Mitsubishi Chemical Holdings Corporation

Good ***Chemistry*** *for Tomorrow*

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

飛躍

L e a p i n g A h e a d

創造

I n n o v a t i n g

Annual Report **2008**

Fiscal Year Ended March 31, 2008

成長

G r o w i n g

Contents

Disclaimer

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

The Mitsubishi Chemical Holdings Group (MCHC Group) is Japan's leading group delivering cutting-edge products and technologies over a broad range of business areas through its core competencies in chemistry. The MCHC Group consists of three core companies—Mitsubishi Chemical, Mitsubishi Plastics, and Mitsubishi Tanabe Pharma—and its principal operations involve performance products, healthcare, and chemicals, sharing the same Group philosophy of "Good Chemistry for Tomorrow" – creating better relationships among people, society, and our planet.

In the fiscal year ending March 31, 2009 (FY2008), the MCHC Group launched a new mid-term management plan for FY2008–2010, *APTSIS 10*, aiming at "growing, innovating, and leaping ahead." "APTSIS" is an acronym combining the first letters of the six elements of the Group motto that guides our actions toward strong sustainable growth: Agility; Principle; Transparency; Sense of Survival; Internationalization; and Safety, Security, and Sustainability. We have also defined three decision criteria for our corporate activities: Sustainability, Health, and Comfort.

APTSIS 10 is unique in that it has been formulated based on a clear vision of what we aspire to be in 2025 and should be in 2015. Under this plan, we will pursue our strategies to provide "Good Chemistry" as we work to become a global leader.

飛躍 Leaping Ahead

Leaping Ahead

We will strive for active business expansion, and intend to strategically invest in alliances, mergers and acquisitions. In particular, we will allocate resources to existing growth businesses, the performance products business and global development.

創造 Innovating

Innovating

Through our innovation strategy, we will nurture and accelerate seven next-generation businesses: solid-state lighting, Li-ion battery materials for hybrid electric vehicles, next-generation displays, chemical components for automobiles, bio-based polymers, organic photovoltaic modules and personalized medicine.

成長 Growing

Growing

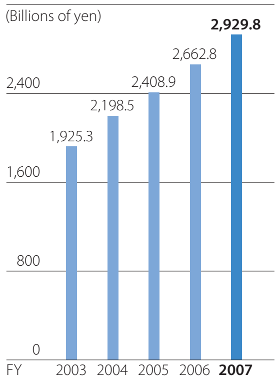
Our growth strategy is based on our existing growth businesses by shifting to high performance products and high value-added businesses, as well as efficient product and business lifecycle management.

Consolidated Financial Highlights
Years ended March 31

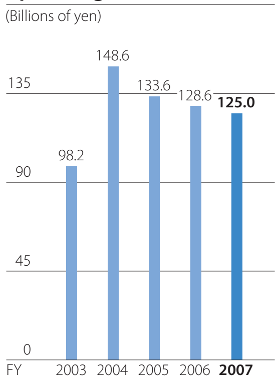
Overview

		Millions of yen		Millions of U.S. dollars
		FY2007	FY2006	FY2007
For the year:	Net sales	¥2,929,810	¥2,622,820	$29,298.1
	Operating income	125,046	128,589	1,250.5
	Income before income taxes	217,791	137,802	2,177.9
	Net income	164,064	100,338	1,640.6
At year-end:	Total assets	2,765,837	2,318,832	27,658.4
	Total net assets	1,095,927	758,752	10,959.3
	ROA (%)	8.5	6.1	—
	ROE (%)	21.3	14.6	—
		yen		U.S. dollars
Per share:	Net income	¥119.51	¥73.25	$1.195
	Cash dividends	16.00	14.00	0.160

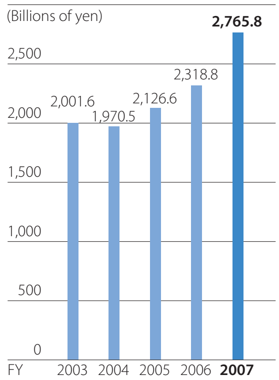
Net Sales



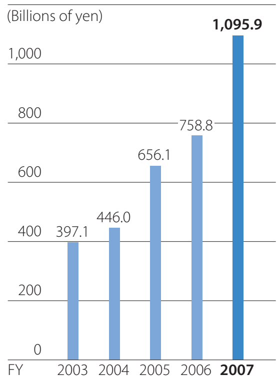
Operating Income



Total Assets



Total Net Assets



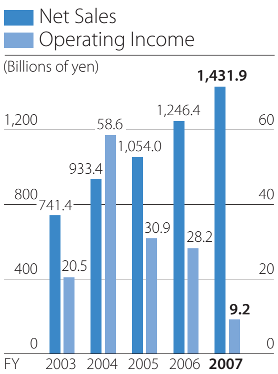
Notes: 1. U.S. dollar amounts are converted from yen, for convenience only, at the rate of ¥100 = U.S.$1.00, the approximate exchange rate prevailing on March 31, 2008.
2. Financial results of Mitsubishi Chemical Holdings Corporation for the year ended March 31, 2006, comprise Mitsubishi Chemical Corporation's consolidated financial results for the first half and Mitsubishi Chemical Holdings Corporation's consolidated financial results for the second half of the year.
3. ROA is calculated as income before income taxes and minority interests in consolidated subsidiaries divided by average total assets.
4. ROE is calculated as net income divided by average shareholders' equity.

Fiscal Year Notation:
In the first half of this annual report before page 38, fiscal year refers to the period beginning April 1 and ending March 31, i.e., fiscal year (FY) 2007 is the year ended March 31, 2008.

Results by Segment

		Millions of yen		Millions of U.S. dollars
		FY2007	FY2006	FY2007
Net sales	Petrochemicals	¥1,431,858	¥1,246,389	$14,318.6
	Performance Products	522,246	525,706	5,222.5
	Functional Products	402,004	399,543	4,020.0
	Health Care	395,793	304,722	3,957.9
Operating Income	Petrochemicals	9,214	28,197	$92.1
	Performance Products	36,125	35,037	361.3
	Functional Products	19,246	24,321	192.5
	Health Care	57,232	39,616	572.3

Petrochemicals



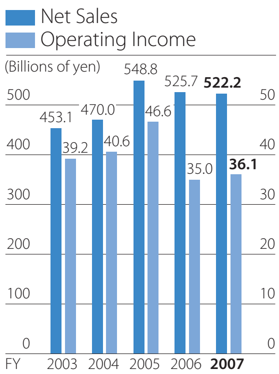
Major Products

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

Areas of Competence

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

Performance Products



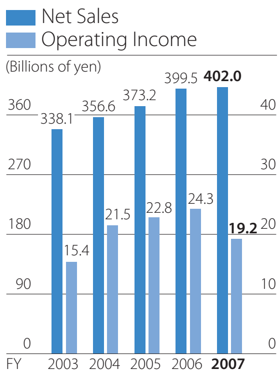
Major Products

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

Areas of Competence

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

Functional Products



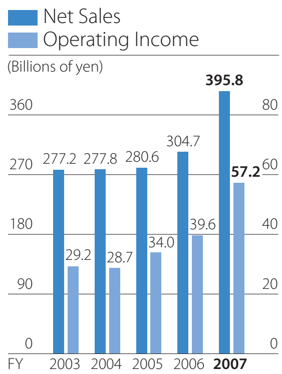
Major Products

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

Areas of Competence

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

Health Care



Major Products

Radicut holds the top position in Japan for acute cerebral infarction drugs

Areas of Competence

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

Yoshimitsu Kobayashi
Representative Director,
Member of the Board,
President

In the fiscal year ended March 31, 2008 (FY2007) and the first quarter of the fiscal year ending March 31, 2009 (FY2008), there were several developments that are expected to significantly impact the future of the Mitsubishi Chemical Holdings Group (MCHC Group).

Looking Back on the Kashima Plant Accident and Reinforcement of Safety Management

The most important of these was the fire that broke out at the Kashima Plant's No. 2 ethylene production facility in December 2007.

Four employees of an affiliate were lost in that fire. As the president of Mitsubishi Chemical and Mitsubishi Chemical Holdings, I would like to express the heartfelt loss that all of us at the MCHC Group feel and extend our deepest condolences to the families of these employees. In addition, I would like to again express our sincerest apologies for the worry and inconvenience we caused to those living near the plant, and others who were affected, as well.

Mitsubishi Chemical Holdings Group Aims for Sustainable Growth through Achievement of *APTSIS 10*

The MCHC Group views the fire as a very serious event. Accordingly, we have enlisted the resources of the entire Group to redouble efforts with regard to safety management and are doing everything possible to prevent a recurrence and regain the faith of our stakeholders. We are assembling safety policies and promoting a safety culture from a wide range of perspectives, including organizational and communications theory, training approaches, and hiring practices.

Among the steps we are taking, I believe the most important is increasing communication through dialogue at work sites and improving the risk management skills of individual employees. Dialogue is critical for ensuring compliance, stable product supplies, and customer satisfaction, not only at production work sites but also in places where the work consists of activities like sales and marketing, R&D, and logistics.

It is important that we continue to increase both the volume and quality of dialogue among employees at work sites, so that we can maintain high risk management skills — the ability to recognize problems and take action to solve them — right down to the level of individual employees.

Taking these measures is a given for companies, but the key issue at this time is that such "givens" are not being properly performed. We have renewed our commitment to the idea that a culture and practice of "doing as a matter of course those things that should be done as a matter of course" is a critical fundamental for further growth.

Results for FY2007

During FY2007, the Japanese economy grew at a mild pace on increased capital spending driven by growing exports to China and other parts of Asia, and favorable business performance. However, fears of a US economic downturn due to skyrocketing crude oil prices and the subprime mortgage loan problem gave rise to uncertainty in capital markets, and rapid yen appreciation led to signs of an economic slowdown.

Business conditions for the MCHC Group generally remained solid through the first half of FY2007 on strong domestic and overseas demand, primarily for petrochemical products. However, with the sudden rise in crude oil prices and stagnation in overseas markets for some products, conditions became very difficult beginning in the latter half of the third quarter of FY2007. Furthermore, competition ratcheted up a notch for pharmaceuticals and other Health Care Segment products as ongoing downward pressure on drug prices and other factors kept domestic business conditions in a difficult state.

Against that background, the MCHC Group, in the final year of its *KAKUSHIN Plan: Phase 2* mid-term management plan (for the period April 2005-March 2008), worked toward the objectives of achieving growth strategy, strengthening management foundation, and integrating Group strengths.

As a result, we achieved the quantitative performance objectives of an ROA (income before income taxes) of 5.5% or greater and a D/E ratio of 1.5 or less. Nevertheless, factors like continued overseas weak market for purified terephthalic acid, and the fire at Mitsubishi Chemical's Kashima Plant kept our operating income 10% below our objective of ¥140 billion.

The *APTSIS 10* New Mid-term Management Plan

In April 2008, I announced the new mid-term management plan, which we call *APTSIS 10*.

"APTSIS" is an acronym standing for the six elements that are critical for the MCHC Group to continue growing as a strong business entity. These are: Agility, Principle, Transparency, Sense of Survival, Internationalization, and Safety, Security and Sustainability. The message: "MCHC Group member will, under a mission to contribute to our Group, strive to provide safety and comfort, be environmentally conscious, and improve human health to win further trust worldwide" incorporates our commitment to even greater safety consciousness. In clarifying principles of individual conduct, my intent is to unify Group attitudes and capabilities, and realize "Good Chemistry" with society and among Group companies. "APTSIS," in other words, is both a message communicating to employees where the Group is now and where it should go, and a message intended to help outsiders develop a deep understanding of the MCHC Group.

MCHC Group Motto

APTSIS

Mitsubishi Chemical Holdings Group Member will,
Under a mission to contribute to our Group,
Strive to provide safety and comfort, be environmentally conscious, and improve human health
To win further trust worldwide.

Agility
Be alert, act quickly

Principle
Sharing theories, principles and ideals

Transparency
Transparency, accountability and compliance

Sense of Survival
A sense of being on the verge, a sense of crisis

Internationalization
Enhancing our performance within the global market

Safety, Security & Sustainability
Ensuring safety in manufacturing, trust in quality, information security and environmental consciousness

“10” signifies the last fiscal year FY2010 of the *APTSIS 10*. It should be noted that this plan’s goals for FY2010 are based on considerations of the Group we aspire to be in 2025, and should be in 2015. Earlier, regarding safety management, I said that things that should be done as a matter of course will be done as matter of course. The same applies to business management. Things that should be done as a matter of course are things that should be thought through scientifically. Keeping an eye on the future and developing ways to apply current management resources to solve customer problems, increase revenues, and meet social responsibilities is the responsibility of a manager.

APTSIS 10 **: Balancing Both Short-term and Long-term Strategies**

The *APTSIS 10* puts forth several concepts aimed at achieving Group sustainable growth.

Regrettable though it is, the MCHC Group in the past has often planned its future based on its then current growth path. In extreme terms, that equated to a management approach based simply on whether profits resulted, or not. Despite the need to deal with large numbers of products and large businesses, I believed that we needed directions, or concepts, that all employees could embrace in order to open the door to future growth for the potential embodied in the Group’s various technologies and products.

One of those concepts is comprised of the corporate activity decision criteria derived from the image of the Group we aspire to be in 2025. These criteria are Sustainability, Health, and Comfort. Contributions to society by the chemical industry and the MCHC Group, in other words, the creation of new markets, requires the creation of technologies and products that are consistent with at least one of these three criteria.

We will match technologies and products that fit these three criteria with the growth markets: information and electronics, environment and energy, automobiles, daily necessities, and health care, and pursue opportunities in our business domains: Performance Products, Health Care, and Chemicals. For each of these domains, we will create four portfolios — existing growth businesses, next-generation growth businesses, stable businesses, and businesses to be restructured — based on profitability and market strength, and market attractiveness. The concept of accelerating the selection and focusing of resources on individual businesses is similar to that employed in *KAKAUSHIN Plan: Phase 2*.

However, in accordance with the formulation of the present plan, I put forth the following five business segments and their order of priority. In the past, petrochemicals took precedence and characterized the MCHC Group as a “group of petrochemical business.” Moving forward, we will shift to high performance products and businesses.

Change of Segmentation

Former Segmentation

<table>
<tr><th>Business domains</th><th colspan="2">Segments</th></tr>
<tr><td>Petro-chemicals</td><td colspan="2">Petrochemicals</td></tr>
<tr><td rowspan="2">Performance and Functional Products</td><td rowspan="2">Performance and Functional Products</td><td>Performance Products</td></tr>
<tr><td>Functional Products</td></tr>
<tr><td>Health Care</td><td colspan="2">Health Care</td></tr>
<tr><td></td><td colspan="2">Others</td></tr>
<tr><td></td><td colspan="2">Corporate</td></tr>
</table>

New Segmentation as of April 1, 2008

<table>
<tr><th>Business domains</th><th>Segments</th></tr>
<tr><td rowspan="2">Performance Products</td><td>Electronics Applications</td></tr>
<tr><td>Designed Materials</td></tr>
<tr><td>Health Care</td><td>Health Care</td></tr>
<tr><td rowspan="2">Chemicals</td><td>Chemicals</td></tr>
<tr><td>Polymers</td></tr>
<tr><td></td><td>Others</td></tr>
<tr><td></td><td>Corporate</td></tr>
</table>

The Performance Products Business Domain comprised of the Electronics Applications Segment and the Designed Materials Segment, will take center stage, and the Health Care Segment of the Health Care Business Domain, and the Chemicals Segment and the Polymers Segment of the Chemicals Business Domain follow.

