless potential, we will embrace values that will help realize the highly symbiotic and harmonious *The KAITEKI* society, such as sustainability, health and comfort.

## **Making *KAITEKI* Measurable**

We are in the process of formulating "*KAITEKI* index", which will express the level of contribution to sustainability, health and comfort that Mitsubishi Chemical Holdings delivers. Making *KAITEKI* quantifiable will help us clarify the directions of our operations. Fiscal 2011 marks the beginning of our next mid-term management plan, *APTSIS* 15. In addition to the profit targets and management indicators that are typical of such plans, *APTSIS* 15 will set objectives according to *KAITEKI* index.

Making *KAITEKI* a specific and measurable management indicator will clarify the relationship between our corporate activities, the global environment and society as a whole. Bolstering our corporate competitiveness depends on reaching these indicators, and we believe that success in this endeavor also will enhance the value of the Group.

## **Strengthening Our Bases for Business and Striding Forward**

In all regions in which we operate, we are conducting corporate activities that are consistent with the Group's corporate ethics, the 10 principles of the UN Global Compact, ensuring thorough compliance, reinforcing corporate governance systems and taking into account environmental considerations—all prerequisites to further growth and fundamental corporate responsibilities.

During the past several years, however, Mitsubishi Chemical Holdings Group companies have been involved in fires, compliance violations and the inappropriate application of environmental data. We take these breaches very seriously. We have continued our efforts to introduce extensive measures to prevent recurrence and instilling a groupwide acceptance of compliance. For the first two years that *APTIS* 15 is in effect, we will concentrate on strengthening internal platforms of operations. This will include initiatives to build broad-ranging governance initiatives as well as a more robust financial structure.

## Stepping up CSR through Orchestrated Group Activities and Increased Stakeholder Dialog

As described above, our Group philosophy, "Good Chemistry for Tomorrow—Creating better relationships among people, society, and our planet," calls for us to use the power of chemistry in ways that support society and the global environment. It also refers to the compatibility, relationships, and connections among different objects, different peoples, and between people and objects.

Mitsubishi Rayon joined the Group on April 1, 2010, adding a fourth pillar to the Group's operations.

As we move forward under this new structure, we will step up our CSR activities to reflect more carefully orchestrated group-wide activities and an increasing level of dialog with our stakeholders. These efforts will bring us closer to our goal: *The KAITEKI* society.

August 2010



Yoshimitsu Kobayashi  
President & Chief Executive Officer  
Mitsubishi Chemical Holdings Corporation

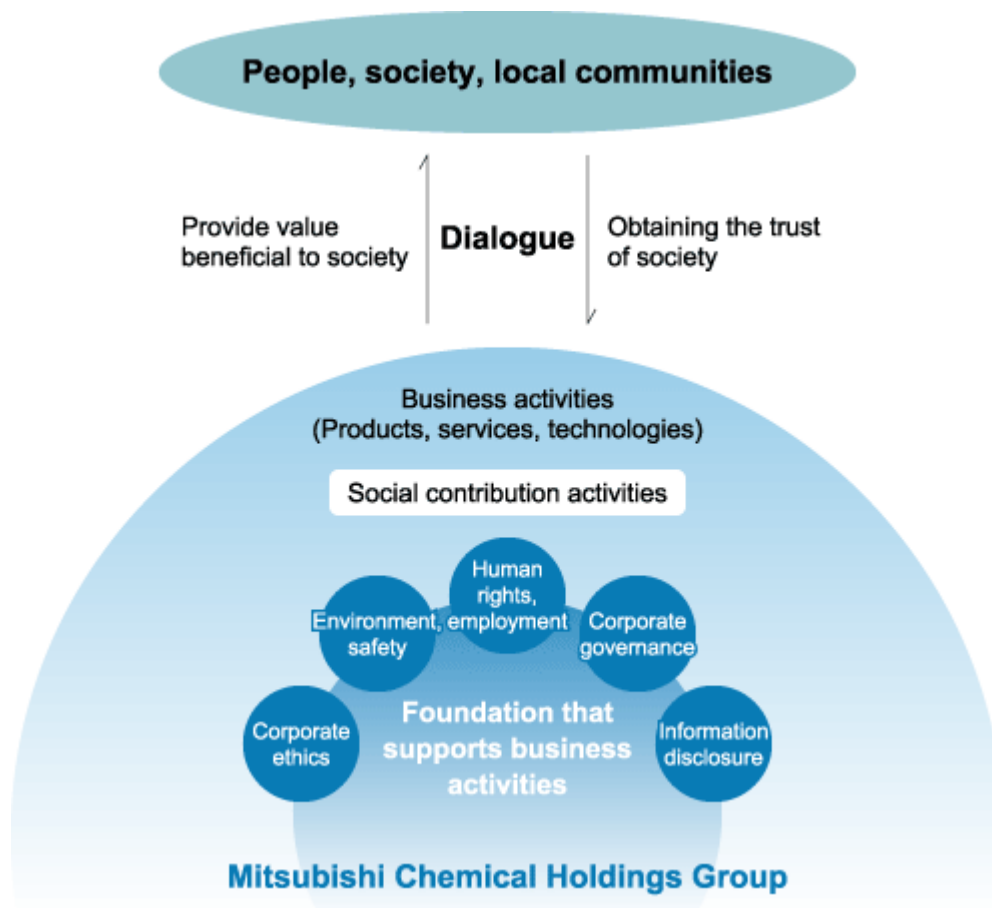


# Basic CSR Concepts

To contribute to the development of a sustainable society, we have set sustainability, health, and comfort as the decision criteria for our corporate activities

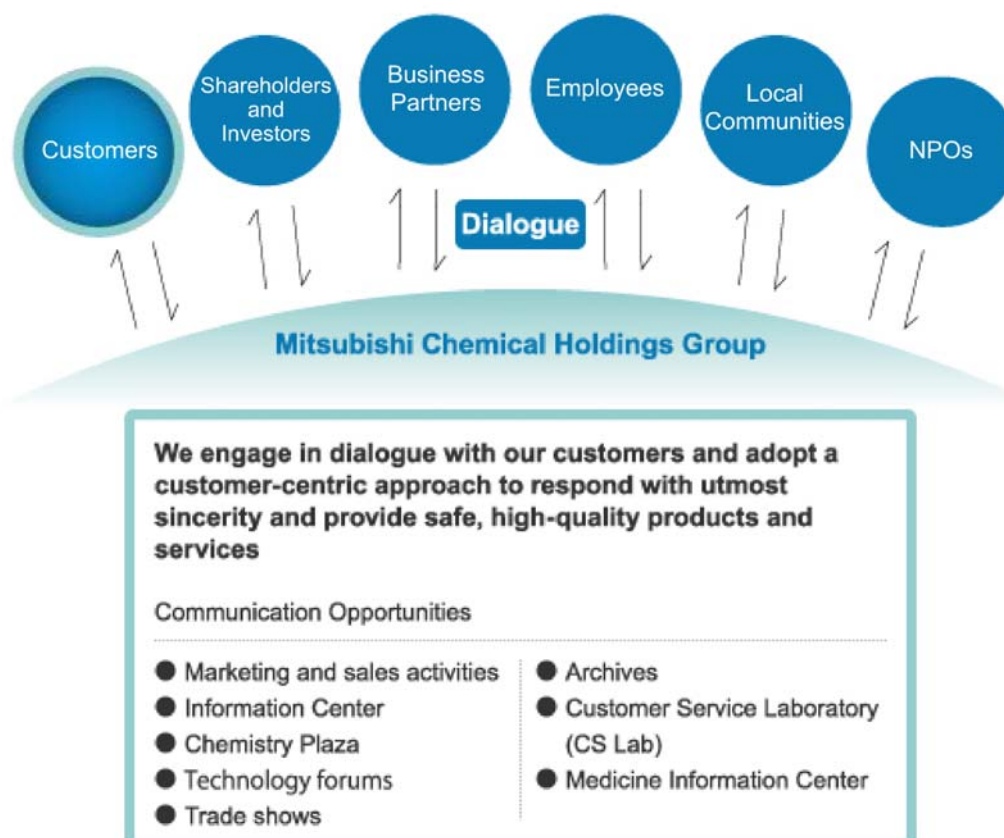
Reflecting the Group philosophy, "Good Chemistry for Tomorrow", we believe that it is our social responsibility to provide products and services following criteria that include the sustainability, health, and comfort while offering new social value.

Beyond creating technologies, products, and services that realize this concept, the Mitsubishi Chemical Holdings Group has made compliance, the environment, safety, and human rights the foundation of its business activities. Furthermore, we contribute to the development of a sustainable society through Group and employee-led philanthropic activities undertaken worldwide.

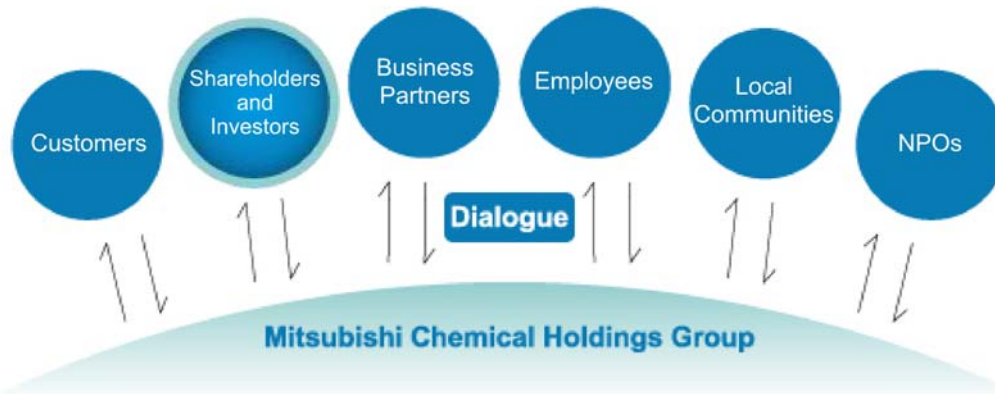


# Group Stakeholders and CSR

Taking CSR activities as the driving force, we aim to enhance communication with stakeholders toward the realization of *The KAITEKI* society.