There was opposition to moving away from the term "petrochemicals," but I believe that doing so, like the expression "APTSIS," embodies the strong will to change the business portfolio structure that the MCHC Group aspires to be.

Toward Realizing "Growing, Innovating, and Leaping Ahead"

Under *APTSIS 10*, which is based on portfolios for the five individual business segments, we have established "growing, innovating, and leaping ahead" as our basic strategy, and have clearly stated in terms of growth strategies, innovation strategies, and approaches for leaping ahead how individual businesses will grow and increase their profitability.

"Growth strategies" are strategies for increasing the product or business lifecycles of existing businesses by constantly managing products and business pipelines, achieving organic growth through high performance, and securing high profitability. Performance products targeting top global market positions and growing niche market will be the subject of growth strategies. Among pharmaceuticals, products like *Remicade* and *Radicut* will be positioned as high-priority products.

"Innovation strategies" are strategies for using innovation to rapidly nurture the seven next-generation growth businesses into profitable operations. We will challenge to earn another ¥50 billion in new profits by 2015 and to grow further beyond 2015. The seven next-generation growth businesses are the five next-generation growth businesses of *KAKUSHIN Plan: Phase 2* plus organic photovoltaic modules and Li-ion battery materials for hybrid electric vehicles (HEVs). Solid-state lighting, Li-ion battery materials for consumer use, and next-generation displays have already been developed into businesses, and chemical components for automobiles and bio-based polymers are making steady progress in that direction.

Approaches for "leaping ahead" refers to the rapid integration of new businesses via strategic investments in alliances and M&A. The MCHC Group's new technologies and products will be at the core of these new businesses. We will consider investing ¥250 billion in businesses that would qualify as existing growth businesses, offer performance products, or promise global growth.

Clearly stating strategies for "growing, innovating, and leaping ahead" makes it possible for employees in different business segments to use a common vocabulary to discuss business progress. I created the Group motto in April as a symbol of my belief that a common vocabulary was necessary to promote creative discussions across business segments and, thereby, rapidly introduce globally competitive technologies and products to the market.

Through this motto and concept, I would like to further invigorate discussion both inside and outside the Group, and build business models that are even more profitable.

The Overall Capabilities of the Mitsubishi Chemical Holdings Group

We have already embarked on efforts to increase profitability by "growing, innovating, and leaping ahead," and strengthening groupwide functions that create new technologies and products by applying the overall capabilities of the MCHC Group.

The Group Synergy Office created on April 1, 2008 is one example. There, R&D and product development, marketing, distribution, human resources, IT, intellectual property and other personnel come together for the purpose of simulating holding company functions spanning individual group member companies.

The MCHC Group not only sells individual products like dyes through companies like Mitsubishi Chemical; it has solid business models in which products we produce are incorporated into other products that we sell. Dyes, for example, are used in recording media sold through Mitsubishi Kagaku Media and Verbatim. And in the Health Care Segment, the Group has pharmaceuticals, diagnostic reagents, and medical devices and system technologies that are critical for realizing personalized medicine. Our plans call for implementing these kinds of groupwide high-value-added business models for products like photovoltaic cells, Li-ion battery materials for HEVs, and solid-state lighting.

Key Numerical Targets for FY2010

Operating Income	≧	¥190 billion (Including ¥20 billion contingencies)
ROA (Income before income taxes)	≧	6%
Contribution to reduce CO_2 emission		20% reduction* vs. 1990

* Unit energy consumption

Other Targets

ROE	≧	8%
EBITDA	≧	¥350 billion

Since emphasis is being placed on growth, the D/E ratio has not been established as a key indicator.

Quantitative Management Objectives

Through these measures, I have envisioned for the Group to achieve annual net sales of ¥4 trillion or greater and operating income of ¥400 billion by FY2015. As a starting point for reaching those goals, the Group is expected to achieve annual net sales of ¥3.7 trillion and operating income of ¥190 billion or greater in FY2010, the last year of the *APTSIS 10*. For FY2008, the first year of the *APTSIS 10*, we are projecting net sales of ¥3.3 trillion and operating income of ¥158 billion.

Key management indicators include ROA (income before income taxes) of 6% or higher, a basic unit CO_2 reduction of 20% or more (vs. 1990), ROE of 8% or higher, and EBITDA of ¥350 billion or higher.

It should be noted that we have excluded the D/E ratio as a key indicator because our emphasis on growth includes M&A.

We also aim to increase the amount of revenues provided by overseas businesses from the current 27%, to 30%. In the longer term, we are striving to increase the percentage of operating income provided by next-generation growth businesses, existing businesses, and businesses through M&A.

To achieve these objectives, our resource allocation plans for the coming three years call for investments of ¥590 billion (1.4x *KAKUSHIN Plan: Phase 2*) and R&D expenditures of ¥425 billion (also 1.4x *KAKUSHIN Plan: Phase 2*). Including ¥250 billion in resource investments for M&A, total investment will come to ¥840 billion and total expenditures including R&D will approach ¥1.3 trillion.

By business domains, Performance Products and Health Care will each receive 30% of resource allocations, and Chemicals, 20%. Of the remainder, over 10% will go to cover corporate and other investments. In *KAKUSHIN Plan: Phase 2*, about 40% of resource allocations went to Petrochemicals Segment, but, under *APTSIS 10*, resources will be shifted to Performance Products Business Domain and Health Care Business Domain. Corporate and other investments will include items like research lab construction, general production technology, CO_2 reduction, safety investments, and service businesses.

On shareholder value, dividends will be paid to the extent possible based on the need for internal reserves and a consideration of consolidated results. Our priority would be a stable dividend payout. We hope to keep the payout ratio at or above the 30% mark.

The Infinite Potential of Chemistry

Lastly, I would like to say a few words about the new concept represented by the Institute of *KAITEKI* Biosphere (provisional name).

Global environmental problems have gained a great deal of attention, and we actively promote responsible care activities. In addition, based on competencies of chemistry, we have competitive capabilities to offer organic photovoltaic modules and solid-state lighting, technology for making lighter automobiles, bio-based polymers, and numerous other CO_2 and energy reduction technologies and products.

However, the Earth is warming at an accelerating rate, increasing the urgency of responses that cut across national, regional, and industry boundaries. With the ratification of the Kyoto Protocol, I believe solutions can be provided by chemistry.

The chemical industry has built its success upon the processing of carbon derived from naphtha or coal to convert useful products. Activating CO_2 is extremely difficult, but I am confident that the possibilities lie in chemistry.

The MCHC Group is, therefore, preparing for the Institute of *KAITEKI* Biosphere to be established in April 2009. The institute studies, among others, the issue of CO_2 not only with a view to emission reduction, but also to proactively utilizing it as a carbon source such as photosynthesis. Artificial photosynthesis is one of the ultimate human dreams. We are seeking ways to ensure that the institute becomes an ambitious, forward-looking organization with a 30- or 50-year time horizon, one that is open, innovative, and may encompass social sciences as well.

Yoshimitsu Kobayashi
Representative Director,
Member of the Board,
President

Having Enhanced Our Management Basis and Identified Our Strengths, Now It's Time for *APTSIS 10*

Part 1 Reviewing *KAKUSHIN Plan: Phases 1 and 2*

Our Achievements in *KAKUSHIN Plan: Phases 1 and 2*

Part 2 *APTSIS 10* — New Mid-term Management Plan and Long-term Vision

New Mid-term Management Plan, *APTSIS 10* — "Growing, Innovating, and Leaping Ahead"

Part 3 *APTSIS 10* — Growth Strategy

Stable Growth Strategies Give Us the Power to Innovate and Leap Ahead

Featured Growth Strategy

Mitsubishi Kagaku Media's Strengths and Strategies

Part 4 *APTSIS 10* — Innovation Strategy

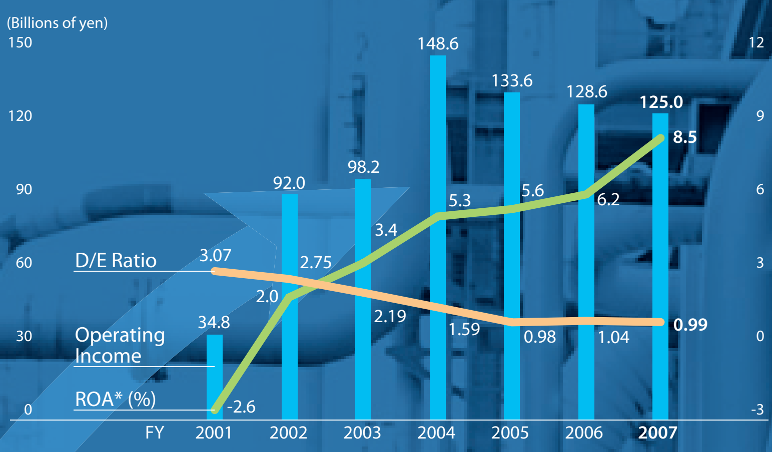
Rapid Development of the Next-generation Growth Businesses by Strengthening Synergies among Group Companies and Considering Alliances or Collaboration

Featured Innovation Strategy

Near Ultraviolet Excitation and White LED Business

Five-year Management Plan, *KAKUSHIN Plan: Phases 1 and 2*, Has Restructured Our Business to Focus on Mid- to Long-term Growth Areas

Achievement in KAKUSHIN Phases 1 and 2



* ROA (Income before income taxes)

Three Focus Business Areas

- Petrochemicals
- Performance and Functional Products
- Health Care

Structural Issues to Confront

- Falling Profitability
- Disjointed Business Structure
- Fragile Financial Condition

Business Portfolio Restructuring

Future Growth
Product groups that have strong potential to become "Existing Growth" businesses in the future and are the focus of nurturing and strengthening efforts.

Existing Growth
Businesses that are market competitive. Management resources are focused on these businesses.

Foundation
Businesses that support Future Growth or Existing Growth businesses by 1) providing supplementary functions, 2) boosting profitability, or 3) by virtue of their product chain position.

Restructuring
Businesses that are candidates for downsizing or withdrawal, given the right circumstances.

Our Achievements in *KAKUSHIN Plan: Phases 1 and 2*

The Mitsubishi Chemical Group was afflicted with various structural problems in its management when it posted a major loss for FY2002. Examples of its problems included falling profitability, a disjointed business structure, and extremely fragile financial condition. In response, the Group, in fall of 2002, assembled a two-phase management plan to be implemented over a period of five years. The first two years, comprising *Phase 1*, which focused on “rebuilding foundations” and “selection and concentration” measures advanced in *Phase 1* were accelerated during the three years of *Phase 2*. Strategies aimed at medium- to long - term growth and advancement were implemented for the Group’s three principal business areas — Petrochemicals, Performance and Functional Products, and Health Care.

Rebuilding Foundations with a Focus on Restructuring of Business Portfolio and Financial Condition

In *KAKUSHIN Plan: Phase 1 (Phase 1)*, the Mitsubishi Chemical Group pursued portfolio reform that divided all of its businesses into classifications based on profitability, on the one hand, and growth potential and strategic value, on the other. Strict "selection and concentration" measures, like alliances and sales, were applied to “Restructuring/Reconstruction” businesses. Overall, restructuring and reconstruction measures reduced the number of the Group’s business units to 60, from 80.

At the same time, efforts were also made to improve the Group’s financial condition. Concerning the most pressing issue, the reduction of interest-bearing debt, the restructuring and reconstruction measures described above were supplemented with sweeping cost cuts focused mainly on production facilities. As a result, the ¥180 billion *Phase 1* target for reduction of interest-bearing debt was achieved one year early, and a total reduction of ¥340 billion was achieved by the end of *Phase 1*.

The thorough rebuilding of foundations that took place in *Phase 1* set the stage for the ensuing *KAKUSHIN Plan: Phase 2 (Phase 2)* efforts to grow and advance.

Strategic Investments for Consolidation of Strengths and Building Momentum of the Group

In *Phase 2*, directions were set for the Group’s three principal business areas – Petrochemicals, Performance and Functional Products, and Health Care. Automobiles, IT, environment and energy, daily necessities, and health care were also identified as five key markets, and efforts were focused on the creation of new products, new production processes, and new businesses in which the Group’s technical strengths could be applied. Furthermore, capital expenditures and R&D investments were increased, and the organization called Automotive Solutions was established to strengthen automobile-related businesses throughout the Group. On another front, the goal of increasing the new product ratio for performance and functional products to 35% in FY2007 was established and R&D investments toward that end were actively undertaken.

Phase 1 efforts to improve the Group’s financial condition were continued and measures were undertaken to strengthen the business base by, for example, strategically restructuring key domestic production facilities and introducing production reforms. In addition, steps were taken to enhance and expand not only domestic businesses, but also businesses in Asia, Europe, and the US, focusing on competitive technologies and products. In the Petrochemicals Segment, expansion efforts were actively pursued with eyes on the Asian market in particular. Meanwhile, in the Performance and Functional Products Segment, production capacity was greatly increased through steps like the introduction of new polypropylene production facilities at the Kashima Plant.

In implementing measures like those described above, it was necessary for the Group to unify, share directions and strategies, and deepen ties. Toward that end, Mitsubishi Chemical and Mitsubishi Pharma were brought together under the newly established Mitsubishi Chemical Holdings in October 2005. Additionally, the operations of four subsidiaries in functional products businesses were restructured and consolidated to ensure success under increasingly severe competitive conditions. These measures made it possible to exercise overall Group strengths to an even greater degree. Furthermore, Mitsubishi Pharma, and Tanabe Seiyaku merged in 2007 to create Mitsubishi Tanabe Pharma to strengthen our pharmaceutical business.

The Group We Aspire to Be in 2025 and Should Be in 2015

The Group we aspire to be in 2025 is a global leading company that makes corporate activity decisions based on Sustainability, Health, and Comfort as criteria, and is underpinned by a foundation of "Good Chemistry."

In the course of achieving the goal, the Group we should be in 2015 will require reliability on high quality through safe and stable production systems; increase profitability by shifting to high performance products and high-value-added businesses; an innovative organization; human resources that are active, global, and willing to challenge; as well as CO_2 reductions in excess of 20% compared to 1990. The Group we should be in 2015 will be outstanding in each of these five areas and sustain that high level of performance.