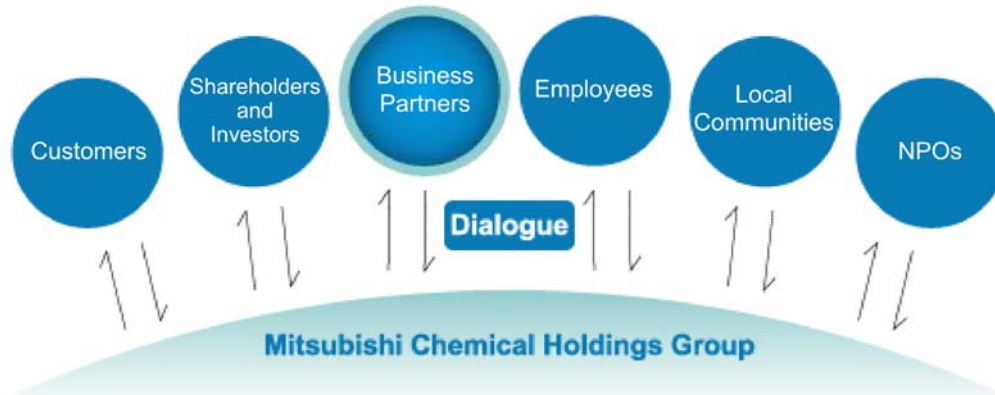




**As a group of companies open to society, we will maintain transparent corporate activities and adequately disclose relevant information to promote public understanding of our activities. Furthermore, we will accurately and adequately disclose information pertaining to our financial data and the state of affairs regarding our business activities to shareholders and investors, pursuant to relevant laws and regulations**

Communication Opportunities

● IR activities	● Investors meetings
● Shareholders' Meeting	● Informational meetings for individual shareholders
● Net conferences	



**Based on the fundamental understanding that all our suppliers and vendors are our partners in conducting business, we will endeavor to foster mutual trust through fair and equitable transactions**

Communication Opportunities

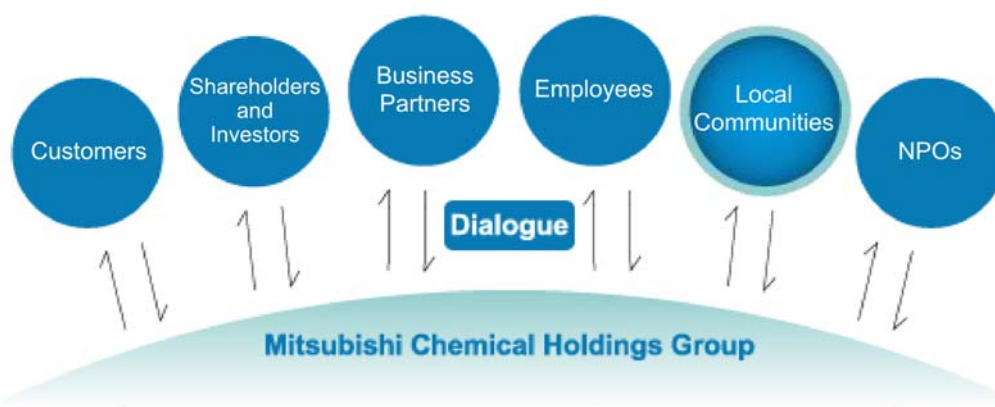
● Disclosure of Purchasing Guidelines	● Information Center
● Purchasing activities	● Archives



**We will strive to create a motivated workplace that provides job satisfaction to constituent members, by respecting diversity and individuality, creating an energizing environment where individuals are given a chance to manifest their best qualities, as well as by fostering mutual trust amongst employees through fair treatment**

Communication Opportunities

- Management and labor committee
- Compliance hotline
- Group magazines
- Archives



**We will strive to deepen our understanding of the cultures and customs of the countries and communities in which we operate our businesses, respect their social norms, and harmoniously co-exist with local communities as good corporate citizens through participation in activities that contribute to society**

Communication Opportunities

- Meetings to exchange opinions with local communities
- Plant tours
- Participation in local events
- Hold events in local areas



**We strive to realize mutual cooperation through communication with various NPOs**

Communication Opportunities

● Coordination with international education support	● Information exchange
	● CSR report evaluation

# Editorial Policy

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## Editorial Perspective

In the interest of helping as many stakeholders as possible understand the Mitsubishi Chemical Holdings Group's CSR concepts and the CSR activities pursued by core Group companies, the Group has posted this information on its website, which will be updated each year.

In fiscal 2010, we will introduce strategic management for sustainability (SMS) as part of our strategic management efforts to foster *The KAITEKI* society. In the special feature section, we report on the progress of the *KAITEKI* Project in this regard. This report also contains a special feature introducing the host of CSR activities being implemented by Group employees.

Through its website, Mitsubishi Chemical Holdings seeks to communicate with a wide range of stakeholders, thereby enhancing its groupwide CSR activities.

## CSR Report

Out of consideration for the global environment and in an effort to reach a broader stakeholder base, this year we have discontinued the publication of a physical CSR report, instead making it entirely web-based. In this reporting, we will seek to leverage the characteristics of electronic media. For the convenience of stakeholders, we have formatted the CSR information as a downloadable PDF file.

## Report Scope

This report covers the Mitsubishi Chemical Holdings Group, but also provides information on the policies of Mitsubishi Chemical Holdings as a stand-alone entity.

## Reporting Period

Fiscal 2009 (April 2009–March 2010)

Note: Some information pertaining to fiscal year 2010 is also included.

## Inquiries

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For detailed environmental and other information on core Group companies, please refer to the CSR reports of these companies.

Mitsubishi Chemical CSR Report: <http://www.m-kagaku.co.jp/index-en.htm>

Mitsubishi Tanabe Pharma CSR Report: <http://www.mt-pharma.co.jp/e>

Mitsubishi Plastics CSR Report (Available only in Japanese): <http://www.mpi.co.jp/>

Mitsubishi Rayon CSR Report: <http://www.mrc.co.jp>

## **Disclaimers**

This report includes not only historical and current facts about the Mitsubishi Chemical Holdings Group but also assumptions regarding future developments in society, references to management plans and policies, and forecasts of the results of those plans and policies. Discussions of assumptions regarding the future, and forecasts, are hypotheses or judgments based on information available as of the time this report was prepared. Changes in various factors may cause actual future developments in society and future results of business activities to differ from assumptions and forecasts.

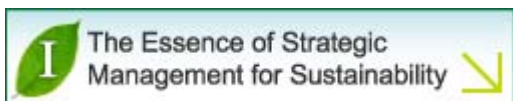
# Special Feature 1: Aiming for *The KAITEKI* Society

The Mitsubishi Chemical Holdings Group is promoting the *KAITEKI* Project and practicing strategic management for sustainability in a bid to realize *The KAITEKI* society.



Based on the Group philosophy of "Good Chemistry for Tomorrow—creating better relationships among people, society, and our planet," Mitsubishi Chemical Holdings is developing broad-ranging operations and creating values that contribute to its three decision criteria for corporate activities: sustainability, health, and comfort. Furthermore, we are aiming for the truly sustainable state, in which these values maintain an optimal balance in a spirit of harmony and coexistence. We call the broad-ranging concept that includes these values *The KAITEKI* society.

This special feature introduces strategic management for sustainability (SMS), which is integral to resolving global environmental problems and thus to realizing *The KAITEKI* society, and outlines the progress of the *KAITEKI* Project, which plays a major role in the practice of SMS.





# I. The Essence of Strategic Management for Sustainability

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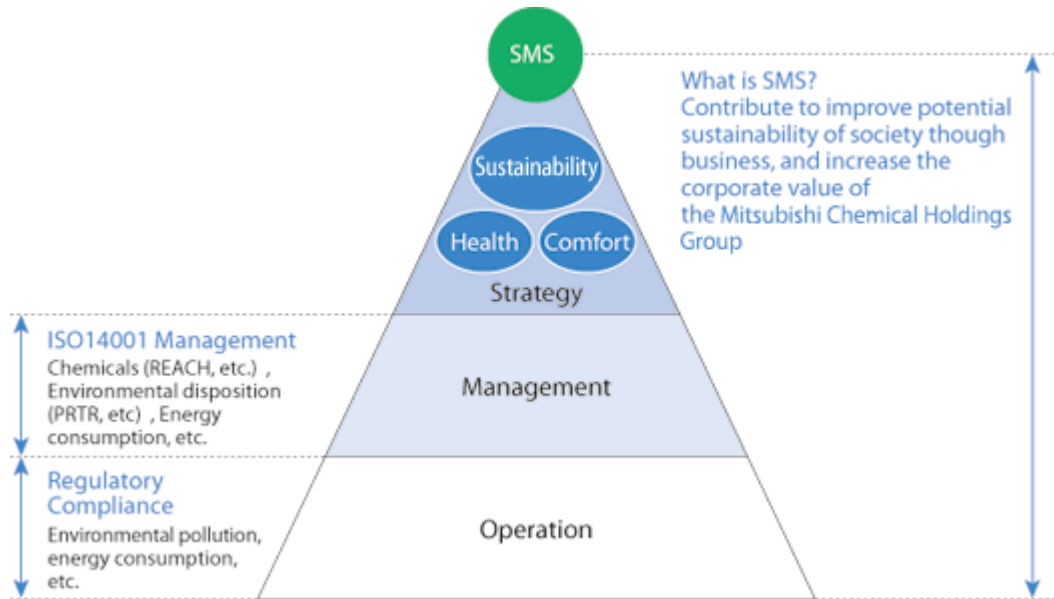
## Putting Sustainability at the Core of Our Operations and Harnessing Innovation to Resolve the Issues That Society Faces

To date, the Mitsubishi Chemical Holdings Group has implemented an array of measures to reduce the environmental burden of its production activities, including an antipollution policy to carry it through a high-growth period and an energy conservation policy attuned to the energy crisis. Subsequently, we have continuously upgraded activities based on environmental management systems, which have earned ISO 14001 certification for many of our plants and offices. The Mitsubishi Chemical Holdings Group has also led the industry with measures that respond to other recent initiatives, such as the introduction of the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH)<sup>1</sup> regulations and the Pollutant Release and Transfer Register (PRTR)<sup>2</sup>.

However, global warming and other environmental problems have become pressing issues that transcend national boundaries, with worldwide environmental opinions inflamed to new levels of intensity. Against this background, the Mitsubishi Chemical Holdings Group needs to take a more aggressive approach, with unwavering determination, in the execution of measures over and above compliance with laws and regulations to ensure that it plays a major role in the resolution of global environmental problems. Key perspectives on this drive comprise: 1) Renewed steps to combine the global environment with improvements to societal sustainability in the approach to business operations; and 2) Rather than solely short-term profits, the steady pursuit of innovation that prioritizes environmental considerations from a medium- to long-term perspective. Mitsubishi Chemical Holdings refers to the attitudes and framework that underpin this approach as "strategic management for sustainability"<sup>3</sup>. We are currently involved in a drive to turn these perspectives into practice.

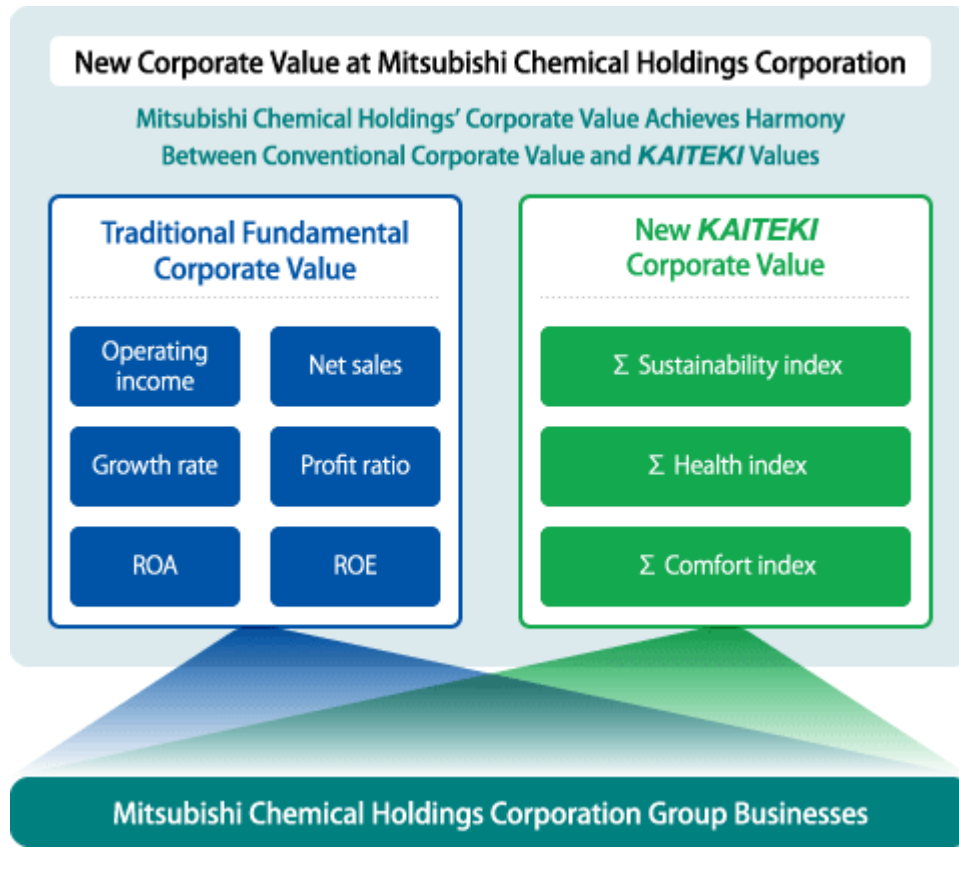
- <sup>1</sup> REACH Regulations: A new set of EU chemical substance regulations aimed at ensuring that human health and the environment are protected against the effects of chemical substances.
- <sup>2</sup> PRTR: The Pollutant Release and Transfer Register
- <sup>3</sup> SMS: Strategic Management for Sustainability. Contributing to improved potential sustainability of society through business and increased corporate value.

[ The Mitsubishi Chemical Holdings Group Seeks Strategic Management for Sustainability ]



### TOPICS: Introduction of *KAITEKI* Index

Mitsubishi Chemical Holdings quantifies the degree of contribution made by each of its major products to sustainability, health and comfort. We are currently formulating *KAITEKI* index that are designed to visualize these contributions. From fiscal 2011, the starting point for our next mid-term management plan, *APTSIS 15*, we aim to add *KAITEKI* index to such basic management indicators as net sales, operating income and return on assets (ROA) in our presentation of the corporate value of the Mitsubishi Chemical Holdings Group.



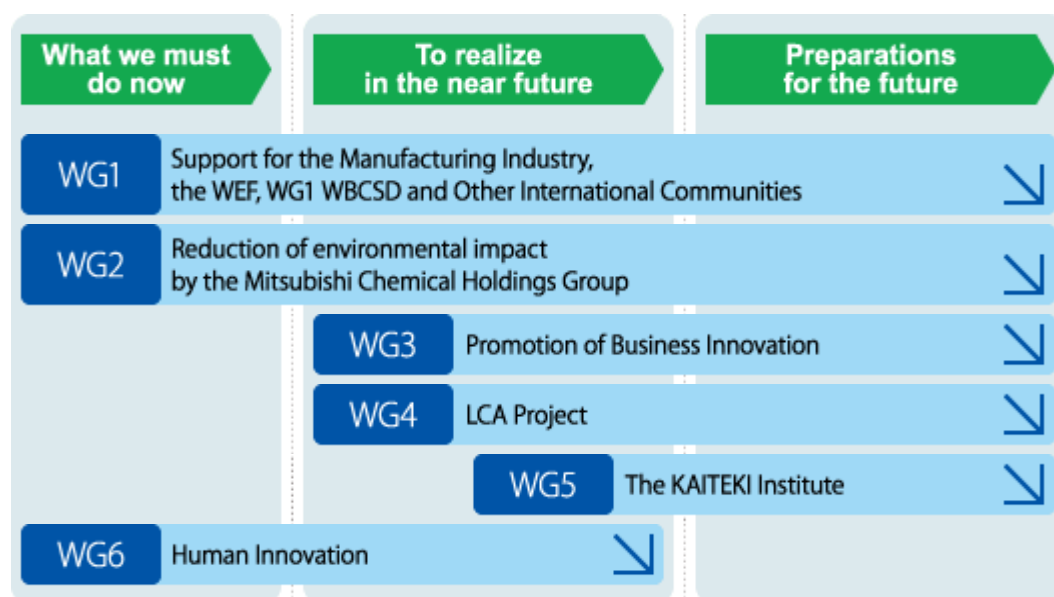
## II. Progress of the *KAITEKI* Project

### Helping to Resolve the Issues Humankind Faces by Responding Appropriately to Business Risks and Opportunities

Putting SMS into practice hinges on interest in, concern about and knowledge of progressive trends and issues relating to the sustainability of international society and the industrial sector, with application to our own action. Furthermore, it is vital that the Mitsubishi Chemical Holdings Group ascertains the environmental burden of its operations and products and links this data to appropriate action attuned to business risks and opportunities.

In order to put SMS into practice and resolve the various problems facing humanity, Mitsubishi Chemical Holdings inaugurated the *KAITEKI* Project, comprising six working groups (WGs), in June 2008. Under the auspices of the president of Mitsubishi Chemical Holdings, this project is controlled by the head of the Management Strategies Office, who serves as the chief sustainability officer. A review of the project's progress is conducted four times each year.

[ Six Working Groups (WGs) ]



#### Opinions on the *KAITEKI* Project

Upon Reading the *CSR Report 2009*

- It enables evaluation of measures implemented under the project as a cross-sectional Group initiative.
- I would like to see the Group united in a drive to spread the spirit of *KAITEKI* worldwide.
- Although I understand the principles, I would like to know what specific sorts of products and technologies this means the Mitsubishi Chemical Holdings Group is going to develop.

## II. Progress of the *KAITEKI* Project—WG1

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WG1

Support for the Manufacturing Industry,  
the WEF, WG1 WBCSD and Other International Communities

### Promoting Progressive Measures through Participation in Congresses and Organizations with Worldwide Influence

In order to ascertain the latest trends in industry and the chemicals sector and leverage this knowledge in Mitsubishi Chemical Holdings' own measures, WG1 serves as an interface with such internationally influential congresses as the International Council of Chemical Organizations (ICCA), the World Economic Forum (WEF) and World Business Council for Sustainable Development (WBCSD), in addition to forming a link to the activities of the Japan Chemical Industry Association (JCIA), the Ministry of Economy, Trade and Industry, the Japan Federation of Economic Organizations (Keidanren) and other domestic bodies. These congresses and organizations are primarily engaged in exchange of information and expression of opinions on global trends from the perspective of climate change, control of chemical substances, eco-systems and other issues. Mitsubishi Chemical Holdings participates in such activities as the planning of working groups and the formulation of various regulations and guidelines.

#### Fiscal 2009 Topics

- Mitsubishi Chemical is the only Japanese enterprise to participate in the WBCSD GHG Protocol Initiative \* Product Life Cycle Working Group and has been actively involved in road testing since 2010. In the future, Mitsubishi Chemical Holdings, as a leading chemical industry company, will continue to take roles and responsibilities in various industry organizations.

\* WBCSD GHG Protocol Product Life Cycle Working Group : The World Resources Institute and World Business Council for Sustainable Development have cooperated over the establishment of global standards for the computation of greenhouse gas emissions by corporations. Currently, these organizations are developing protocols to calculate emission volumes over the lifecycles of all relevant products.

- Based on ICCA chemical substance control policy, Mitsubishi Chemical Holdings has served as the host organization in holding seven workshops, worldwide, focussing on capacity-building in emerging nations.
- In October 2010, the 10th meeting of the Conference of the Parties (COP10) to the Convention on Biodiversity was held in Nagoya. Mitsubishi Chemical Holdings, recognizing the importance of eco-systems in the realization of sustainability, joined with other partner companies pledged to the Japan Federation of Economic Organizations' declaration on biodiversity to conduct activities that support this cause.

## Plans for Fiscal 2010

- Mitsubishi Chemical Holdings is participating as the primary organizer in the Japan Initiative of Product Stewardship (JIPS), which comprises new autonomous measures promoted by JCIA. The objective of these activities is to gain recognition from society for the safety and reliability of chemical products.
- Mitsubishi Chemical Holdings is participating in the ICCA Energy and Climate Change policy project and leading activities to formulate a technology roadmap for biotechnology and resource recycling.