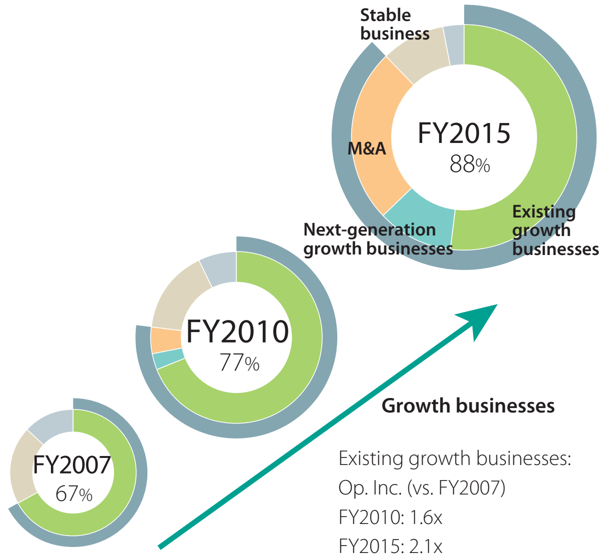
Achieving Basic Strategy —*APTSIS 10*

The *APTSIS 10* concept calls for the achievement of the basic strategy: "growing, innovating, and leaping ahead." In terms of growing, we will strive to shift to high performance products and high-value-added businesses as well as efficient product and business lifecycle management and bring about organic growth of our existing businesses in three business domains: Performance Products, Health Care, and Chemicals. In terms of innovating on a longer term, we will accelerate in developing the 7 next-generation growth businesses into profitable operations by focusing on high-revenue growth markets. This is the innovation strategy. In terms of leaping ahead, we will implement strategic investment for alliances and M&A to gain on time and to supplement our businesses.

Through these strategies, we aim to achieve operating income of at least ¥190 billion, ROA of 6%, a 20%-plus CO_2 reduction*, and other key quantitative management objectives, as well. In addition, in our three-year resource allocation plan, we are planning investments of ¥590 billion and R&D expenditures of ¥425 billion. Apart from this, we have also established an M&A budget of ¥250 billion.

* Unit energy consumption basis vs. that of 1990

Steps to Changing Portfolio Earnings Structure



Note: The figure for FY2007 is adjusted by excluding the extraordinary loss of ¥8.2 billion related to the Kashima Plant accident.

New Mid-term Management Plan, *APTSIS 10* — "Growing, Innovating, and Leaping Ahead"

The 5 years of the *KAKUSHIN Plan: Phases 1 and 2* were marked by the accomplishment of various strategic measures like establishment of the holding company and Mitsubishi Tanabe Pharma, the setting of a growth path for the future, and major investments. But we were also left with important issues to address. These include the deterioration of front-line communication, inadequate globalization, and delays in getting new businesses up and running. In light of these shortcomings, the MCHC Group has prepared its new mid-term management plan, referred to as *APTSIS 10*, to achieve during FY2008-2010 timeframe objectives that are necessary for being the Group we should be in 2015, and becoming the Group we aspire to be in 2025.

Aspiration for 2025

The Mitsubishi Chemical Holdings Group Will Be a Global Leading Company Based on "Good Chemistry"

What We Should Be in 2015

Five Elements for a Global Leading Company

Reliability
Provision of high quality through safe and stable production systems
Transparency in information disclosure

Profitability
Operating income (FY2015) ≧ ¥400 billion

Environment
Greenhouse gas (CO_2 equivalent) reduction (FY2015) ≧ 20% (vs. 1990)

Innovation
Develop all seven next-generation growth businesses into commercially viable operations

Human Resource
- Frontline capabilities
- Global sensitivity
- Spirit of challenge

Growth Markets

- Information & Electronics
- Daily Necessities
- Automobiles
- Environment & Energy
- Health Care

APTSIS 10

Leaping Ahead
Innovating
Growing

Three Decision Criteria for Corporate Activities

- **Sustainability**
- **Health**
- **Comfort**

Business Portfolio

Next-generation Growth Businesses
- Solid-state lighting
- Li-ion battery materials for HEVs
- Next-generation displays
- Chemical components for automobiles
- Bio-based polymers
- Organic photovoltaic modules
- Personalized medicine

Existing Growth Businesses

Electronics Applications
- Recording media
- Imaging
- Semiconductor-related materials and services
- High performance polyester films
- Electronics device components

Designed Materials
- Food ingredients
- Carbon fiber composites
- Alumina fibers
- Performance packaging films

Health Care
- Pharmaceuticals

Chemicals
- C4 chemicals
- High performance graphite

Polymers
- Polycarbonate and bisphenol-A
- Polypropylene
- Performance polymers

Businesses to Be Restructured
- Terephthalic acid and others

Stable Businesses
- Blast furnace coke
- Olefins and aromatics
- Performance chemicals, etc.

The MCHC Group Provides "Good Chemistry" Solutions in the Global Growth Markets

For Information & Electronics

Maintaining a Competitive Edge with Innovative Ideas

Although there are rapidly changing demands for new electronic products, they provide attractive growth potential. Leading positions, strong technological capabilities, and close customer relationships provide a strong and defensible competitive edge. Our high-value added products include, optical and non-optical recording media (DVDs, Blu-ray discs, portable HDDs, flash memories and others), organic photo conductors and chemical toners, display materials (high performance polyester films, color resists, phosphors), white LED substrates (phosphors, GaN substrates, sealants), electronic chemicals, films and sheets for electronic components, and semiconductor-related materials and services.

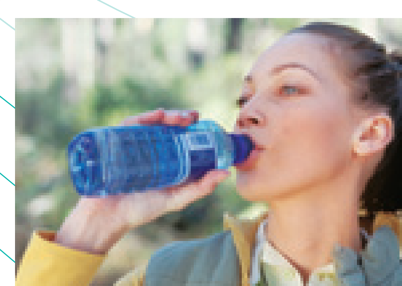
Growth Markets

- Information & Electronics
- Daily Necessities
- Automobiles
- Environment & Energy
- Health Care

For Daily Necessities

Enhancing Everyday Life with Accumulated Technologies

Chemistry appears and contributes to our everyday lives. For daily necessities, our products will be made into clothes, cosmetics, shampoos, detergents, housing materials, etc. We also support food - related production and products through our accumulated technological competencies and know-how in materials and services, such as food ingredients, high performance food packaging films, food sanitation and hygiene management operations with bacterial and chemical testing. We will continue delivering safe and reliable solutions in food related businesses.



For Automobiles

Paving the Way for Next-generation Automobiles

We deliver both organic and inorganic materials such as polypropylene compounds, high density polyethylene for plastic fuel tanks, and autowraps using alumina fibers. The Group is also working intensely for the next-generation automotive market, which is demanding greater safety and driving comfort as well as automobiles that are well-rounded, environmentally friendly, more fuel-efficient, and emit less CO_2. Under the catchphrase, 'Chemistry Makes Revolution,' our developments include plastic glazing in place of glass, carbon fiber composites, lithium-ion battery materials for HEVs, organic photovoltaic modules, OLED, and integration of data analysis technology and a sensor-equipped ubiquitous network system to monitor passengers' health data.

For Environment & Energy

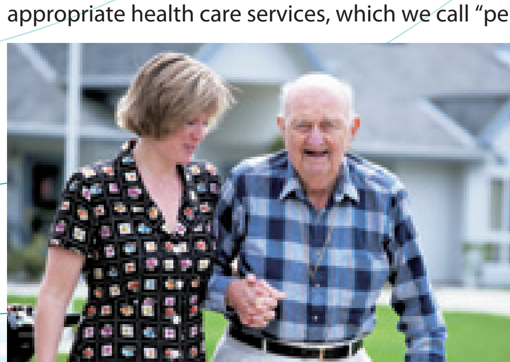
Foreseeing Greater Possibilities in Chemistry

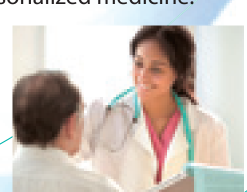
We have been implementing extensive measures to reduce CO_2 emissions resulting from our business operations. Turning our eyes to the future, we are focusing on businesses in energy saving, such as lightweight innovative materials, lithium-ion battery materials for HEVs, solid-state lighting, and energy transformation such as organic photovoltaic modules. In terms of environment-friendly materials, we are also developing green sustainable plastics. We have built our success upon the processing of carbon, derived from naphtha or coal, to convert into useful products.

For Health Care

Raising the Quality of Life through Health Care Contributions

An aging society is leading to expanded medical needs alongside progress in technological innovation in the life sciences. As such, we intend to expand Mitsubishi Tanabe Pharma operations with the aim of becoming a global research-driven pharmaceutical company and taking on the challenge of new business opportunities. Our other businesses include diagnostics, clinical testing services, and technologies for drug discovery, while continuing the basic research they have conducted in life sciences over the past several decades. Entering the post-genome era, our mission is to contribute to further raising the quality of life by delivering individually appropriate health care services, which we call "personalized medicine."





Performance Products Business Domain

Focus on Orchestrating All the Technologies to Enhance New Products Development

In this business domain, new product development is particularly important with effective and efficient business or product lifecycle management.

Global Business Market Expansion
For globally competitive businesses such as recording media, imaging, and high performance polyester film businesses, we will maintain and pursue further market expansion while strengthening business foundations.

Expansion of Niche Businesses and Markets in which We Lead
Positioning semiconductor-related materials and services, electronics device components, alumina fibers, carbon fiber composites, food ingredients, high performance packaging films as niche businesses in which we lead as existing growth businesses, we will strive to achieve business expansion targeting growth markets.

Health Care Business Domain

Strengthen Pharmaceutical Business Foundation

In this business domain, strengthening of our pharmaceutical business foundation is the core of our growth strategy.

Early Realization of Merger Benefits
As a core of the Health Care Business Domain, early realization of merger benefits of Mitsubishi Tanabe Pharma is important.

Steady Progress in Key Development Projects at Mitsubishi Tanabe Pharma
Mitsubishi Tanabe Pharma will focus development on lifecycle management targeting supplementation of the efficacies of existing drugs like *Remicade* and *Radicut*, and on developing high-priority pharmaceuticals including two renal-area drugs in the US and Europe, and two diabetes-related drugs and a hepatitis C drug in Japan.

Development of Overseas Business Infrastructure
As a bridgehead for Mitsubishi Tanabe Pharma to be a research-driven pharmaceutical company, efforts will be made to prepare in-house sales system in the US and Europe for renal-area drugs, MCI-196 and MP-146.

Chemicals Business Domain

Shift to High Performance Products

In this business domain, we will focus on shifting to high performance products.

Emphasize High Performance Products
We will emphasize high performance products such as C4 chemicals, high performance graphite, polycarbonate and bisphenol-A, polypropylene, and performance polymers. For example, we will increase the ratio of high performance products in automobiles, electric/electronics, food, and medical markets.

In the Chemicals Business Domain, during *APTSIS 10*, in addition to its growth and innovation strategies, the Group will emphasize the restructuring of businesses involving such commodities as terephthalic acid through alliances, collaboration, and reorganization. Furthermore, we will reform chemical complex operations through alliances and collaboration to strengthen competitiveness in this area by focusing on core derivatives.

Stable Growth Strategies Give Us the Power to Innovate and Leap Ahead

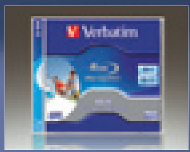
Focusing on 15 Existing Growth Businesses

Focus Businesses of the Growth Strategy

Alumina Fibers

MAFTEC is used in cars' exhaust gas processors and in other applications demanding thermal and fire resistance, cushioning and insulating properties and outstanding durability. By cutting thermal losses, *MAFTEC* helps to reduce environmental load.

Recording Media

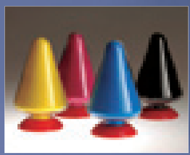


We develop DVDs and organic dye Blu-ray discs and market them in over 80 countries under the "Mitsubishi" and "Verbatim" brands (world's share No.1). We are also diversifying our product portfolio in portable HDD, flash memory, and other types of non-optical media as well.

Performance Packaging Films

We supply *TECHBARRIER* film for applications requiring high gas barrier performance, ultraviolet permeability, moisture permeability and other films responding to needs in a broad array of fields ranging from food and medical products to electronics parts.

Imaging



We improve the quality and affordability of laser printing by supplying OPC drums, toners, and other components and materials. Our chemical toners enable customization of toner particles therefore optimizing printers' functionalities.

Pharmaceuticals

Mitsubishi Tanabe Pharma's lineup of ethical drugs include such distinctive drugs as treatment of rheumatoid arthritis, active Crohn's disease and Behcet's disease with refractory uveoretinitis *Remicade* and cerebral neuroprotectant *Radicut*, and plasma derivatives, vaccines, narcotics and psychiatric medications as well as over-the-counter drugs and generic drugs.

Semiconductor-related Materials and Services

We offer chemicals for electronics applications, synthetic quartz, wafer regeneration, etc. In our precision cleaning service, we have gained a worldwide reputation for our maintenance of totally clean conditions at every stage from cleaning to packaging and shipping.

High Performance Graphite

Graphite has the qualities of both a metal and a semiconductor. Our high-purity graphite is used in items like the electrodes for electric arc furnaces and crucibles for growing single-crystal silicon, which is rated among the best in the world.

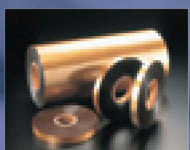
High Performance Polyester Films

DIAFOIL high-performance biaxially stretched polyester film offers the highest quality and reliability among optical PET films. It is used as a substrate in a variety of products such as flat-panel displays, photovoltaic components, medical substrates, and printing and photoresist processes.

C4 Chemicals

As Asia's leading manufacturer for industries of high performance textiles, automobiles, healthcare, and electronics, we offer C4 products with particular strengths in 1,4-butanediol made from the world's only process using butadiene, and polytetramethylene glycol made from a low-environmental-load process.

Electronics Device Components



We deliver a wide range of sheets and films, such as *ALSET* plastic and metal composite sheets, thermoplastic and heat-resistant *SUPERIO-UT* engineering plastic film and other components that are contributing to the evolution of the IT and electronics fields.

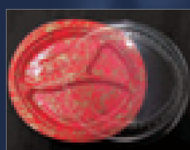
Polycarbonate

We combine a proprietary manufacturing process technology with polymer design and compound technologies to offer various polycarbonates and compounds excelling in shock resistance, electrical properties, dimensional stability and transparency.

Food Ingredients

We develop food emulsifiers, sugars, and other ingredients such as sugar ester, a safe emulsifier made from sucrose and vegetable oils. Our ability to apply technologies and respond to customers' requirements for these products have earned high marks.

Polypropylene



We offer a wide variety of high quality, high performance polypropylene products. Made with our own catalyst, *WINTEC* is a new and unique polypropylene being used in an increasingly wide range of applications like medical devices and food packaging.

Carbon Fiber Composites

DIALEAD – made from coal tar pitch and petroleum-based pitch – offers light weight, high rigidity, high thermal conductivity, and a thermal expansion coefficient of zero. These properties have made it attractive for uses in robots' grippers, industrial rollers, propeller shafts, brakes, etc.

Performance Polymers

We develop and make flexible, durable and heat resistant thermoplastic elastomers; polyvinyl chloride compounds; cross-linked resins; adhesive resins; and other high-performance plastics. Among our main products *THERMORUN* and *SUNPRENE* are primarily used in automobile parts.

Continuing to Lead the World with Brand, Material Development and Production Technology Strengths

Mitsubishi Kagaku Media's Strengths and Strategies

Developing a unique business model with the Verbatim global recording media brand, Mitsubishi Kagaku Media (MKM) is working to secure leadership in the next-generation optical disc market. MKM will expand its global market share, particularly in the BRIC economies, and further strengthen its brand.