## II. Progress of the *KAITEKI* Project—WG2

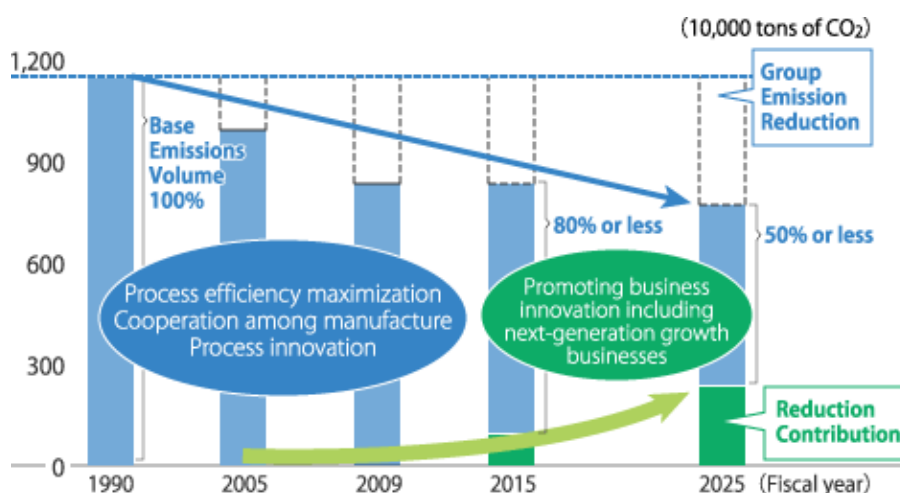
WG2

Reduction of environmental impact  
by the Mitsubishi Chemical Holdings Group

### Promoting Cuts in Emission Volumes of Greenhouse Gases

The Mitsubishi Chemical Holdings Group's production sites have advanced with the reduction of substances wielding environmental influence through a variety of means and measures. However, there have been global calls for even greater levels of reductions of such materials. Accordingly, WG2 is promoting cuts to greenhouse gases discharged by the Mitsubishi Chemical Holdings Group through visualization of emissions and new energy-conservation techniques.

[ Greenhouse Gas (CO<sub>2</sub> Conversion) Reduction Targets ]



### Fiscal 2009 Topics

- Mitsubishi Chemical Holdings revised its regulatory system for energy control in accordance with amendments to Japan's Law Concerning the Rational Use of Energy and Law Concerning the Promotion of Measures to Cope with Global Warming and other legislation. As a result, we have established a framework that facilitates management and reporting of specific energy consumption on a company basis.
- Visualization of emissions through monitoring and other means is important to effectively cut back on emissions of greenhouse gasses. Accordingly, Mitsubishi Chemical has improved its former CO<sub>2</sub> monitoring system to create a highly reliable system capable of swift emissions forecasts incorporating data from each production site.
- Mitsubishi Plastics' Ueda Plant manufactures *ALPOLIC*, a metal-plastic composite that has been acclaimed as a lightweight construction material with exceptional design and superior fire resistance. At this facility, we have consolidated the plastic sheet molding and bonding lines to eliminate the need for a sheet reheating process. This initiative reduces the overall electrical power consumption of the plant by more than 10%.



- We have made steady progress in reducing greenhouse gas emissions at facilities other than production sites. Mitsubishi Tanabe Pharma participated in the Osaka EV Action Program as part of its drive to reinforce its eco-promotion system. During the summer of 2009, we introduced 50 electric cars for use by medical representatives (MRs) to visit medical institutions and other sites. We plan to continue to upgrade our fleet of sales vehicles to next-generation models.

## **Plans for Fiscal 2010**

During fiscal 2010, we will promote greenhouse gas emission reductions using our new CO<sub>2</sub> monitoring system and plan to cut overall energy use through a variety of approaches, including through the development and application of new technologies.

Regarding eco-systems, we have agreed with the purports of the Japan Federation of Economic Organizations' declaration on biodiversity, which was announced in March 2009, and from January 2010 became an official declaration on biodiversity promotion partners. We aim to promote activities utilizing knowledge accumulated to date from perspectives spanning the entire supply chain, upstream to downstream.

## II. Progress of the *KAITEKI* Project——WG3

### WG3 Promotion of Business Innovation

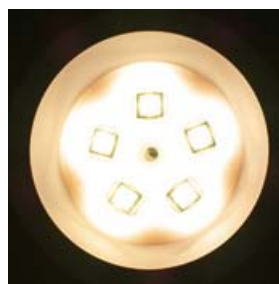
## Promoting Innovations in Business to Realize *KAITEKI*

WG3 is responsible for promoting business innovations that realize *KAITEKI*. We are aiming for the early commercialization of six of the seven next-generation growth (innovation) businesses to reduce environmental impact that are cited in the mid-term management plan, *APTSIS 10*: white LEDs, Li-ion battery (LiB) materials for HEVs, organic photovoltaic modules, sustainable resources, chemical components for automobiles, and organic photo semiconductors. These six areas will make particularly valuable contributions to sustainability of the global environment.

### Fiscal 2009 Topics

- In order to effectively respond to the drastic contraction of the economy since the autumn of 2008, we have prioritized and stepped up the pace of commercialization of two key businesses: white LEDs and LiB materials for HEVs.

- We have developed technically competitive, high-quality gallium nitride substrate production technologies for our white LEDs and improved the sales system for lighting equipment.



White LEDs

- As a unique manufacturer capable of supplying all four key materials LiB for HEVs, we have aggressively pursued proposal-based activities focused on optimal battery performance and compatibility with customer applications and requirements. Market acceptance has progressed steadily as a result of thorough quality control and construction of a stable supply system.



Four key LiB materials for HEVs

- In the domain of sustainable resources, there has been an advance in the application of the environmentally considerate, biodegradable plastic, *GS Pla*, as an agricultural material. This material can be broken down into water and carbon dioxide while underground or in various other circumstances. Further, dining utensils made with *GS Pla* were used during the Vancouver Winter Olympics in Canada in February 2010.



*GS Pla*

## **Plans for Fiscal 2010**

We will expand our activities for the six selected next-generation growth businesses in line with their respective business promotion plans in order to contribute to improvements to global environmental sustainability at the earliest possible juncture.

## II. Progress of the *KAITEKI* Project—WG4

### WG4 LCA Project

### Building an Environmental Impact Measurement and Evaluation System that Focuses on the Entire Product Lifecycle

Manufacturers of chemicals and other materials affect the environment significantly during their production of materials. However, by creating materials and components with characteristics superior to those that were previously available, we can substantially reduce the environmental impact—at the stage of final product use as well as at the manufacturing stage.

From this perspective, the majority of the seven next-generation growth (innovation) businesses that Mitsubishi Chemical Holdings has identified aim to make major contributions to sustainability. Reducing greenhouse gas emissions from these operations is one objective of the Group's mid-term management plan.

It is also essential to search for new technologies that have the potential to achieve these objectives.

WG4 is promoting the construction of an LCA system that spans measurement and evaluation of the environmental burden of each of the Mitsubishi Chemical Holdings Group's products, with a focus on the entire lifecycle, from extraction of resources through materials procurement, manufacturing, use in society to disposal as waste.



Industry participants have begun making trial measurements of their operations' carbon footprints—the portion of environmental impact specifically associated with greenhouse gas emissions. We are working steadily on such initiatives that seek to make environmental impact visible, which should contribute to reducing this impact.

## Fiscal 2009 Topics

- During fiscal 2009, we introduced an LCA evaluation system and carried out LCA evaluations of representative Mitsubishi Chemical and Mitsubishi Plastics products. The results of these assessments are used in product design and for internal decision-making.
- The LIME\* integrated coefficient is used to visualize environmental burden and thus to conduct environmental burden evaluations of operating companies. Computation of this coefficient and assessment methods, in addition to accumulated information, are invaluable basic data for *KAITEKI* index that we are currently considering introducing.

\* Life-cycle Impact Assessment Method based on Endpoint Modeling (LIME): A method, developed as part of the National LCA Project of consolidating various types of environmental impact into a single indicator

- Mitsubishi Chemical Holdings participated in GHG working groups. (Refer to "II, Progress of the *KAITEKI* Project—WG1, Fiscal 2009 Topics.")

## Plans for Fiscal 2010

During fiscal 2010, we will improve our newly developed LCA system to make it easier to use, with a view to introducing the system throughout Mitsubishi Chemical Holdings. In preparation for this move, we are currently cultivating scientific knowledge and fostering a high degree of environmental literacy among our human resources.

## II. Progress of the *KAITEKI* Project—WG5

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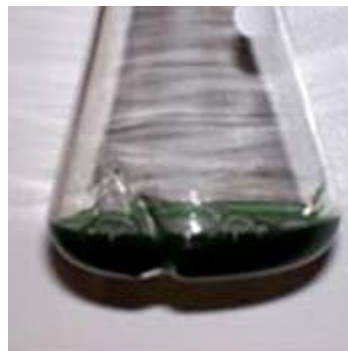
### WG5 The KAITEKI Institute

### Acting in Concert with the Institute in Pursuit of Global *KAITEKI*

Amid mounting concern about global issues, Mitsubishi Chemical Holdings established The KAITEKI Institute, Inc., a global research institute focused on meeting energy, resource depletion, climate change, water and food crises and healthcare challenges on April 1, 2009. The Institute has two basic functions. One is a think tank that compiles and evaluates trends and information that relate to 2030 and beyond in the context of both natural and social science, and creates a forum for discussion of what should be researched now based on information and projections about the future. The other is to promote research in this area by engaging the best minds in the world while partnering with research organizations worldwide, and collaborating with them through contract research and joint research. In addition, experts outside the Institute, from various areas, are invited to give us advice on the Institute's direction to promote objectivity from a specialist's perspective. By fusing these functions, the Institute proposes conceives for enterprises that pioneer new business areas based on the result of projections and research regarding the earth's future to the Group. The Institute will contribute to society through the Group businesses.

### Topics for Fiscal 2009

The KAITEKI Institute has consigned research work to the University of California at Los Angeles (UCLA). Part of this research includes the production of butanol and hexanol by applying genetic manipulation techniques to modify algae in a bid to recycle the carbon contained in CO<sub>2</sub>. This work commenced in January 2010. The recycling of carbon in CO<sub>2</sub>, which can be considered an important part of application research into renewable sources as an alternative to petroleum, is an important focus for the future of the Mitsubishi Chemical Holdings Group.



Rising to the challenge of producing butanol and hexanol through the genetic manipulation of cyanobacteria



## Plans for Fiscal 2010

We will step up investigations and research activities that are currently underway, expand our information network to reexamine influences on Japan's future society with its declining birthrate and aging population, and promote activities to introduce a new culture to the Mitsubishi Chemical Holdings Group.