MKM's Business Model Integrates Strengths in Material Development, Production Technology, and Marketing

Verbatim, with a history of over 30 years, is one of the world's best-known recording media brands. Mitsubishi Kagaku Media (MKM) sells not only CD, DVD, and other optical disc recording media under the Verbatim brand, but also portable USB drives, flash memory card, external hard drives, PC peripherals, and a wide variety of other products in over 80 countries around the world. In sales and earnings, MKM contributes to the MCHC Group.

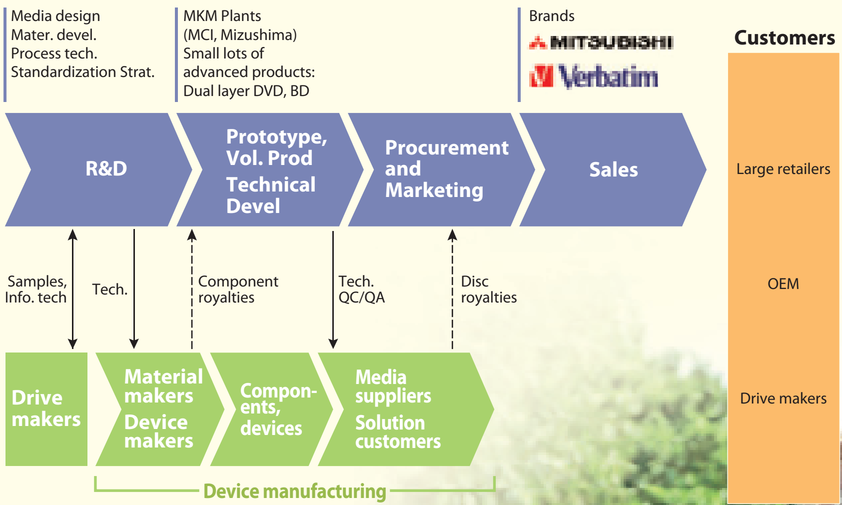
MKM's strength is its unique business model. MKM performs its own product planning and R&D, and has established its own volume production technology. Actual volume production is performed by Original Designed Manufacturer (ODM) companies in places like Taiwan and India, which purchase stampers, dyes, and other materials from MKM. MKM purchases the finished products and sells them under its own brand. Through this approach, MKM avoids the risk of owning its own production facilities, enhances operational efficiency, and earns profits on sales of materials as well as the provision of technology, to ODM companies. This business model also offers ODM companies the ability to hold R&D costs down, avoid sales risk, and secure stable revenues.

The MCHC Group's materials development strengths and MKM's production technology and brand strengths make this win-win business model possible.

Blu-ray (BD) Next-generation Optical Disc MKM Leads the BD Market

The existence of recording capacity, shape, and other strict specifications for optical discs make it difficult to establish clear differentiation from competitors solely on product development capabilities. MKM, therefore, has taken the lead in developing technology that could have an impact on product specifications themselves. Aiming to establish an industry standard, we are

Strengths in Marketing and Materials-Mitsubishi Kagaku Media's Business



working with drive manufacturers in advancing the development strategy of enhancing optical disc and drive compatibility.

In January 2008, it was effectively determined that Blu-ray Disc (BD) would become the next-generation disc standard. MKM leads the industry in the development of BD-R LTH Type disc employing an organic dye in the recording layer. AZO dye has proven extremely reliable in use on CD-R and DVD-R discs, and MKM has developed a version of this dye for use with the blue-violet laser recording format, optimizing it for BD. BD-R LTH Type disc, therefore, can be manufactured using almost the same equipment used to produce CD-R and DVD-R disc, and that means it will be possible to meet the sudden increase in demand that will come when BD becomes the focus of consumer demand. Furthermore, volume production will open the door to low prices and other benefits for consumers.

MKM is taking actions that will both promote wide consumer acceptance of BD-R technology and make MKM a leader in the next-generation DVD market.

Approach toward BRIC Markets and Non-optical Recording Media

Though BD technology has drawn a lot of attention as the next-generation DVD standard, CDs, DVDs, and other optical discs are still the focus of global demand. Moving forward, therefore, MKM will maintain the presence of the Verbatim brand in existing markets and strengthen business in the BRIC and other emerging markets.

Regarding Russia and Eastern Europe, in particular, optical disc markets are growing at an enormous rate. Since entering the Russian market in 1991, MKM has enjoyed positive sales growth and expanded its share of the European market as a whole. Further growth is expected for the future.

In China, MKM has been selling primarily optical discs since 1995. Local brands dominate the Chinese market, but MKM established sales companies in Hong Kong, in 1992, and Shenzhen, in 2002, and plans to leverage the power of the Verbatim brand's high international name recognition to increase its market share. MKM also established a sales company in India in April 2007.

Outside of optical discs, MKM acquired SmartDisk's portable HDD operations in 2007. We began North American and European sales of these products in fall of 2007 and started test sales in Japan 2008. In MKM's home market of Japan, optical discs have been sold under the Mitsubishi brand. Portable HDDs will be sold under the Verbatim brand and, in the future, steps will be taken to increase awareness of the Verbatim brand in Japan, and expand market share under that name.

Pursuing Group Synergies by Applying the MCHC Group's Strengths in Materials

As a member of the MCHC Group, MKM is working to generate momentum for broad consumer acceptance of BD by promoting its BD-R LTH technology as a standard. MKM firmly believes that BD-R LTH results in products that are easy for consumers to use and makes it possible to tailor BD usage to different needs.

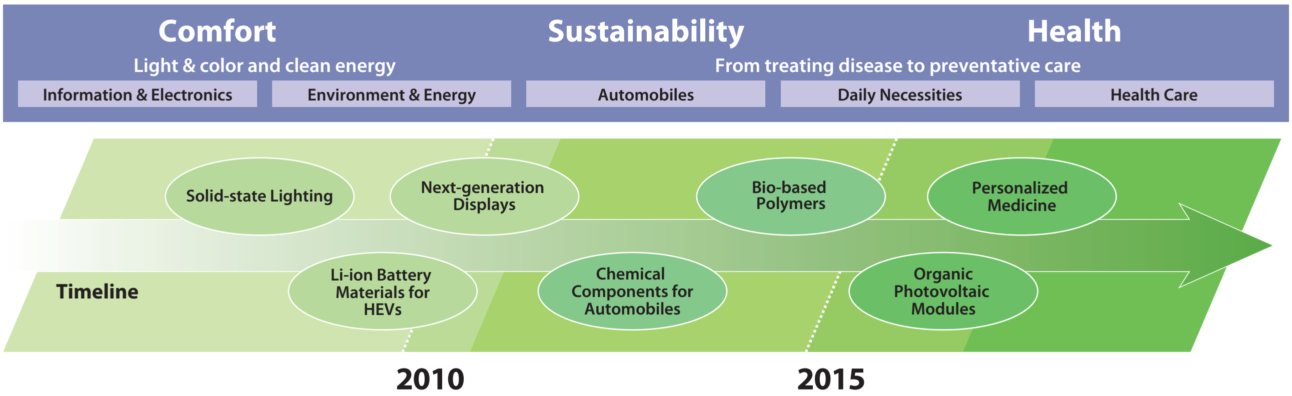
The development of this product brings with it the opportunity to develop a business selling dye for use in BD. There are also possibilities for the development of other types of material businesses, as well. Examples include recording layer protection materials such as hard coat and cover coat. BD offers high storage capacity partly because the recording layer is closer to the disc surface than is the case with CD and DVD, but that means it is easily damaged. BD specifications, therefore, call for hard coat and cover coat layers to protect against damage. Mitsubishi Chemical, which has strengths in the materials need for high-quality protective layers, can supply them.

The MCHC Group's unique strengths in materials not only help to enhance the quality of the Group's products; they also form the basis of businesses that supply other manufacturers. MKM will call upon Group synergies as it promotes broad consumer adoption of BD and volume production, and will work to increase not only sales of its own BD but also sales of materials to other manufacturers.

Shigenori Otsuka
Representative Director and President
Mitsubishi Kagaku Media Co., Ltd.

Rapid Development of the Next-generation Growth Businesses by Strengthening Synergies Among Group Companies and Considering Alliances or Collaboration.

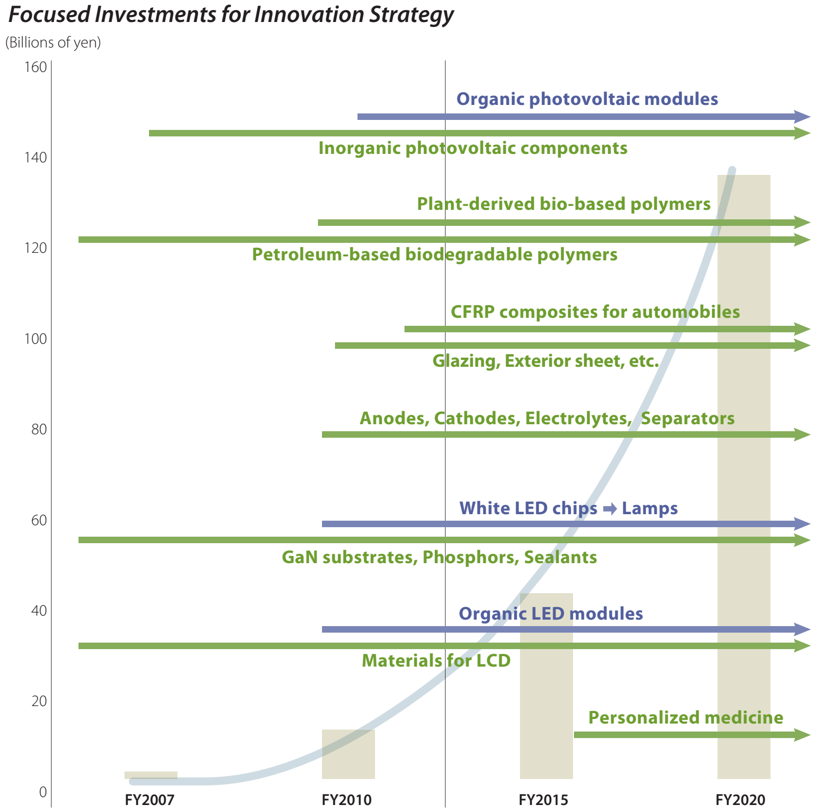
Toward Growth Markets



Multiple Innovation Strategy Is Our Engine for the Future

The MCHC Group recognizes the seven next-generation growth businesses shown on the right page have enormous potential.

Focused Investments for Innovation Strategy



This chart is an image of how the seven next-generation growth businesses should develop in around FY2010 to 2015, which shows the timing and estimated operating income with the left end of arrows.

Focus Businesses of the Innovation Strategy

Solid-state Lighting

More energy-efficient than halogen lamps and fluorescent lighting and environmentally friendly, white LEDs are regarded as potential next-generation lighting devices. We have developed track record related to the evolution of LEDs through its provision of phosphors, GaN substrates and sealants. Bringing together technologies developed as a component manufacturer, we are currently working on development of near-ultraviolet excitation white LEDs which enable to create lighting closer to natural light, indoor lighting with a warm tone, and spaces that are more comfortable and relaxing. We are also developing LED chips based on GaN substrates as part of our efforts to enter the device business and develop LED business broadly. In addition, white LEDs' cutting-edge properties also make it possible to use them in medical applications.

Li-ion Battery Materials for HEVs

Li-ion battery materials – which limit reliance on fossil fuels by also using an electric motor – are indispensable for hybrid electric vehicles. With our strengths in proprietary material design technologies, chemical reaction control technologies, and evaluation technologies, we are the only manufacturer capable of producing all of the main components of li-ion batteries. These include electrolytes, cathodes, anodes, and separators. By having all four key materials, it allows us to uniquely offer the optimum combination of these components for the specific requirements of our customers. As such, we have started pre-marketing our highly safe and extremely durable materials to our customers.

Next-generation Displays

Organic light-emitting diode (OLED), organic thin-film transistor, flexible substrate, and other organic material technologies have made next-generation displays possible. We are developing a whole range of substrate to LED materials that make next-generation displays possible. Examples include transparent and flexible coating-type OLED materials and bio-nanofiber-reinforced composite materials. Coating-type OLED displays are also thin and lightweight so that it is expected that these properties will be put to use in creating a variety of innovative products like displays on clothing or displays that can be rolled up and carried or painted onto curved walls.

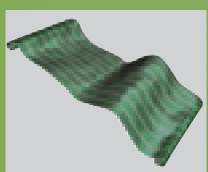
Chemical Components for Automobiles

We are combining material design and material processing, composite, and analysis and evaluation technologies to develop carbon fiber reinforced plastic frames in place of metals, plastic body panels, and plastic glazing in place of glass in order to enable lighter automotives to maximize fuel economy. We also provide solutions that meet customer demands for strength and processability, design freedom, light transmission, water-shedding properties, and other characteristics.

Bio-based Polymers

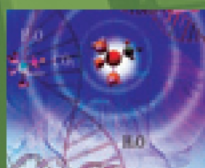
We view the conversion of plastic raw materials into sustainable resources and the challenge of increasing biodegradability as missions for chemical companies in the 21st century. We are bringing together the world's most advanced bio-catalyst, and polymer synthesis and processing technologies to develop our own biopolymers. One of our products, *GS Pla* (Green Sustainable Plastic), is a plastic that is naturally broken down into water and carbon dioxide gas by microorganisms. Extremely safe, *GS Pla* offers excellent fabrication characteristics and printability, and is already being adopted for use in agricultural applications and as compost bags.

Organic Photovoltaic Modules



We have combined the organic synthesis, coating, and device creation technologies it has developed over the years to successfully create the world's first coating transfer organic photovoltaic modules. There are great expectations for the development of its applications: low-cost because of the use of an economical coating method, and they are also lightweight and flexible. As a result, their use is expected on building walls, in automobiles, and in many other places where it has so far been difficult to install, such as on agricultural materials, interior supplies and even on clothing materials.

Personalized Medicine



Entering the post-genome era, our mission is to contribute to further raising the quality of life of people, by delivering individually appropriate health care services which we call "personalized medicine, " which seeks to improve therapeutic effectiveness and avoid side effects. Through R&D focused on new biomarkers, such as for cancers, stroke, and lifestyle related diseases, and the creation of pharmaceuticals applying biomarkers, a combination of informatics and accumulated testing and physical examination information, we are aiming to realize not only new therapies but personalized medicine opening the door to preventive medicine and health management tailored to every individual.

Near Ultraviolet Excitation and White LED Business

Applying Strengths in Materials to Enter the Device Business and Develop a Broad Range of Other LED Businesses

Bringing together technologies developed as a component manufacturer, Mitsubishi Chemical has developed materials for near ultraviolet excitation white LEDs, which are expected to comprise a new-generation light source. We are also developing LED chips based on GaN substrates as part of our effort to enter the device business and develop LED businesses broadly.

High Hopes for Near Ultraviolet Excitation White LEDs as Solid-state Lighting

Light emitting diodes (LEDs) are energy - efficient, compact, and long-lasting light sources that are used in a wide range of applications. An LED consists of a phosphor, an encapsulant, and a chip combining a crystal substrate and a light-emitting layer. In recent years, advances in each of these areas have made it possible to create various colors of light. Applications including examples like cell phone screen backlights and automobile headlights have driven tremendous growth in the market for white LEDs.