An advisory board comprising in-house experts holds assessment meetings twice a year

## II. Progress of the *KAITEKI* Project—WG6

### WG6 Human Innovation

## Aiming for Innovative Lifestyle Changes for the Mitsubishi Chemical Holdings Group's 50,000-Strong Workforce

In the belief that "we are only a small step away from realizing *KAITEKI* for the society of the future," WG6 advocates "Human Innovation" to transform the lifestyles of the Mitsubishi Chemical Holdings Group workforce of 50,000 employees. We are striving to reduce electricity and paper consumption and waste generation in a drive that involves contributions from both workplace and the home. To aid this campaign, we participate on an ongoing basis in the Ministry of the Environmental Household Accounting initiative (refer to <http://www.eco-family.go.jp/top/>). (Japanese only)

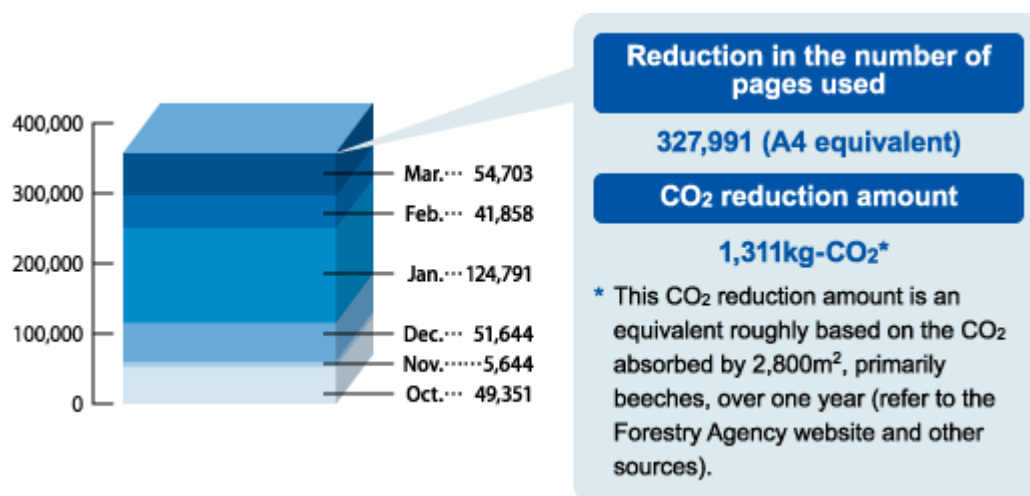
### Topics for Fiscal 2009

Each of the Mitsubishi Chemical Holdings Group's operating companies carries out a variety of voluntary activities. For example, Mitsubishi Chemical conducted a six-month campaign from October 2009 to cut back on paper used for printing and copying in a bid to drive down CO<sub>2</sub> emissions at its head office. Departments formed teams that competed over the amount of reductions attained. The reduction volume in excess of a 20% cut from the previous fiscal year was devoted to Addressing Poverty and to the introduction of tools to enhance business efficiency. As a result, over six months we achieved reductions in consumption of A4 paper of 320,000 sheets, equivalent to 1,311 kg-CO<sub>2</sub>. This was used to contribute to My Tree, a component of Midori no Tokyo Bokin—a treeplanting program for Minato-ku, Tokyo—and to purchase four LED Handy Projectors that were distributed among the high-scoring departments. Such activities encourage the transformation of work practices, as well as reducing use of resources, and also invigorate in-house communications through the sharing of individually conceived ideas. Furthermore, activities instigated at the head office have inspired other sites to follow suit with similar initiatives.



An LED Handy Projector is awarded to Mitsubishi Chemical's Ethylene Oxide/Glycols and Ethanol Department by the corporate officer serving as advisor for Mitsubishi Chemical's paper conservation activities.

[ Accumulated Paper Savings over Six Months ]



### Plans for Fiscal 2010

Enhanced in-house communications are indispensable to the promotion of "Human Innovation." However, changing employee consciousness is neither simple nor swift. During fiscal 2010, we will continue to build up a workforce that contributes through unflagging activities to the realization of a future characterized by *KAITEKI*.

# Special Feature 2: Employees Speak about CSR Activities

The Mitsubishi Chemical Holdings Group is engaged in a concerted drive to pursue CSR activities, both through and in support of its business operations

The Mitsubishi Chemical Holdings Group is unified in developing CSR activities to realize a comfortable *The KAITEKI* society and to reinforce the foundations of its businesses. This special feature introduces the Group's diverse CSR activities in the words of the employees who are responsible for their implementation.

CSR Activities through Business Activities	CSR Activities that Support Our Business Operations
 <p><b>Mitsubishi Chemical</b> Developing organic photovoltaic modules</p>	 <p><b>Mitsubishi Chemical Holdings</b> Communicating with shareholders</p>
 <p><b>Mitsubishi Tanabe Pharma</b> Raising the quality of life for patients</p>	 <p><b>Mitsubishi Chemical</b> Considering safety and the environment around operating plants</p>
 <p><b>Mitsubishi Plastics</b> Contributing to society's CO<sub>2</sub> emission reductions through water vapor adsorption materials</p>	 <p><b>Mitsubishi Tanabe Pharma</b> Providing accurate product information</p>
 <p><b>Mitsubishi Rayon</b> Contributing to the infrastructure development of emerging nations</p>	 <p><b>Mitsubishi Plastics</b> Starting up a new social activities program</p>
	 <p><b>Mitsubishi Rayon</b> Receiving Award for Success in Promoting a Work-Life Balance</p>

We are developing organic photovoltaic modules in the belief that the 21st century will be heralded as the age of chemistry.

Mitsubishi  
Chemical

The development of organic photovoltaic modules is a key focal area for Mitsubishi Chemical. Although photovoltaic modules are widely acclaimed as a sustainable energy source, do you understand why "organic" organic photovoltaic modules are slated for this role?

Simply stated, this is because "organic" is synonymous with "ecological." As with living organisms, this technology involves the formation of molecules, which exhibit different functions depending on their structure, from carbon, hydrogen, nitrogen, oxygen, sulfur and other common elements. This formation is achieved through the spontaneous convergence and functionalization of molecules in a process known as self-organization, which opens up great possibilities for this highly effective energy-saving technology.

However, one difficulty is that as molecules have strong individual characteristics, inter-molecular bonds have to be precisely arranged in order to form and to attain high performance. In addition, there are many problems with durability compared with nonorganic materials. How to overcome these issues and realize the superb functionality of organic photovoltaic modules epitomizes both the task and the challenge we face. Confidently believing that the 21st century will be heralded as the age of chemistry, we are amassing the company's expertise and resources to push forward with the development of organic photovoltaic cells.



**Shinji Aramaki**

Group Leader  
Photovoltaic Module Project  
Mitsubishi Chemical Group  
Science and Technology  
Research Center, Inc.  
Mitsubishi Chemical

Contributing to the quality of life of many patients by supplying the therapeutic medicine, *Remicade*.

Mitsubishi  
Tanabe Pharma

In May 2002, Mitsubishi Tanabe Pharma commenced sales of *Remicade* as a therapeutic treatment to relieve patients suffering from intractable retina uveitis and other complications arising as a consequence of Crohn's disease, rheumatoid arthritis and Behcet's disease. Since this launch, *Remicade* has contributed to the course of treatment for more than 50,000 patients in Japan.

During 2010, we gained supplemental approval of *Remicade* for three new indications: psoriasis in January, ankylosing spondylitis in April, and ulcerative colitis in June. In the future, we hope to contribute to quality-of-life improvements for any patients who can benefit from *Remicade* by providing physicians who prescribe *Remicade* with exhaustive information accumulated to date on safety and administration.



**Naoko Okamura**

First Development Group  
Sales Division, *Remicade*  
Department  
Mitsubishi Tanabe Pharma  
Corporation

Promoting energy reductions through water vapor adsorption material, *AQSOA*.

Mitsubishi  
Plastics

We are contributing to society's CO<sub>2</sub> emission reductions through the zeolitic water vapor adsorption material, *AQSOA*.

Mitsubishi Plastics currently markets adsorption refrigerators and desiccant (dehumidification) air conditioners that utilize the principle that evaporating water draws heat. Such equipment incorporates, *AQSOA*, a material developed by Mitsubishi Chemical that efficiently emits adsorbed water vapour at temperatures down to 40C to 80C. Accordingly, it is possible to restore the functions of reduced *AQSAO* containing water vapor, even using relatively low-temperature sources, such as solar heat and exhaust heat at factories. This in turn facilitates a cutback in the energy required to control temperature and humidity.

The effective use of existing energy is vital to the promotion of energy conservation. Mitsubishi Plastics is deploying untapped energy to provide comfortable *KAITEKI* space with controlled temperature and humidity.



**Hideto Hidaka**

Deputy Manager  
New Business Promotion  
Department, *AQSOA* Project  
Mitsubishi Plastics, Inc.



Contributing to infrastructure development in emerging nations by supplying new water-treatment systems.

Mitsubishi  
Rayon

In recent years, the membrane bio-reactor (MBR) system for wastewater treatment using a hollow-fiber membrane filter has attracted much global attention as a new water-treatment system to help to conserve and secure water resources. Specifically, water recycling using the MBR system is finding extensive application in China, where there are significant water shortages, exacerbated by a growing population.

Mitsubishi Rayon sells *Sterapore*, a hollow-fiber micro-filtration membrane used in the MBR system to improve the quality of water treatment. This system has found applications in various regions worldwide, including the Southeast Asian regions in which I function as sales manager, as a means of reducing the environmental load posed by wastewater and of promoting recycling.

In certain areas of such emerging nations as Thailand, Vietnam and the Philippines, problems with water shortages have aggravated in step with rapid economic growth. In the future, we anticipate rapid growth in demand from these regions. Mitsubishi Rayon, as a leading provider of MBR systems, will step up its efforts to bolster its expanding water reclamation business in a drive to contribute to the development of the infrastructure in various emerging nations.



**Kyohei Ozaki**

Membrane Department,  
Aqua Division  
Mitsubishi Rayon Co., Ltd.

Promulgating information on the Group by issuing the shareholder newsletter *IR NAVI*.

Mitsubishi  
Chemical Holdings

We issue the semiannual newsletter *IR NAVI* for shareholders to publicize the Group's results, provide outlines of business operations, communicate the objectives of its mid-term management plans and related measures, and disclose CSR activities and other information. The title of the publication, *IR NAVI*, incorporates our aim to guide readers (navigate) in an easily comprehensible manner through various information for shareholders relating to the Group (IR information).

Editorial policy for the production of the newsletter encourages the use of photographs, charts and other graphics, while discouraging specialist jargon, to create a highly readable magazine format. The selection of topics, writing of drafts and other tasks for each issue is a challenge, but one that has proved absolutely worthwhile.

We will continue working to create an easily digestible magazine that boosts shareholder understanding of the Group.



**Etsuko Takatori**

General Affairs Office  
Mitsubishi Chemical Holdings  
Corporation



Focusing on environmental risk reduction activities in a bid to create plants deemed trustworthy by local residents.

Mitsubishi  
Chemical

It is vital to reduce environmental risk and to prevent accidents and other problems in order to ensure the health and safety of residents in the vicinity of the Company's plants and to conserve local environments.

At the Kashima Plant, we are presenting explanations to employees in an easily understandable manner of the environmental standards in place at the facility and case studies of environmental problems through study groups and other channels. This initiative helps to facilitate compliance with laws and regulations pertaining to gaseous emissions and wastewater released into public waterways. In addition, we promote environmental communication activities targeting local residents through a hub for dialog established in cooperation with other enterprises in the area. Opinions gleaned from participants at such events are used to improve our environmental risk reduction activities. In the future, we will continue with this approach in a bid to maintain operating plants that are considered trustworthy by local residents.



**Yoshiyuki Watanabe**

Group Manager, Environment  
Group  
Kashima Operations Division,  
RC Promotion Department  
Mitsubishi Chemical Corporation

Striving for the swift delivery of accurate product information to customers.

Mitsubishi  
Tanabe Pharma

Mitsubishi Tanabe Pharma operates the Drug Consultation Center to respond directly to inquiries from the patients, general consumers, doctors and pharmacists that comprise its customer base.

The role of the center is to supply customers with accurate product information on prescribed and over-the-counter drugs in an easy to understand, swift and courteous fashion, and thus contribute to promoting correct use of medication. In order to ensure reliability, the center also reports safety and quality information gained from the more than 300 inquiries received each day to the relevant in-house departments without delay. Another important function is to gain customer opinions and suggestions that can be used to support product development and upgrades.

In particular, customers and general consumers find this service unique in providing corporate information relating to medication, which is an increasingly important and highly fulfilling role amid moves to reinforce and improve consumer administration. In the future, the center will continue to promote safe drug usage and consequently contribute to the treatment of diseases by medical institutions and restoration to health of patients by encouraging safe drug usage by responding to its daily increasing volume of inquiries.



**Ryonosuke Nakao**

First Customer Group  
Medical Information Center  
Pharmacovigilance & Quality  
Mitsubishi Tanabe Pharma  
Corporation

**Commencing a new social activities program that enables greater employee participation.**

Mitsubishi  
Plastics

In April 2008, four Group companies and Mitsubishi Chemical's functional products businesses merged to form the Mitsubishi Plastics Group. As part of the inauguration of this new unit, we re-examined our approach to Addressing Poverty to ensure that they are perceived as significant and worthwhile to each and every Group employee. I also participate alongside other staff in the Eco-Cap Campaign and other activities as a member of the Mitsubishi Plastics Head Office Social Contribution Office.

Against this background, we started up a new social contribution program in fiscal 2010, called the Plus-Kun Fundraising System. Through this initiative, we disseminate information concerning NGOs and NPOs that are engaged in resolving societal problems on a Company Intranet site, where empathetic and supportive employees can make cash donations online. By publicizing various social circumstances to staff that they are unlikely to be exposed to in their everyday working lives, we aim to raise employee awareness toward social contributions.



**Shujiro Toyofuku**

Mitsubishi Plastics Social  
Contribution Office  
Mitsubishi Plastics, Inc.  
(currently studying overseas)

**Mitsubishi Rayon Receives Award for Success in Promoting a Work-Life Balance**

Mitsubishi  
Rayon

Mitsubishi Rayon recently received the Excellence Award from the Director General of Tokyo Labour Bureau at the Fiscal 2010 Commendations for Enterprises Promoting Equal Employment/Work and Family Harmonization by the Ministry of Health, Labour and Welfare. This honor attests to the company's efforts to create an environment that helps employees balance the dual responsibilities of work and family.

Mitsubishi Rayon was also designated as a company in conformance with 2008 and 2010 standards under Japan's Law for Measures to Support the Development of the Next Generation.

From the standpoint of making the best use of employees' skills, the Mitsubishi Rayon Group will continue striving to promote diversity management and to realize an improved work-life balance in a manner that links with its efforts to achieve sustainable corporate development and the fulfillment of individual employees.



**Miki Minamisawa**

Manager, Human Resources &  
Labor Relations Group,  
Human Resources Department,  
Mitsubishi Rayon Co., Ltd.

# Internal Controls

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## Internal Controls



### Basic Concepts on and the Status of the Internal Control System

Mitsubishi Chemical Holdings Corporation strives to strengthen and thoroughly implement its internal control system based on the basic policies decided by the Board of Directors. The Board of Directors inspects the implementation status of these basic policies at the end of every fiscal term and reviews any specifics of the policies as needed.

## Risk Management



### Basic Concept and Risk Management System

The Mitsubishi Chemical Holdings Group has been consolidating its risk management system, in order to fulfill the Group's social responsibility and enhance its corporate value.

## Compliance



### Basic Concepts and Compliance Promotion Structure

The Mitsubishi Chemical Holdings Group interprets "compliance" as more than simply legal compliance; we take it to mean the upholding of corporate ethics and social mores, as well.

# Internal Controls

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## Internal Controls

### Basic Concepts on and the Status of the Internal Control System

The Board of Directors gathers to decide on important Group matters. Statutory auditors oversee directors by attending Board and other important meetings, and through other means. An executive officer system separates management supervision and execution. We maintain rules governing the Board of Directors, the Management Committee, and other decision-making organs. Other rules cover such areas as the authority of individual employee positions and departmental responsibilities.

In fiscal 2009, we combined the CSR Committee, which previously assisted the President and Representative Director with decision-making related to compliance and risk management, and the Management Committee. This integration was designed to foster more timely deliberation of CSR-related projects. Furthermore, to reinforce internal control initiatives at Group companies overseas, we augmented the previous year's efforts by holding Overseas Internal Control System Promotion meetings in China in October 2009 (for 46 companies) and in Singapore in February 2010 (16 companies). At these gatherings, participants debated and exchanged information about the Mitsubishi Chemical Holdings Group's internal control initiatives and the compliance and risk management status at operating companies.



Overseas Internal Control System  
Promotion Meetings (Singapore)

# Internal Controls

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## Risk Management

### **Basic Concept and Risk Management System**

The Mitsubishi Chemical Holdings Group has been consolidating its risk management system, in order to fulfill the Group's social responsibility and enhance its corporate value. In April 2006, the Company developed a risk management system, with its President as head, bearing the ultimate responsibility, which was followed up by formulating and implementing the Group Risk Management Basic Policy to avoid major risks related to Group business activities and minimize any damage that occurred.

The Management Committee deliberates policies on Group risk management and responses to items of key importance to the Group from a risk management perspective. The President and Representative Director, in his role as Chief Risk Management Officer, makes decisions on the basis of these deliberations.

Each of the operating companies builds its own risk management system tailored to its business characteristics, overseeing its subsidiaries to create their risk management systems.

### **Activities in Fiscal 2009**

Continuing in the same vein as during the preceding fiscal year, in fiscal 2009 the Mitsubishi Chemical Holdings Group monitored the enhancement/operational status of its risk management system and sought to determine and evaluate major risks. Moreover, internally the Group promoted an awareness of such risk factors as new types of influenza and information security, to resolve and eliminate such factors. Furthermore, the Group identified and categorized risks requiring priority action, such as those that involve the global environment, and introduced measures to counter these risks.

In fiscal 2010, the Group will continue working to create and support the steady operation of risk management systems at Group companies, centering on core operating companies. The addition of Mitsubishi Rayon will raise this number to four.

[Risk Management System (As of June 30, 2010)]



## Creating a Safety Culture

Mitsubishi Chemical Holdings has established the Group Synergy Office to foster cross-group ties in such areas as production technologies, the environment and safety. In addition, the Company convenes the Four-Company Cooperation Council as necessary. Meetings are attended by general managers in charge of these functions at Mitsubishi Chemical, Mitsubishi Tanabe Pharma, Mitsubishi Plastics and Mitsubishi Rayon. The objective is to create a common awareness of environmental and safety activities throughout the Group and to serve as a platform for sharing information and opinions on the companies' policies and issues.



# Internal Controls

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## Compliance

### 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, Mitsubishi Chemical Holdings Corporation'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, conduct 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 trainers, prepares tools, and offers other support for Group companies. We are constantly striving to ensure that all people and companies in the Mitsubishi Chemical Holdings Group fully understand and adhere to evolving compliance obligations.

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.

### Activities in Fiscal 2009

In August 2009, new directors of Group companies took courses in compliance training. In October 2009, an external attorney delivered a presentation to Group directors and presidents on compliance considerations for future business development.



Compliance lecture

The administrative action that Mitsubishi Tanabe Pharma received in regard to a violation of the Pharmaceutical Affairs Act and the improper processing of environmental data by Mitsubishi Chemical have undermined trust in the Company. In fiscal 2010, we will thoroughly investigate the causes of these incidents and work to quickly put in place effective measures to prevent recurrence.

## Information Security Initiatives

The Company has formulated the Mitsubishi Chemical Holdings Group Information Security Policy to protect its information system assets from internal and external threats, as well as to enhance its corporate value.

Essentially, the policy calls for Group companies to protect information security assets, which are fundamental to the Group. We aim to improve the way information systems throughout the Group are maintained and managed via the Mitsubishi Chemical Holdings Group Information System Security Administration Committee, headed by the executive officer in charge of information systems at the Group Synergy Office, and the people responsible for information security management at Group companies.

The Group has made compliance with this information security policy and related regulations obligatory for all Group employees, overseas as well as in Japan. We also conduct awareness and educational programs to ensure universal understanding.