Until recently, the MCHC Group's LED-related operations consisted of providing materials like phosphors and the high-quality gallium compounds used to create crystal substrates to LED manufacturers. With regard to phosphor research, in particular, the Group has a 50-year track record, and one of its core technologies — one for allowing the free control of color and light — was critical for starting the mass production of second-generation white LED phosphors offering improved brightness and outstanding color reproduction, in 2006.

Now, Mitsubishi Chemical has turned its attention to the major step of producing near ultraviolet excitation white LEDs ("third-generation white LEDs"), with an eye toward a full-blown entry into lighting applications (solid-state lighting).

Whereas a traditional white LED creates white light by using the light from a blue LED chip to cause green and red phosphors to fluoresce, a near ultraviolet LED uses light from the excited light source of a near ultraviolet LED chip, which has a shorter wavelength than blue light, to cause blue, green, and red phosphors to fluoresce. The development of new ultraviolet excitation phosphors offering high luminous efficiency for each of the colors, blue, green, and red, made possible high-luminance white LEDs. They have, for example, improved color reproduction for single-layer LCD backlights and opened the door to bright, nearly natural solid-state lighting for a wide range of purposes.

Near Ultraviolet LED Material Development Applying the Strengths of a Materials Manufacturer

Mitsubishi Chemical is applying the wealth of expertise it has developed as a materials manufacturer in not only the development of phosphors but also all other materials comprising near ultraviolet LEDs.

For encapsulants, which support numerous phosphors within packages and protect chips, we applied our own plastic synthesis technology in developing a high-durability encapsulant that can withstand the high output of near ultraviolet LEDs.

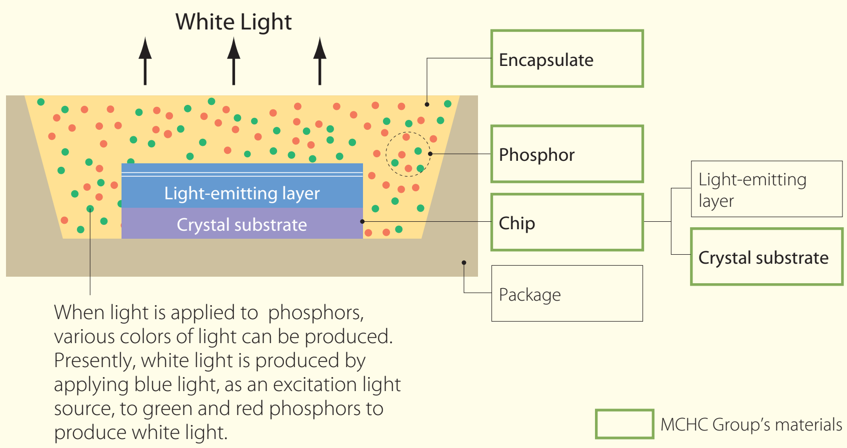
In addition, for the development of a crystal substrate for near ultraviolet chips, a key focus in the development of near ultraviolet LED materials, we began in 2002 to develop a gallium nitride (GaN) substrate, which we perfected in 2008. In April 2008, we began full-scale sales of this product, mainly for use in laser diodes (LDs) employed as Blu-ray disc pickups.

There are various types of GaN substrates, which differ depending on the angle at which the GaN crystals are cut. Mitsubishi Chemical and other companies offer GaN substrates made with "c-plane" cuts, but Mitsubishi Chemical was the first to embark on the development of an "m-plane" GaN substrate making possible devices offering even higher performance. Success has already been achieved in production tests and we are moving forward with business development plans, including patent applications, and have our eyes fixed on applications in near ultraviolet LED chips and next-generation transistors.

Toward a Near Ultraviolet Excitation White LED Business as a Total Solution

The MCHC Group is growing its near ultraviolet excitation white LED business with the ultimate goal of entering the device market, and has commenced both the in-house production of near

Materials Comprising a White LED



When light is applied to phosphors, various colors of light can be produced. Presently, white light is produced by applying blue light, as an excitation light source, to green and red phosphors to produce white light.

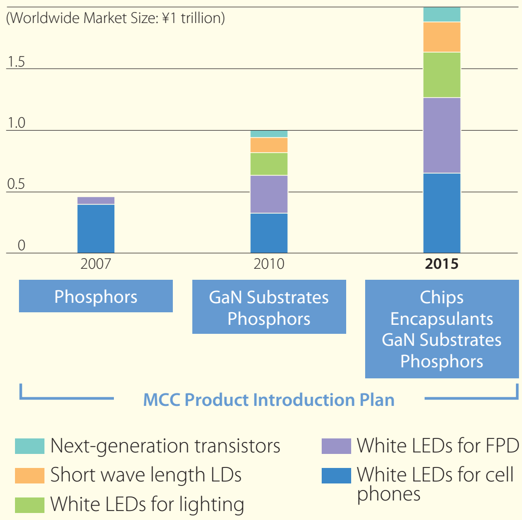
ultraviolet LED chips incorporating GaN substrates and the development of devices for external sale. As part of that effort, we took over chip processing and manufacturing technologies and facilities from Mitsubishi Cable Industry in March 2008, and embarked on the full-fledged development of near ultraviolet chips. The challenge for Mitsubishi Chemical will be to create a business model that not only increases sales by promoting the adoption of near ultraviolet chips, but also synergistically expands sales of phosphors and other materials.

Moving forward, we will work to expand sales of near ultraviolet LED materials, mainly phosphors, encapsulants, and crystal substrates, and redouble our efforts regarding our near ultraviolet excitation white LED business as a source of total solutions, including devices, to create another key revenue source within an early time frame. Toward that end, Mitsubishi Chemical is planning R&D investments of ¥8 billion and capital expenditures of ¥10 billion over the coming three years.

We Will Maximize Our Group Synergy to Rule the Third Generation LED Market

Historically, Mitsubishi Chemical has focused on materials technology and the goals of maximizing phosphor color reproduction and luminous efficiency. In the process, we have accumulated a significant volume of research data in areas outside of our traditional businesses, and believe our material technologies can be applied to great advantage in the near ultraviolet LED market. As one of our key products, we are presently focusing on enhancing the performance of m-plane GaN substrates, an in area in which we lead the industry. Though there are still problems to resolve, only Mitsubishi Chemical is capable of producing m-plane crystal substrates, and we are working to perfect the technology as soon as possible and establish ourselves as the number one supplier. We aim to secure leadership of the third-generation LED market in near ultraviolet excitation white LEDs primarily for use as solid-state lighting by comprehensively commercializing materials and devices.

Market Expansion and Mitsubishi Chemical Product Launch Plans



Pursuing the Possibilities for Sustainability, Health, and Comfort

Basic R&D Concept

Global environmental problems, population and food problems, energy and resource problems, and various issues related to our daily lives and health — much is expected of chemistry, which has the potential to provide solutions to the myriad problems facing society.

The MCHC Group aims to help solving these problems and is enlisting the resources of the entire Group in pursuing R&D with eyes focused on everything from basic necessities like clothing, food, housing, to a wide range of industry sectors, like pharmaceuticals, automobiles, IT, and electronics, that are in the forefront of sound social development.

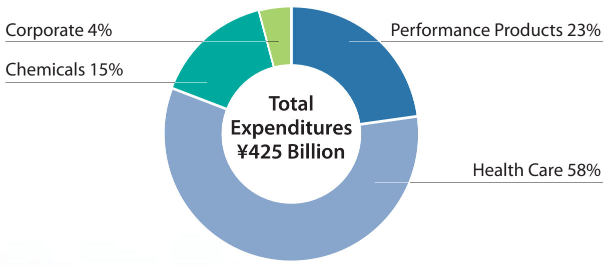
R&D Strategy

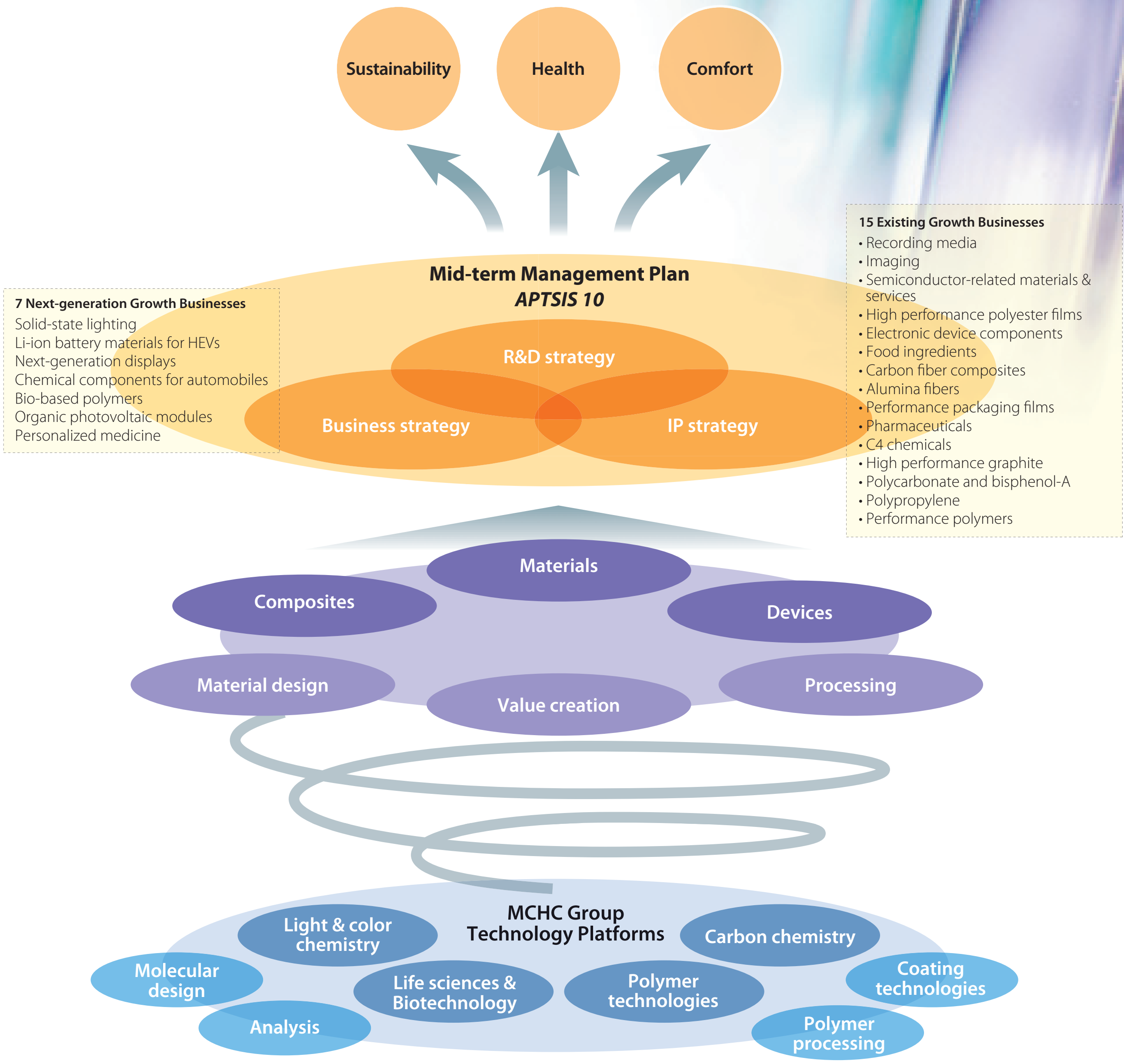
The MCHC Group, in order to rapidly apply research results to the problem of how to expand prosperity in modern society and bring forth new value that anticipates future demands, is advancing its R&D strategy together with its business strategy and intellectual property strategy. This R&D strategy is one that targets the realization of the MCHC Group's management strategy.

Founded on the management strategy of growing, innovating, and leaping ahead based on businesses consistent with the business activity decision criteria of Sustainability, Health, and Comfort, our R&D strategy consists largely of two parts. The first is using growth-oriented R&D to promote the development of the 15 existing growth businesses together with that of Group companies and business units. The second is focusing attention on the development of the seven next-generation growth businesses.

Regarding R&D, the technology platforms consisting of the combination of the diverse technologies held by Mitsubishi Chemical, Mitsubishi Plastics, and Mitsubishi Tanabe Pharma, are being applied as a common Group asset and efforts are being made to efficiently and speedily realize results.

R&D Expenditures in FY2008-2010 by Business Domain




Sustainability
Health
Comfort
Mid-term Management Plan
APTSIS 10
R&D strategy
Business strategy
IP strategy
7 Next-generation Growth Businesses
Solid-state lighting
Li-ion battery materials for HEVs
Next-generation displays
Chemical components for automobiles
Bio-based polymers
Organic photovoltaic modules
Personalized medicine
15 Existing Growth Businesses
• Recording media
• Imaging
• Semiconductor-related materials & services
• High performance polyester films
• Electronic device components
• Food ingredients
• Carbon fiber composites
• Alumina fibers
• Performance packaging films
• Pharmaceuticals
• C4 chemicals
• High performance graphite
• Polycarbonate and bisphenol-A
• Polypropylene
• Performance polymers
Materials
Composites
Devices
Material design
Value creation
Processing
MCHC Group
Technology Platforms
Light & color chemistry
Carbon chemistry
Molecular design
Life sciences & Biotechnology
Polymer technologies
Coating technologies
Analysis
Polymer processing

Pharmaceutical Pipelines

The Mitsubishi Tanabe Pharma Group aims to continually develop new pharmaceuticals that will be used throughout the world. In implementing its R&D activities, the Group has positioned metabolism and circulation as key areas, with a special focus on diabetes and cerebral infarction.

In diabetes agents, the Group has a number of development compounds with different mechanisms of action, such as DPP4 inhibitors MP-513 and TA-6666 and SGLT-2 inhibitor TA-7284. The Group is moving forward with the development of these compounds, which are expected to become major products. The Group is also moving ahead with the development of NS3-4A protease inhibitor MP-424, a new treatment for chronic hepatitis C.

The Group continues to develop Remicade, which plays a central role in the lifecycle management strategy, targeting the acquisition of approval in Japan for additional indications, following Crohn's disease and rheumatoid arthritis. Overseas, with a focus on the renal disease field, phase III trials of Non-absorbed phosphate binder MCI-196 and Uremic toxin adsorbent MP-146 in Europe and the US are making progress.

Following its merger in 2007, the Group has clarified its priorities for development products and will review its development pipeline.