# Dialogue with Shareholders and Other Investors

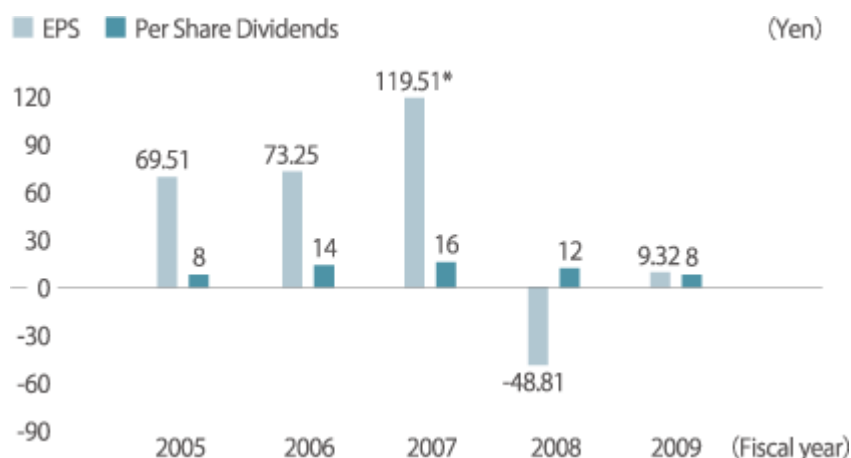
## Ideas on Distribution of Profits

Mitsubishi Chemical Holdings uses consolidated operating performances as its base for determining shareholder dividends, while taking into overall consideration such factors as dividend stability over the medium to long term and the internal reserves needed for future business development.

In accordance with this policy, the Company paid a year-end dividend of ¥4 per share for fiscal 2009. Combined with an interim dividend of ¥4 per share, dividends for the fiscal year amounted to ¥8 per share. The Company's basic policy is to distribute dividends from retained earnings twice each year, at the middle and end of the fiscal year. Interim dividends are determined by the Board of Directors, whereas year-end dividends are resolved by the general meeting of shareholders.

The Company seeks to maintain a level of internal reserves that, taking the operating environment into consideration, are sufficient to fund the business development objectives outlined in *APTISIS 10*, the Group's mid-term management plan, including priority capital investments, financing and R&D expenditures.

[ EPS and Per Share Dividends ]



Note: The net income calculation includes a ¥117.5 billion gain on change in ownership interest at Mitsubishi Tanabe Pharma, which was recorded as an extraordinary gain.

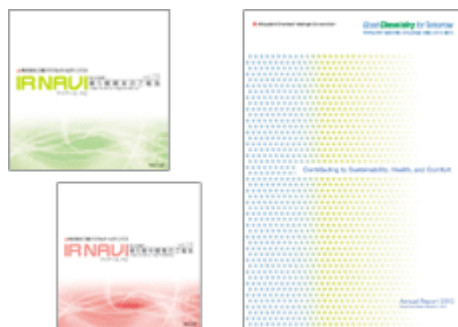
## Ideas on Information Disclosure

Information disclosure that is appropriate in terms of content and timing is the first step in earning the faith of shareholders, other investors, and stakeholders generally.

Based on that understanding, the Group makes accurate and timely disclosures of not only the management, business strategy, and business performance information required by the Financial Instruments and Exchange Act and other laws and regulations, but also information on matters like product defects and accidents, which do not portray the Group in a positive light. In so doing, we aim to continue being a business organization that is open to society.

## IR Tool Enhancement

As a part of its information disclosure to shareholders and other investors, the Company issues *IR NAVI*, a semiannual newsletter, and the Mitsubishi Chemical Holdings annual report, both of which are aimed at explaining our business strategies and results in easily understood terms.



*IR NAVI* (Shareholder newsletter) Annual Report

In addition, on our website, we issue timely news releases, have created an investor information section ("Investor Center"), where site users can freely access information like results briefing materials, investor communications, annual reports, share information, and our annual IR event schedule.



Investor Center on the Mitsubishi Chemical Holdings Group website

## Shareholders' Meeting Innovations

To enable as many shareholders as possible to exercise their voting rights, the Company avoids holding its shareholders' meetings on days when other companies hold theirs. We also send meeting notices early, announce meetings on our website, prepare English-language notices and take advantage of an electronic voting system.

On June 24, 2010, we held our fifth shareholders' meeting, which was attended by more than 700 shareholders.

## Communication with Investors and Analysts

### Communication with Individual Investors

To foster a better understanding of its operations and operating performance among individual investors, in fiscal 2008 Mitsubishi Chemical Holdings began holding business briefings for individual investors. We consider these meetings valuable opportunities to communicate with investors, and in fiscal 2009 these briefings generated numerous questions concerning the Company's future business development. During the year, we also spoke at seminars hosted by securities companies.

In fiscal 2010, we will hold briefing sessions for individual investors at Chemistry Plaza, at the Company's headquarters.

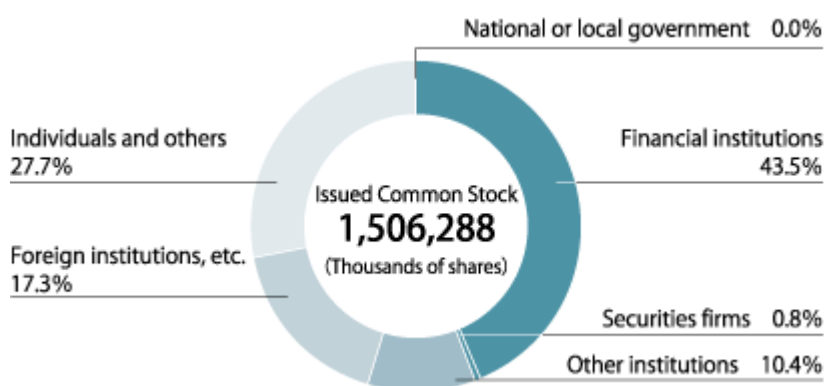
## Communication with Institutional Investors and Analysts

Mitsubishi Chemical Holdings engages in an ongoing and active dialogue with institutional investors and analysts. When we announce quarterly results, we supplement results briefings with "net conferences" in which we use teleconferencing technology to respond to questions from institutional investors and analysts.

We hold analyst meetings to provide detailed explanations of management plans, and conduct tours of production facilities to heighten understanding of the Group. We update overseas investors by having our CEO and CFO make regular overseas trips to explain our business strategies and discuss our business results.

As part of the Company's efforts to increase the number of opportunities for communication, in fiscal 2009 the CFO visited institutional investors overseas.

[ Share Distribution by Shareholder Type (As of March 31, 2010) ]



Note: "Individuals and others" includes treasury shares (8.6%).

## Remaining a Socially Responsible Investment (As of April 2010)

Investors worldwide are focusing increasingly on companies that contribute to social and environmental progress. Mitsubishi Chemical Holdings is a component of the FTSE4Good Index Series, the Morningstar Socially Responsible Investment Index, and other similar benchmarks. The Financial Times and the London Stock Exchange jointly own the FTSE Group, which manages the FTSE- 4Good 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 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.

# Addressing Poverty

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## Basic Policy

The Mitsubishi Chemical Holdings Group aims to take an active role in addressing international social issues. Accordingly, we participate in the World Business Council for Sustainable Development (WBCSD), an association of companies that seeks to address poverty, among other issues. The Group is also working toward the Millennium Development Goal<sup>1</sup> of halving the number of people who live in extreme poverty around the world by 2015. These goals are activity guidelines set for international companies in 2000.

To respond to the needs of global society, in 2006 Mitsubishi Chemical Holdings announced its endorsement of the<sup>2</sup> and began funding and planning the Local Citizens Building Schools Operations, which local residents and NGOs pursue jointly.

The Millennium Development Goals treat education as a key to eliminating poverty. In addition to training the next generation of workers, the specific project in which the Group aims to establish schools as a center of community development and foster community ties by working with local people to build and operate the schools.

- 1 The Millennium Development Goals are to (1) Eradicate extreme poverty and hunger, (2) Achieve universal primary education, (3) Promote gender equality and empower women, (4) Reduce child mortality, (5) Improve maternal health, (6) Combat HIV/AIDS, malaria and other diseases, (7) Ensure environmental sustainability and (8) Develop a Global Partnership for Development.
- 2 UN Global Compact: At the 1999 World Economic Forum 1999 held in Davos, Switzerland, then U.N. Secretary-General Kofi Anan challenged organizations around the world to adopt 10 principles of social responsibility. These principles, which went into effect in July 2000, make up the Global Compact, seek to align business operations and strategies everywhere in the areas of human rights, labor, the environment and anti-corruption.

## Activities to Date

In 2006, we began supporting Local Citizens Building Schools Operations at six countries in WestIn Africa and Asia. In line with this project plan, the Group works closely with several NGOs and public institutions to exchange information about the project. In this manner, we provide effective project support that goes beyond supplying funds.

2008, the Group provided a solar power system using its knowledge and technology to an elementary school in Burkina Faso, where residents suffer from very low adult literacy rates despite stable public safety. The solar power system makes night school possible.

[ Implementation and Achievements of Local Citizens Building Schools Operations ]

Countries Involved	NGO Partners	Activity Highlights	Status of Progress
Sierra Leone	Plan Japan	Health and peace education	Concluded in December 2007
Nepal	Plan Japan	10% of project expenses covered by local community	Concluded in April 2008
Burkina Faso	Plan Japan	Solar power system provided by Mitsubishi Chemical	Completed in December 2008
Cambodia	Shanti Volunteer Association	Picture books provided by employee participation (matching gift)	Completed in December 2008
Liberia	Peace Winds Japan	Building of schools by local citizens monitored and reported on by NGOs	Completed in October 2009
Laos	IV Japan	Completion of study on hygiene customs and promoting hand-washing activity in cooperation with Waseda University	Completed in August 2009



Cambodia  
Photos: Shanti Volunteer Association



Sierra Leone  
Photos: Plan Japan



Nepal  
Photos: Plan Japan



Liberia  
Photos: Peace Winds Japan



## Helping to Build a School Farm in Burkina Faso, West Africa

Two years ago, the Group provided a solar power system to an elementary school in Burkina Faso. A plan centering on the students' mothers is now underway to create a one-hectare school farm. The grains and vegetables grown here will become a nourishing part of school lunches. A solar power system will be used to provide water to irrigate the farm's crops. In addition to helping people in the community to grow more of their own food, the school farm should contribute to student health. Also under consideration is a plan to generate cash for the school by selling surplus crops at nearby markets. Such activity is evidence of how building schools can help invigorate the community.