Development Pipeline Status

New Molecular Entities *Additional Indications* *Licensing-out*

As of May 7, 2008

Domestic

Phase 1		Phase 2		Phase 3		Filed	
TA-7284	Diabetes Mellitus	**MP-424**	Chronic Hepatitis C	**Maintate**	Chronic Heart Failure	**Remicade**	Psoriasis
TA-6666	Type 2 Diabetes Mellitus	**Cholebine**	Type 2 Diabetes Mellitus	**Anplag**	Cerebral Infarction	**Remicade**	Rheumatoid Arthritis, dose escalation
Cholebine	Hyperphosphatemia	**MP-513**	Type 2 Diabetes Mellitus	**Radicut**	ALS*1	**Venoglobulin-IH**	Hypo-, Agammaglobulinemia, regimen change
MP-214	Schizophrenia	**MCC-847**	Allergic Rhinitis	**Modiodal**	OSAS*2	**Venoglobulin-IH**	ImmunoglobulinG2 Deficiency
CNTO148	Rheumatoid Arthritis	**FTY720**	Multiple Sclerosis	**Remicade**	Ulcerative Colitis	**Novastan**	HIT-Heparin Induced Thrombocytopenia
MP-435	Rheumatoid Arthritis			**Remicade**	Ankylosing Spondylitis	**Venoglobulin-IH**	Polymyositis, Dermatomyositis
				APTA-2217	COPD*3	**Neuart**	Toxemia of Pregnancy
				APTA-2217	Asthma		
				MCC-847	Asthma		
				TA-8317	Breakthrough Cancer Pain		
				Valixa	Transplantation		
				Venoglobulin-IH	Myasthenia Gravis		
				Venoglobulin-IH	Systemic Sclerosis		

Overseas

Phase 1		Phase 2		Phase 3		Filed	
TA-8995	Hyperlipidemia	**MCC-135**	Myocardial Infarction	**Argatroban (EU)**	PCI in HIT*4	**Argatroban (EU)***	HIT*5
MCI-186	Acute Cerebral Infarction	**TA-6666**	Type 2 Diabetes Mellitus	**MCI-196**	Hyperphosphatemia		
MP-513	Type 2 Diabetes Mellitus	**MCC-257**	Diabetic Neuropathy	**MP-146**	Chronic Kidney Disease		
TA-5493	Rheumatoid Arthritis, Psoriasis	**TA-5538**	Overactive Bladder				
GB-1057	Stabilizing Agent						

* In preparation to file *1 Amyotrophic lateral sclerosis *2 Obstructive sleep apnea syndrome *3 Chronic obstructive pulmonary disease
*4 HIT patients undergoing Percutaneous Coronary Intervention (PCI) *5 Heparin-induced Thrombocytopenia

Licensing-Out

Phase 1		Phase 2		Phase 3		Filed	
		TA-7284	Diabetes Mellitus	**FTY720**	Multiple Sclerosis		
		T-0047	Multiple Sclerosis				
		TA-1790 (US)	Erectile Dysfunction				
		TA-1790 (Korea)	Erectile Dysfunction				

Strengthening Corporate Governance and Implementing Internal Control Systems for Greater Efficiency and Transparency

Basic Functions of Mitsubishi Chemical Holdings

Mitsubishi Chemical Holdings (MCHC) was established on October 3, 2005, through the transfers of all of the stock of Mitsubishi Chemical and Mitsubishi Pharma. MCHC is the parent company and sole shareholder of both Mitsubishi Chemical and Mitsubishi Pharma. On October 1, 2007, Mitsubishi Pharma merged with Tanabe Seiyaku, and became Mitsubishi Tanabe Pharma. Also on the same day Mitsubishi Plastics, became a wholly owned subsidiary. MCHC is a pure holding company performing portfolio management functions for the MCHC Group, while Mitsubishi Chemical, Mitsubishi Plastics and Mitsubishi Tanabe Pharma are individually managing their own operations.

As the holding company performing portfolio management functions for the MCHC Group, MCHC focuses on management of the Group, and actively works to allocate resources in the best interests of Group growth and advancement and to pursue other measures for enhancing corporate value.

Basic Concepts Regarding Corporate Governance

MCHC, in light of its responsibility for overseeing the management of the MCHC Group, regards management decision-making, efficient and timely execution of operations, clarification of management responsibility, strict compliance, and solid risk management as its most important corporate governance concerns, and works to further enhance corporate value for the MCHC Group.

Based on Board of Directors Regulations and other related regulations, directors make decisions regarding important matters for the MCHC Group in meetings of the Board of Directors, and mutually oversee the performance of duties by directors.

Statutory Auditors, in accordance with Auditing Standards for Corporate Auditors, oversee the performance of duties by directors by attending Board of Directors and other important meetings, and through other means, as well.

In addition, the MCHC Group has adopted an executive officer system to separate management oversight and execution functions, and has set forth rules governing the activities of the Board of Directors, Management Committee, CSR Promotion Committee, and other decision-making organs, rules addressing the authority of individual employee positions, rules setting forth the responsibilities of individual departments, etc., and other rules. The MCHC Group efficiently and properly pursues management decision-making and execution.

A. Board of Directors

The Board of Directors, based on the Board of Directors Regulations and other related regulations, makes decisions on important MCHC management matters and fundamental Group management matters, and oversees the execution of duties by directors. In principle, the Board of Directors meets once a month. MCHC, which has specified in its Articles of Incorporation that it shall have no more than 10 directors, has seven directors as of the issue date of this Annual Report, 2008. To ensure that its management system can quickly respond to changes in the business environment and in the interest of clarifying director management responsibilities and roles, MCHC has set director terms at one year.

B. Management Committee

The Management Committee, as an organ for assisting the President and Representative Director in decision-making, discusses investment, financing, and other important matters of business execution for both MCHC and the MCHC Group companies. Actions related to matters of particular management import discussed by the Management Committee must be approved by the Board of Directors prior to execution. The Management Committee meets twice a month and is composed of the President, standing executive officers, executive representatives of principal direct investees, and statutory auditors.

C. CSR Committee

The CSR Committee, as an organ for assisting the President and Representative Director in decision-making, discusses important matters related to MCHC and the MCHC Group company compliance, risk management, safety and environmental measures, human rights education, social contributions, and other aspects of corporate social responsibility (CSR). In principle, the CSR Committee meets twice a year and at other times as necessary. Its members consist of representatives of both MCHC Group companies. Included are presidents, executive officers in charge of compliance, risk management officers, responsible care (RC) officers and other officers with CSR responsibilities, and statutory auditors.

D. Statutory Auditors and Board of Auditors

The Board of Auditors, in principle, meets once a month. As of the issue date of this Annual Report, the Board of Auditors consisted of five statutory auditors, including three external auditors. Statutory Auditors perform audits in accordance with the Auditing Standards for Corporate Auditors and other rules and regulations, and in cooperation with the Internal Audit Department and external auditors.

Cooperation between Statutory Auditors External Auditors

MCHC has entrusted the performance of its external audits to Ernst & Young ShinNihon LLC. Ernst & Young ShinNihon maintains a close relationship with the Statutory Auditors. It provides the Statutory Auditors with reports on the status and results of audits, exchanges important information and opinions with the Statutory Auditors, and strives to perform efficient, effective audits.

Takeover Defenses

Presently, MCHC has adopted no takeover defenses. However, MCHC will take whatever measures it deems necessary in response to large share purchases that threaten to damage the corporate value of the MCHC Group or the common interests of shareholders.

Because it is an important management matter, MCHC will continue to examine the adoption of takeover defenses in light of factors like laws and legal precedents concerning takeover activities, and social currents.

IR Activities

MCHC holds Internet-based conferences covering operating results for analysts and institutional investors four times a year. We also regularly hold business briefings and research facility tours, and visit overseas institutional investors individually each year.

Basic Concepts on and the Status of the Internal Audit System

MCHC, at its Board of Directors meeting held in May 2006, passed resolutions on compliance and risk management, the performance of duties by directors, information management, the auditing system, and other basic policy matters related to the internal control system, and is now working to improve its internal control system accordingly.

MCHC's basic policies regarding its internal controls are as given below. MCHC is working to strengthen and thoroughly implement internal controls in accordance with these basic policies.

To comply with the Financial Product Exchange Law, which has come into effect in fiscal year 2008, MCHC determined the status of various Group regulations, determined methods for advancing business activities through the creation of work flows, and undertook other such activities intended to delineate work processes and rules in fiscal year 2007.

A. System to Ensure that Directors and Employees Comply with Laws and the Articles of Incorporation in the Execution of their Duties

a. The Mitsubishi Chemical Holdings Group Corporate Ethics and the Mitsubishi Chemical Holdings Group Compliance Code of Conduct constitute the basic compliance regulations for MCHC and the MCHC Group.

b. Based on the Board of Directors Regulations and other related regulations, directors make decisions regarding important matters for the MCHC Group in meetings of the Board of Directors, and mutually oversee the performance of duties by directors. Statutory Auditors, in accordance with Auditing Standards for Corporate Auditors, oversee the performance of duties by directors by attending Board of Directors and other important meetings, and through other means, as well.

c. Based on the Mitsubishi Chemical Holdings Group Compliance Promotion Regulations and other related regulations, the MCHC Group assembles and maintains compliance promotion systems, education and training programs, auditing and monitoring systems, hotlines, and other compliance promotion programs for the MCHC Group. In addition, Chief Compliance Officers (CCO) have been appointed to ensure the appropriate implementation and management of compliance activities.

B. Regulations for Risk Management and Other Systems

With the President bearing ultimate responsibility for overseeing risk management, the MCHC Group, based on the Mitsubishi Chemical Holdings Group Risk Management Basic Regulations and other related regulations, has established a risk management system that is properly implemented to prevent major risks related to the MCHC Group's business activities and to minimize damages related to any risks that do materialize.

C. System to Ensure Efficient Execution of Duties by Directors

a. Group strategies and management resource allocations are determined (portfolio management), and Group mid-term management plans, annual budgets, and other concrete management targets, together with actions for their promotion are decided upon, in meetings of the Board of Directors.

b. The MCHC Group has adopted an executive officer system to separate management oversight and execution functions, and has set forth rules governing the activities of the Board of Directors, Management Committee, CSR Committee, and other decision-making organs, rules addressing the authority of individual employee positions, rules setting forth the responsibilities of individual departments, etc., and other rules, and efficiently and properly pursues management decision-making and execution.

D. System for Information Storage and Management Relating to Execution of Duties by Directors

Based on Documentation Handling Regulations and other related regulations, Board of Directors meeting minutes, Management Committee meeting minutes, approval documentation, and other documentation and electronic records relating to the execution of duties by the Board of Directors are stored and managed in a system that permits access by Directors and Statutory Auditors.

E. System to Ensure Proper Business Practices throughout the MCHC Group

Based on Group management regulations and other related regulations, MCHC Group companies share compliance, risk management, and other Group internal control policies and systems. The propriety of business practices is ensured within MCHC Group companies through the reporting and approval of important Group management matters, Group internal audits, and other measures.

F. Systems for Ensuring the Practical Performance of Audits by Statutory Auditors

a. Directors and employees, in accordance with Auditing Standards for Corporate Auditors and other regulations, report important management matters (including matters that may result in significant damage to MCHC or an MCHC Group company, improprieties, and significant violations of laws or the Articles of Incorporation) to the Statutory Auditors.

b. Personnel may be assigned to assist a Statutory Auditor in the performance of audit work when requested by a Statutory Auditor. The assignment of personnel to a Statutory Auditor must be approved by the Statutory Auditor.

c. To ensure the practical performance of audit work by Statutory Auditors, the Statutory Auditors regularly meet with the President and other executive departments, and ties between the Statutory Auditors and the Internal Audit Department are maintained through information exchanges and other measures.

Realizing Initiatives and Updating Regulations to Match Actual Conditions

The MCHC Group interprets "compliance" as more than simply legal compliance; we take it to mean the upholding of corporate ethics and social mores, as well. In addition, we have made compliance our top management priority and have established various related regulations, including the Mitsubishi Chemical Holdings Group Corporate Ethics, Mitsubishi Chemical Holdings Group Compliance Code of Conduct, and the Mitsubishi Chemical Holdings Group Compliance Promotion Regulations, which underpin all other compliance-related regulations.

To ensure the thorough understanding and practice of compliance throughout the Group, Compliance Groups have been established in MCHC's Internal Control Office and Compliance Promotion Committees appointed in each MCHC Group company. These are headed by Chief Compliance Officers (CCO), who are appointed by the MCHC Board of Directors. MCHC requires each MCHC Group company to 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 activities, all via Compliance Promotion Committee activities. It also dispatches training instructors, prepares tools, and provides other types of support for the activities of MCHC Group companies.

These concepts and activities also apply to overseas Group companies, which ensure and enhance compliance by using the Mitsubishi Chemical Holdings Group Corporate Ethics as a common set of fundamental regulations in developing codes of conduct and preparing promotion regulations that are consistent with the laws and social mores of their host country.

Revisions to Code of Conduct

MCHC revised the Mitsubishi Chemical Holdings Group Compliance Code of Conduct in on November 1, 2007. Key revisions included the addition of wording addressing "the elimination of all forms of forced and compulsory labour" and "the effective abolition of child labour," 2 of the 10 principles of the UN Global Compact ; specific statements on respect for diverse values, specifically as regards work-life balance; and the addition of wording on the reliability of financial statements, in light of the enactment of the Company Law and the Financial Products Exchange Law. The revisions also included language clarifying that overseas subsidiaries, as defined in the Company Law, are subject to the Mitsubishi Chemical Holdings Group Compliance Code of Conduct.

Operation of Compliance Hotline

MCHC requires each Group member to establish and operate a Compliance Hotline. These hotlines will be used for two purposes: Determining the status of compliance within the Group and providing employees with a way to report or seek advice on possible compliance violations, so that appropriate action can be taken quickly should a problem be identified. As of March 31, 2008, each MCHC Group member — Mitsubishi Chemical, Mitsubishi Plastics, and Mitsubishi Tanabe Pharma — had established its own hotline.

MCHC Group Top Seminar

In FY2007, the MCHC Group designated October as "Compliance Enhancement Month." During the first of October so designated, Executive Compliance Training was held for the presidents and CCOs of all Group companies, and outside speakers were invited to give talks on the Antitrust Law.

Researcher Ethics Seminar

The Mitsubishi Chemical Group prepared its own unique Researcher Code of Conduct in 2006. In November 2008, R&D employees were assembled for a training session on "researcher ethics" as part of an effort to expand coverage of the Researcher Code of Conduct to the entire MCHC Group.

Preparations of Compliance Guidebooks

MCHC requires that each Group company prepare a Compliance Guidebook. Each guidebook is tailored to the characteristics of the businesses pursued by each company and must be revised regularly.

In FY2007, guidebooks were prepared or revised for Mitsubishi Chemical, Mitsubishi Plastics, and Mitsubishi Tanabe Pharma, the latter two of which embody the most recent changes to the MCHC Group. Guidebooks were distributed to all employees, including executives and part-timers at each of these companies.

Pharmaceutical R&D Cognizant of Bioethics

Mitsubishi Tanabe Pharma, as a company pursuing a business with implications for human life, conducts itself with the highest sense of ethics. Bioethics is a key component of Mitsubishi Tanabe Pharma's moral compass. One example of how bioethics impact business activities is provided by the Animal Testing Committee, which reviews the need for animal testing based on the "4Rs" : Replacement (active search for alternative methods), Reduction (use of the smallest number of animals possible), Refinement (minimization of suffering), and Responsibility (researcher responsibility).