Children learning in a classroom illuminated with fluorescent light  
Photos: Plan Japan



Solar panels installed on the school's roof  
Photos: Plan Japan

## Promoting Familiarization with Hand Washing in Laos, Southeast Asia

In late 2007, diarrhea and communicable disease emerged as an issue in southern Laos, partly because of insufficient toilet and hand-washing facilities. To begin addressing this issue, prior to building an elementary school Mitsubishi Chemical Holdings collaborated with Waseda University to conduct a survey on the local population's familiarity with the hand-washing custom. Survey results were incorporated into the design of a school in that region that was completed in 2009, and we worked with student volunteers from Waseda University to familiarize people in the community with the custom of washing hands. After confirming the resulting improvement in hygiene standards, in 2010 the Group collaborated in the production of a video CD communicating the importance of hand washing. This has led to collaboration with six NGOs to promote the concept in various regions throughout Laos.

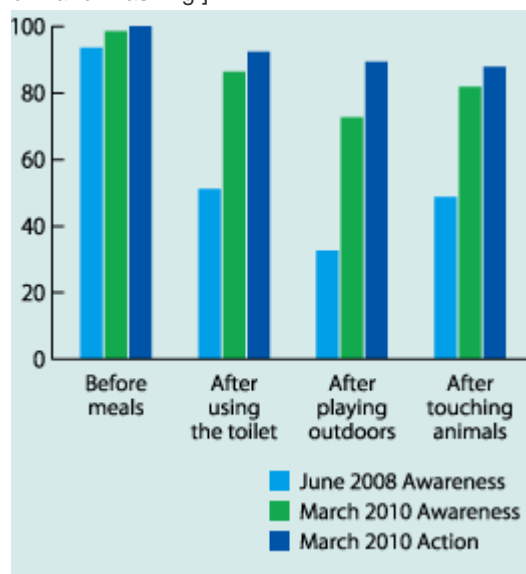


Photos: Waseda University, The Hiramama Ikuo Volunteer Center



Photos: Waseda University, The Hiramama Ikuo Volunteer Center

[ Questionnaire Surveys Related to the Custom of Hand Washing ]



This survey was conducted to determine respondents' awareness of the need for washing hands and to determine actual hand-washing habits (multiple responses possible for each question).



(Poster)

Poster depicting song to encourage hand washing (artwork by a former Mitsubishi Chemical employee)

## Cooperating in the Production of a Video CD

After learning that the "Hand-Washing Song" was becoming popular in Laos, the Group decided to use its products to contribute to the project. Specifically, we used Mitsubishi Kagaku Media's Verbatim-brand recording media, which are sold in 120 countries around the world.



In creating the video, we recognized that it would be subjected to long hours of use in severe conditions. Hence, it needed to be rugged, employ glossy, waterproof labels and offer superior sound quality. The obvious choice was the Aqua Ace CD-R, a CD made by Mitsubishi Kagaku Media to professional specifications. In addition to providing this media free of charge, we collaborated with a business partner to provide technical support throughout the production process.

Note: Aqua Ace is a registered trademark of Mitsubishi Kagaku Media.

## Future Activities

Eliminating poverty requires ongoing effort. Rather than charitable giving, we believe in encouraging sustainability through our business activities. In this sense, the Mitsubishi Chemical Holdings Group will play its part as a member of the international community through activities involving organizationwide working groups and by forging stronger ties with institutions that encourage international cooperation. In these ways, the Group looks forward to considering ways in which to take advantage of its technological and human resource capabilities.

# CSR Data Compilation

## Environmental Indicators

		Mitsubishi Chemical		Mitsubishi Tanabe Pharma		Mitsubishi Plastics		Mitsubishi Rayon	
		Domestic Plants		Domestic Plants		Domestic Plants		Domestic Plants	
Environmental Accounting	Overall Environmental Cost (million yen)	Investment		Investment		Investment		Investment	
		1,750		107		1,952		277	
		Expenditure		Expenditure		Expenditure		Expenditure	
		27,496		1,765		4,068		4,021	
	Environmental Protection Economic Benefits (million yen)	Value of Economic Effect		Value of Economic Effect		Value of Economic Effect		Value of Economic Effect	
		—		18		1,491		970	
		Parent Only	Group	Parent Only	Group	Parent Only	Group	Parent Only	Group
CO <sub>2</sub> Emissions (thousand tons)		6,360	7,200	32	123	281	311	1,090	1,110
PRTR Substance Emissions (tons)		270	400	2	12	6	56	241	264
SOx Emissions (tons)		1,780	2,220	0	8	9	10	609	679
NOx Emissions (tons)		6,140	7,500	4	37	93	93	1,480	1,580
Particulate Emissions (tons)		120	160	0	0	11	11	79	96
COD Emissions (tons)		1,200	1,540	0	65	13	13	597	751
Water Usage (thousand m <sup>3</sup> ) *excluding seawater		82,700	120,600	470	8,840	13,500	14,700	45,000	52,500
Wastewater (thousand m <sup>3</sup> )		74,700	91,800	310	8,180	12,600	14,000	35,100	39,100
Waste Generation (tons)		135,000	290,000	810	5,290	39,700	45,500	77,100	80,400
Final Landfill Disposal (tons)		4,940	8,130	14	140	144	170	2,920	2,970

## Social Indicators

	Mitsubishi Chemical	Mitsubishi Tanabe Pharma	Mitsubishi Plastics	Mitsubishi Rayon*1
	Parent Only	Parent Only	Parent Only	Parent Only
Employees	6,143	5,186	2,949	4,531
Percentage of women (%)	11.1	19.9	12.6	11.5
Percentage of female managers (female managers/total managers) (%)	0.8	1.6	1.0	1.6
Work-Time-Lost Injury Rate Manufacturer Average	0.46	0.57	0.51	1.16
Handicapped Employment Rate Statutory Employment Rate	2.24	1.93	1.36	1.89
People Rehired Post-Retirement	138	17	36	123
Employees Taking Childcare Leave	82	57	11	14
Employees Taking Nursing Care Leave	0	1	1	0
Percentage of paid holidays taken (average number of days taken)	63.2% (13.4)	54.0% (11.7)	55.4% (11.4)	85.7% (16.5)*2

\*1 Includes workers dispatched from Mitsubishi Rayon

\*2 Percentage of paid holidays taken includes only figures for members of employee union (excludes managers)

## Economic Indicators

	Mitsubishi Chemical	Mitsubishi Tanabe Pharma	Mitsubishi Plastics	Mitsubishi Rayon
	Group	Group	Group	Group
Sales (million yen)	1,874,776	404,747	313,221	365,047
Net Income (Loss) (million yen)	Δ3,387	30,253	224	Δ5,013
Total Assets (million yen)	1,790,361	796,858	325,769	567,454
R&D Investments (Millions of yen)	39,382	83,081	8,748	13,711
Capital Expenditure (Millions of yen)	82,117	9,193	28,237	25,096

# Third-party Opinion

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This is the second time that I have been asked to contribute a Third-Party Opinion for Mitsubishi Chemical Holdings Corporation's Corporate Social Responsibility Report. Compared with the previous year, I gained a distinct impression of greater clarity as to how Mitsubishi Chemical Holdings is striving for governance through the CSR activities of its core Group companies—Mitsubishi Chemical, Mitsubishi Tanabe Pharma, Mitsubishi Plastics and Mitsubishi Rayon—and of fuller coverage overall.



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## Evaluations

I would like to commend the report on two particular points.

First, reading "Special Feature 1: Aiming for *The KAITEKI* Society" provided a comprehensive understanding of progress with the *KAITEKI* Project, which plays a major role in achieving Strategic Management for Sustainability, toward which Mitsubishi Chemical Holdings is working in pursuit of *The KAITEKI* society, and of the processes by which this is to be realized. This enables the reader to grasp the CSR activities of Mitsubishi Chemical Holdings in a systematic and constructive manner.

The second point concerns "Special Feature 2: Employees Speak about CSR Activities." The contents of this section comprise two major strands: "CSR Activities through Business Activities" and "CSR Activities that Support Our Business Operations." Although I frequently come across CSR reports featuring activities implemented with vitality by onsite employees, the ideas by Mitsubishi Chemical Holdings described here are, to my knowledge, without precedent.

## Requests

I also have two suggestions to make.

First, I would like to see the early application of *KAITEKI* Index, which I understand is to be introduced as part of the next mid-term management plan, its use as a basis for appraisals of each of the Mitsubishi Chemical Holdings Group's companies, and its reflection in future developments. In order to underpin endeavors in striving for "*The KAITEKI* Society," as advocated by Mitsubishi Chemical Holdings and cited in the "Message from the Top Management" of this report, the Mitsubishi Chemical Holdings Group initially needs to clarify sustainability, health and comfort, which have been stipulated as strategic criteria for its corporate activities, as key indicators. These then have to be combined with financial indicators to serve as criteria in steering business selection and focus. Establishing *KAITEKI* Index integrates sustainability, health and comfort, its applications could be extended beyond business activities to include the way in which employees work and other aspects. Whatever it takes, I would like to see Mitsubishi Chemical Holdings contributing through its core business to society as a whole, the global environment and to the quality of lifestyles of people working in the regions and companies it impacts.

The second suggestion relates to the need to indicate a concrete CSR action plan. There is a significant improvement and expansion from last year's report, such as through the inclusion of "CSR Data Compilation" at the end of the current report, which gives the percentage of female managers and other statistics. This could be taken one step further in the next CSR Report to cover, in an integrated format, CSR issues facing individual operating business companies, their



medium-term action plans, and action plans and business results for the fiscal year, which could then be evaluated and reflected in action plans for the subsequent fiscal year. Such an approach would provide an outlet for Mitsubishi Chemical Holdings' comments on the CSR activities of each of its operating business companies.

## Response

Thank you very much for your comments on Mitsubishi Chemical Holdings Corporation's Corporate Social Responsibility Report. In line with our Group philosophy, we are striving for *The KAITEKI* society through a host of business developments that stipulate sustainability, health and comfort as strategic criteria for our corporate activities.

This year's report discusses Strategic Management for Sustainability, which is essential to realizing *The KAITEKI* society, and describes the progress of the *KAITEKI* Project. As you have suggested, we plan to introduce *KAITEKI* index as part of our next mid-term management plan, *APTSIS15*. We believe that the early application of this index will contribute to realization of *The KAITEKI* society and should lead to increases in Mitsubishi Chemical Holdings' corporate value.

Although we didn't were unable to include such information in this report, going forward we plan to report on the key initiatives that core companies are implementing to address CSR issues. At the same time, we will consider the role that Mitsubishi Chemical Holdings plays, as a holding company, in promoting groupwide CSR activities.



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