MCHC Group Formed a Basic Risk Management Policy and Risks Will Be Avoided by Following this Major Policy

The MCHC Group established the Mitsubishi Chemical Holdings Group Risk Management Basic Policy in April 2006 to prevent major risks related to Group business activities and minimize damage in the eventuality that such risks materialize, and is appropriately implementing these policies. It has also requested that each Group company and their affiliates prepare risk management regulations appropriate for their individual business circumstances.

MCHC, in accordance with risk management regulations: 1) Renders decisions on important MCHC Group risk management matters; 2) Identifies and assesses MCHC Group risks; and 3) Implements measures to determine and address circumstances surrounding the materialization of a risk to the MCHC Group.

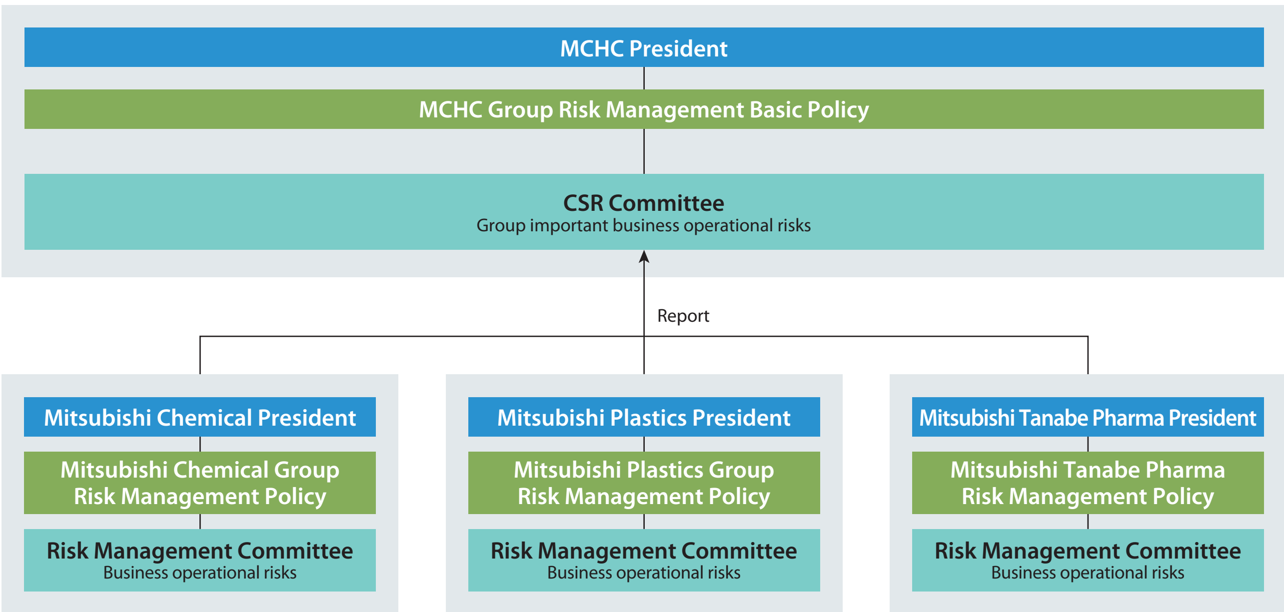
Group companies report on important risk management matters at CSR Committee, which are held twice a year. With the President of MCHC bearing ultimate responsibility for risk management, the CSR Committee discusses and determines actions to be taken with regard to these matters. In October 2007, Mitsubishi Plastics, a new direct investment subsidiary, established new risk management regulations and a new risk management system. In addition, it examined measures for addressing bird flu and other infectious disease pandemics and prepared manuals and other resources toward that end.

Regarding the identification and assessment of risk, the CSR Committee is receiving individual Group company presentations on the status of risk identification and on assessment methods, and promoting the sharing of expertise and insights among all Group companies.

Going forward, the MCHC Group is striving to enhance the entire Group's risk management by promoting the provision of appropriate advice and information sharing, as it determines the status of risk management at individual Group companies.

Risk Management System

As of September 30, 2008



Toward the Establishment of a Sustainable Global Society

The MCHC Group contributes to the creation of prosperity for the world's people through a broad range of technologies, products, and services focusing on resource and environmental sustainability, health, and comfort. At the same time, through business activities governed by guidelines like the MCHC Group Corporate Ethics charter and the 10 principles of the UN Global Compact, and business activities based on dialogues with our stakeholders, we pursue social contribution and other initiatives in various locations inside and outside Japan. In so doing, we are meeting our responsibilities to the global environment and the international community, and contributing to the creation of a sustainable global society.

Mitsubishi Chemical Holdings Group Corporate Ethics

We, constituent members of the Mitsubishi Chemical Holdings Group, shall share the following ethical standards and act with sound ethics and good common sense, and exert our utmost to ensure sustained development as a corporate group that engenders society's trust, in every aspect of our corporate activities.

1. Awareness and Responsibility

Based on the basic understanding that the foundation of our corporate activities is society's trust and confidence in us, we shall endeavor to contribute to the realization of an affluent and enriching society through respective business activities with a keen sense of corporate social responsibility.

2. Fairness, Equitability and Integrity

We shall respect the dignity and rights of all people and shall not engage in invidious discrimination for any reason whatsoever, be it racial, gender or religious. Furthermore, we shall deal with third parties including customers, suppliers, vendors, shareholders, business partners, administrative organs and local communities who associate with the MCHC Group, in a fair, equitable and sincere manner. The same holds true for relations among inter-MCHC Group constituent members.

3. Strict Compliance

Strict compliance constitutes the foundation as a member of society. "Never engage in unlawful activities," is a natural social norm (legal and ethical standards), which must be observed at all times.

At the MCHC Group, we shall act in accordance with the following standards in order to avert possible risks that may lead to illegality:

(1) Continue to sharpen sensitivity toward illegal conduct.
(2) Never engage in suspected illegal activity.
(3) Do not be optimistic in evaluating risk of illegality.
(4) In the event that an illegal act is committed, do not conceal or justify it.
(5) Avoiding risk of illegality takes precedence over corporate interest at all times.

4. Prudence

With respect to inter-company or inter-group relationships, as well as relationships with our customers, vendors and business partners, we shall avoid improper associations and maintain proper relationships that conform to prevailing social standards, to prevent misunderstanding.

In particular, we shall make a clear distinction between official and private matters and shall not exploit one's position or status as a member of the MCHC Group to pursue one's own personal interests in any business activity.

5. Transparency and Openness

Recognizing the importance of accountability in corporate activities, we shall maintain transparency in our corporate activities and proactively disclose appropriate information to uphold "openness" within and without the Company.

The 10 Principles of the UN Global Compact

Human Rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
Principle 2: make sure that they are not complicit in human rights abuses.

Labour Standards

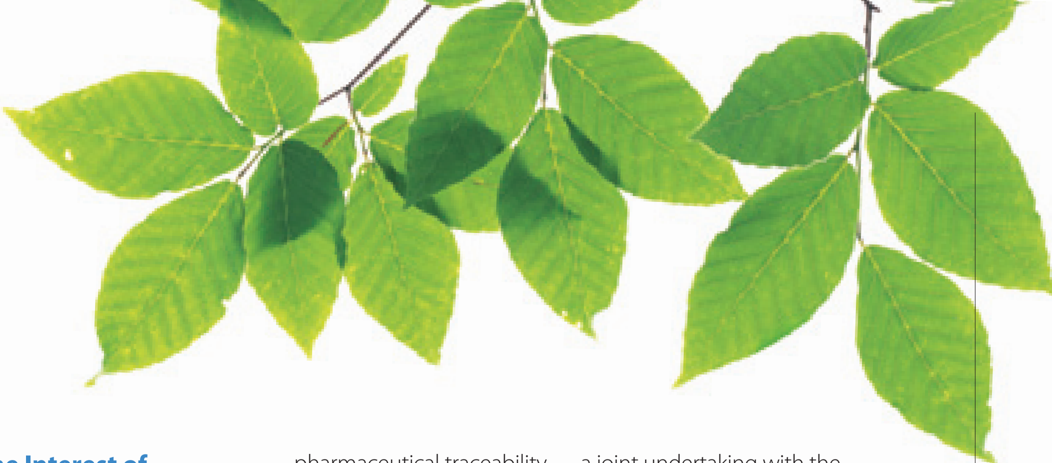
Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
Principle 4: the elimination of all forms of forced and compulsory labour;
Principle 5: the effective abolition of child labour; and
Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges;
Principle 8: undertake initiatives to promote greater environmental responsibility; and
Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-corruption

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.



Pursuing Business Activities in the Interest of Quality, Safety, and the Environment

Stably supplying products; ensuring their quality and safety; providing safe, healthy working environments; and pursuing businesses with low environmental loads are important social responsibilities of a company that is both a raw material manufacturer that has facilities throughout the world and provides a wide variety of materials, products, and systems to a broad array of industries, and a pharmaceutical manufacturer producing products that can significantly benefit human life. Aware of its weighty responsibilities, MCHC, together with all MCHC Group companies, is advancing various measures aimed at improving quality and safety, and protecting the environment. The Mitsubishi Chemical/Mitsubishi Plastics Group is implementing the chemical industry's Responsible Care (RC) activities — voluntary activities aimed at improving environmental, health, and safety performance. These activities are being implemented under five themes: Protecting the environment, safety and disaster prevention, labor safety and health, quality assurance, and product (chemical product) safety. We are building management systems for each, introducing PDCA (Plan-Do-Check-Action) cycles for individual businesses, departments, and themes, and working to achieve medium-to-long term objectives.

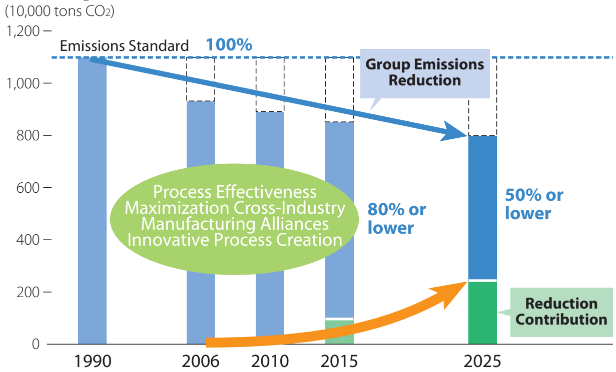
In addition, we are reinforcing the supply chain at Mitsubishi Tanabe Pharma to better meet our responsibility to consistently deliver pharmaceuticals, sharing quality and safety information with affiliates through the newly established Quality and Safety Liaison Committee, and redoubling our efforts aimed at ensuring safety and security in activities like testing pharmaceutical traceability — a joint undertaking with the Ministry of Internal Affairs and Communications.

* Responsible Care (RC) activities are undertaken by companies that handle chemical substances. They include voluntary measures aimed at improving environmental, safety, and health performance in the manufacturing, distribution, use, final consumption, and disposal of chemical substances, and are intended to promote the disclosure of performance results, and dialogs and other forms of communication with society. Originating in Canada in 1985, RC activities are now being implemented in 53 countries (as of October 31, 2007). In Japan, RC activities are overseen by the Japan Responsible Care Council (JRCC), an organization with 103 corporate members (as of October 31, 2007).

Establishment of Greenhouse Gas Reduction Targets

The Group aims at 50% reduction (vs. 1990) of greenhouse gas emission by 2025 through pursuing both process improvements and product innovation. In addition, as future challenges, we will study proactive usage of CO_2 as a carbon source through the Institute of *KAITEKI* Biosphere (provisional name) which is planned to be established in April 2009.

Our Target for 2025



Estimates calculated based on revised (2006) Act on Promotion of Global Warming Countermeasures.

Green and Sustainable Chemistry Award

Mitsubishi Chemical, along with Mitsubishi Chemical Group Science and Technology Research Center and Mitsubishi Chemical Engineering, has been awarded the Minister of Economy, Trade and Industry Prize at the 7th Green and Sustainable Chemistry Award from the Green and Sustainable Chemistry (GSC) Network.

The award was granted for the "development of an environmentally benign THF polymerization process utilizing solid acid catalysis," a new technology concerning the production of polyether compounds (polyoxy tetramethylene glycol, PTMG), a substance for which demand has soared recently as a raw material for the production of elastic fibers. This innovative technology substitutes a new solid acid catalyst, a mixed solid oxide catalyst composed of zirconium oxide and silicon oxide, for the conventional strong acid catalyst (fluorosulfuric acid). This catalyst is distributed stably with high concentration on the surface of porous materials with wider pores (mesoporous materials), so that catalytic activity is not hindered in the polymerization reaction. It has also reduced the environmental burden by substantially achieving zero-emissions of catalyst waste (salt containing fluorine) generated by the acid neutralization in the conventional process. The waste reduction effects have been demonstrated in commercial manufacturing and, furthermore, this new process contributes to energy conservation.

We see this prize as being awarded to honor our achievements in energy conservation and in catalyst technology over many years. Mitsubishi Chemical, along with our entire Group, will further strive to reduce the environmental burden caused by any of our business activities through the promotion of natural resource and energy saving, waste reduction, reuse and recycling, environmental conservation, and the development of related technologies.

International Social Contribution Activities

Realizing a sustainable global society requires that the problem of poverty receive the same kind of attention given to the environment. Since 2006, the MCHC Group has been working with local communities in developing countries and NGOs to build schools. We have undertaken this work because education results not only in greater employment opportunities but also the development of key problem-solving capabilities. The MCHC Group provides construction funding and, through local NGOs, promotes the creation of project organizations that permit local residents to play a leading role. We take this approach in support of our desire that local people, by managing these projects, exercise the innate organizational productivity and problem-solving capabilities of their communities on the way to making their communities independent and capable of achieving further growth in future. In FY2007, we provided support for the construction of schools in both Sierra Leone (West Africa) and Nepal.

Elementary school, Sierra Leone

Junior highschool, Nepal

(Photos by Plan Japan)

Socially Responsible Investment (SRI)

Socially responsible investments in companies that fulfill social responsibilities by undertaking initiatives that benefit the environment and society are drawing significant attention.

As of September 2008, MCHC was included as a component of the FTSE4 Good Global Index, MorningStar Socially Responsible Investment Index, and other such stock indices, as well.

● FTSE4 Good Global Index

The FTSE4 Good Global Index is managed by the Global index company, FTSE Group (jointly owned by the UK's Financial Times and The London Stock Exchange), and was created to evaluate and promote investment in companies that meet internationally recognized corporate responsibility standards. Transparent index management methods, selection standards, and the FTSE Group's excellent brand image make the FTSE4 Good Index Series perfect for SRI products.

● MorningStar Socially Responsible Investment Index

The MorningStar Socially Responsible Investment (MSRI) Index consists of 150 listed Japanese companies which MorningStar Japan K.K. considers to be outstanding in terms of meeting social responsibilities, and is Japan's first socially responsible investment index.

The MSRI Index does not guarantee the future performance of its constituent companies. And, while MorningStar Japan K.K. calculates and manages the index based on data it has judged to be reliable, it makes no guarantees of accuracy or completeness. Notwithstanding the foregoing statements, MorningStar Japan K.K., even if it has been notified of direct, indirect, extraordinary, punitive, incidental, or any other kinds of damages (including lost profits) shall bear no responsibility whatsoever for such damages. Copyrights, other intellectual property rights, and all other rights shall rest with MorningStar Japan K.K. and Morningstar, Inc., and unauthorized reproductions, reprints, and excerpts are prohibited.

Update: Regarding the Fire at the Kashima Plant's No.2 Ethylene Production Facility

On December 21, 2007, four employees of a business partner lost their lives due to a fire at the No. 2 ethylene production facility at Mitsubishi Chemical's Kashima Plant. The MCHC Group took this event very seriously and is enlisting all the resources at its disposal to reinforce its safety management in an effort to prevent a recurrence and restore faith in its operations. More specifically, we are reviewing and revising work systems and procedures based on the findings of an accident investigation committee established by Ibaraki Prefecture, and in the following five areas: 1) Plant safety measures; 2) Safety management measures; 3) Fire safety measures; 4) Damage containment safety measures; and 5) Measures to develop a safety culture. Regarding the development of a safety culture, we are moving forward, from the perspective of a corporate group with multiple businesses, with the implementation of practices aimed at dealing with actual situations and problems, on-site (*Sangenshugi*); training stressing the understanding of underlying reasons; standards for personal actions; and measures aimed at detecting problems, recommending solutions, and building and operating corrective systems. We will also apply what we have learned to improve conditions at our other facilities. The March 2008 establishment of the Safety Culture Promotion Office at the Kashima Plant was the first step in that direction. In addition, considering the importance of daily internal and external communication impacting the effectiveness of such measures, we are moving forward with the planning of safety measures in cooperation with business partners.

Board of Directors, Executive Officers and Corporate Auditors
(As of July 1, 2008)

(Seated from left) Ryuichi Tomizawa, Yoshimitsu Kobayashi
(Standing from left) Etsujiro Koge, Michihiro Tsuchiya, Atsushi Baba, Hiroshi Yoshida, Shotaro Yoshimura

Representative Director,
Member of the Board,
Chairman
Ryuichi Tomizawa

Representative Director,
Member of the Board,
President
Yoshimitsu Kobayashi

Member of the Board,
Managing Executive Officer
Atsushi Baba
Chief Compliance Officer
Supervising - Internal Control Office (Compliance, Risk Management, CSR); Public Relations and Investor Relations Office (PR); Administration Office

Shotaro Yoshimura
Supervising - Corporate Management Office; Internal Control Office (J-SOX); Public Relations and Investor Relations Office (IR); Finance and Accounting Office

Members of the Board
Etsujiro Koge
Michihiro Tsuchiya
Hiroshi Yoshida

Managing Executive Officer
Tokio Niikuni
Supervising - Corporate Strategy Office

Executive Officer
Tomihisa Ikeura
Supervising - Group Synergy Office (Manufacturing Technology)

Tomiaki Ito
Supervising - Group Synergy Office (Product Development)

Noriyoshi Ohira
Supervising - Group Synergy Office (HR and Organization)

Takao Okugawa
General Manager, Public Relations and Investor Relations Office

Hitoshi Ochi
Chief Sustainability Officer,
General Manager,
Corporate Strategy Office

Kuniaki Kaga
General Manager,
Health Care Strategy Office

Motoo Kobayashi
Supervising - Group Synergy Office (Information System)

Shizuo Shuto
Health Care Strategy Office

Eiji Tanaka
Supervising - Group Synergy Office (R&D and Intellectual Property)

Noboru Tsuda
General Manager,
Internal Control Office

Koichi Fujisawa
General Manager,
Administration Office

Kazuchika Yamaguchi
General Manager,
Finance and Accounting Office

Corporate Auditors (Full-time)
Takayasu Kishi
Kazutoshi Kondo
Takashi Nishida*

Corporate Auditors
Hiroyasu Sugihara*
(Attorney-at-law)

Somitsu Takehara*
(Certified public accountant)

* Outside Corporate Auditor

Consolidated Financial Summary

Years ended March 31

	Millions of yen						Millions of U.S. dollars
	Mitsubishi Chemical Holdings Corporation			Mitsubishi Chemical Corporation			Mitsubishi Chemical Holdings Corporation
	2008	2007	2006	2005	2004	2003	**2008**
For the Year:							
Net sales	**¥2,929,810**	¥2,622,820	¥2,408,945	¥2,189,462	¥1,925,331	¥1,887,493	**$29,298.1**
Operating income	**125,046**	128,589	133,619	148,624	98,163	91,962	**1,250.5**
Income before income taxes and minority interests in consolidated subsidiaries	**217,791**	137,802	115,070	106,604	70,804	43,821	**2,177.9**
Net income	**164,064**	100,338	85,569	55,372	34,547	21,386	**1,640.6**
Capital expenditures	**170,051**	130,855	97,864	67,123	69,331	85,339	**1,700.5**
Depreciation and amortization	**102,172**	83,270	88,165	87,708	95,559	103,151	**1,021.7**
R&D expenditures	**112,064**	91,177	89,594	89,215	88,513	91,041	**1,120.6**
Net cash provided by operating activities	**156,173**	63,343	179,723	222,821	144,992	132,480	**1,561.7**
Net cash used in investing activities	**(177,985)**	(133,434)	(74,365)	(57,642)	(75,707)	(56,071)	**(1,779.9)**
Net cash provided by (used in) financing activities	**70,871**	74,492	(97,181)	(171,306)	(70,252)	(92,985)	**708.7**
At Year-End:							
Total assets	**2,765,837**	2,318,832	2,126,612	1,970,528	2,001,601	2,117,002	**27,658.4**
Property, plant and equipment	**852,806**	724,438	686,680	674,953	723,265	811,892	**8,528.1**
Short-term and long-term debt	**822,520**	739,673	636,669	704,077	861,496	962,197	**8,225.2**
Total net assets	**1,095,927**	758,752	656,060	445,977	397,063	350,338	**10,959.3**

	yen						U.S. dollars
Per Share:							
Net income — Basic	**¥ 119.51**	¥ 73.25	¥ 69.51	¥ 25.40	¥ 15.82	¥ 9.75	**$ 1.195**
Net assets	**601.45**	520.05	478.72	205.09	182.59	161.06	**6.015**
Cash dividends	**16.00**	14.00	14.00	6.00	4.00	3.00	**0.160**
Ratios:							
Return on assets (%)	**8.5**	6.1	5.6	5.3	3.4	2.0	—
Return on equity (%)	**21.3**	14.6	15.5	13.1	9.2	6.1	—
Shareholders' equity ratio (%)	**29.9**	30.7	30.8	22.6	19.8	16.5	—

Notes: 1. U.S. dollar amounts are converted from yen, for convenience only, at the rate of ¥100 = U.S.$1.00, the approximate exchange rate prevailing on March 31, 2008.

2. MCHC was established on October 3, 2005 as a holding company through a 100 percent stock transfer (exchange) by Mitsubishi Chemical Corporation ("MCC") and Mitsubishi Pharma Corporation ("MPC"), which was a wholly owned subsidiary of MCC. As a result, MCC and MPC both became domestic wholly-owned subsidiaries of MCHC and the shareholders of MCC and MPC became the shareholders of MCHC. Since, on the formation date the consolidated MCHC Group is in substance the same as the consolidated MCC Group, the consolidated financial statements presented herein for the year ended March 31, 2006 succeeded the ending balance of consolidated retained earnings of MCC as of September 30, 2005, and the consolidated net income of MCHC for the same year succeeded the first half of consolidated income of MCC and the second half of that of MCHC.

3. Financial results of Mitsubishi Chemical Holdings Corporation for the year ended March 31, 2006, comprise Mitsubishi Chemical Corporation' s consolidated financial results for the first half and Mitsubishi Chemical Holdings Corporation' s consolidated financial results for the second half of the year.

4. Prior to 2006, total net assets represents "shareholders' equity." Only in this summary, "shareholders' equity" represents the sum of total shareholders' equity and total valuation, translation adjustments and other.

5. Net income per share of Mitsubishi Chemical Holdings Corporation for the year ended March 31, 2006 is calculated based on the weighted-averagenumber of shares of common stock of Mitsubishi Chemical Corporation for the first half and the weighted-average number of shares of common stock of Mitsubishi Chemical Holdings Corporation for the second half of the year. The number of shares of common stock of Mitsubishi Chemical Corporationis adjusted to the basis of shares of common stock of Mitsubishi Chemical Holdings Corporation by utilizing the stock exchange ratio.

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

7. ROA is calculated as income before income taxes and minority interests in consolidated subsidiaries divided by average total assets.

8. ROE is calculated as net income divided by average shareholders' equity.

Segment Information

Mitsubishi Chemical Holdings Corporation and consolidated subsidiaries
Years ended March 31

INDUSTRY SEGMENT	Net Sales* Millions of yen 2008	Net Sales* Millions of yen 2007	Net Sales* Millions of U.S. dollars 2008	Operating Income Millions of yen 2008	Operating Income Millions of yen 2007	Operating Income Millions of U.S. dollars 2008
Petrochemicals	¥1,431,858	¥1,246,389	$14,318.6	¥ 9,214	¥ 28,197	$ 92.1
Performance and Functional Products:						
Performance Products	522,246	525,706	5,222.5	36,125	35,037	361.3
Functional Products	402,004	399,543	4,020.0	19,246	24,321	192.5
Health Care	395,793	304,722	3,957.9	57,232	39,616	572.3
Others	177,909	146,460	1,779.1	13,144	10,588	131.4
Subtotal	2,929,810	2,622,820	29,298.1	134,961	137,759	1,349.6
Corporate Costs				(9,915)	(9,170)	(99.1)
Total	¥2,929,810	¥2,622,820	$29,298.1	¥125,046	¥128,589	$1,250.5

* Inter-segment sales and transfers are not included.

INDUSTRY SEGMENT	Total Assets Millions of yen 2008	Total Assets Millions of yen 2007	Total Assets Millions of U.S. dollars 2008	Depreciation Millions of yen 2008	Depreciation Millions of yen 2007	Depreciation Millions of U.S. dollars 2008
Petrochemicals	¥ 971,276	¥ 880,087	$ 9,712.8	¥ 32,004	¥ 24,728	$ 320.0
Performance and Functional Products:						
Performance Products	455,659	473,560	4,556.6	21,872	18,425	218.7
Functional Products	357,111	381,639	3,571.1	23,113	18,776	231.1
Health Care	812,773	388,019	8,127.7	16,841	14,558	168.4
Others	323,557	298,908	3,235.6	3,308	3,029	33.1
Subtotal	2,920,376	2,422,213	29,203.8	97,138	79,516	971.4
Corporate Assets and Eliminations	(154,539)	(103,381)	(1,545.4)	5,034	3,754	50.3
Total	¥2,765,837	¥2,318,832	$27,658.4	¥102,172	¥ 83,270	$1,021.7

INDUSTRY SEGMENT	Capital Expenditures Millions of yen 2008	Capital Expenditures Millions of yen 2007	Capital Expenditures Millions of U.S. dollars 2008	R&D Expenditures Millions of yen 2008	R&D Expenditures Millions of yen 2007	R&D Expenditures Millions of U.S. dollars 2008
Petrochemicals	¥ 89,028	¥ 54,585	$ 890.3	¥ 10,945	¥ 9,821	$ 109.5
Performance and Functional Products:						
Performance Products	25,919	23,785	259.2	10,032	10,009	100.3
Functional Products	27,947	29,129	279.5	8,844	8,411	88.4
Health Care	13,658	9,447	136.6	66,300	48,579	663.0
Others	6,102	4,287	61.0	197	323	2.0
Subtotal	162,654	121,233	1,626.5	96,318	77,143	963.2
Corporate R&D and Other	7,397	9,622	74.0	15,746	14,034	157.5
Total	¥ 170,051	¥ 130,855	$ 1,700.5	¥112,064	¥ 91,177	$ 1,120.6

INDUSTRY SEGMENT	Employees (Number) 2008	Employees (Number) 2007
Petrochemicals	5,877	5,311
Performance and Functional Products:		
Performance Products	5,837	5,881
Functional Products	6,678	6,736
Health Care	13,869	9,256
Others	6,146	5,363
Subtotal	38,407	32,547
Corporate R&D and Other	898	900
Total	39,305	33,447

Segment Information

Mitsubishi Chemical Holdings Corporation and consolidated subsidiaries
Years ended March 31

Notes: Beginning with the consolidated fiscal year under review, the business segment classifications for three consolidated subsidiaries have been changed to more clearly reflect the nature of their business operations following changes in their business positions within the Mitsubishi Chemical Holdings Corporation (MCHC) Group. The business segment classification for one of these consolidated subsidiaries was changed from Functional Products Segment, to Petrochemicals Segment. The classifications for the other two consolidated subsidiaries, meanwhile, were changed from Others, to Petrochemicals Segment. As a result of these changes, Petrochemicals Segment net sales for the fiscal year under review was ¥22,317 million higher than it would have been under the previous business segment classification. Similarly, Functional Products Segment net sales was ¥21,261 million lower and Others net sales were ¥1,056 million lower. Operating income was ¥941 million higher in the Petrochemicals Segment, but lower by ¥907 million in the Functional Products Segment and ¥34 million in the Others. Total assets increased by ¥9,911 million for the Petrochemicals Segment and decreased by ¥8,945 million for the Functional Products Segment and ¥966 million for the Others. Depreciation rose by ¥156 million in the Petrochemicals Segment and fell by ¥146 million in the Functional Products Segment and ¥10 million in the Others. Lastly, capital expenditures were higher by ¥163 million in the Petrochemicals Segment and lower by ¥154 million in the Functional Products Segment and ¥9 million in the Others.

As mentioned under "Accounting Change" in "1 Significant Accounting Policies (e)Property, Plant and Equipment" in the Notes to the Consolidated Financial Statements, MCHC and its domestic consolidated subsidiaries have adopted a new method of depreciation for property, plant and equipment acquired on or after April 1, 2007. This change was made based on an amendment to the Japanese Corporate Tax Law. As a result, operating expenses for the consolidated fiscal year under review increased by ¥614 million for the Petrochemicals Segment, ¥530 million for the Performance Products Segment, ¥660 million for the Functional Products Segment, ¥490 million for the Health Care Segment, and ¥97 million for the Others. Corporate Costs increased by ¥566 million, while operating income decreased by the same amount.

Furthermore, as mentioned in the Additional Information, pursuant to an amendment to the Japanese Corporate Tax Law, MCHC and its domestic consolidated subsidiaries depreciate the difference between 5% of the acquisition cost of assets acquired on or before March 31,2007 and the memorandum value of said assets uniformly over a five-year period, starting the year following the fiscal year in which the depreciated value of said assets reaches 5% of the acquisition price using the pre-amendment depreciation method. Depreciated amounts are included in depreciation expenses. As a result, operating expenses for the consolidated fiscal year under review increased by ¥3,381 million for the Petrochemicals Segment, ¥2,601 million for the Performance Products Segment, ¥774 million for the Functional Products Segment, ¥661 million for the Health Care Segment, and ¥208 million for the Others, compared to what they would have been using the previous depreciation method. Corporate Costs increased by ¥1,165 million, while operating income decreased by the same amount.

	Net Sales*			Operating Income		
	Millions of yen		Millions of U.S. dollars	Millions of yen		Millions of U.S. dollars
GEOGRAPHIC DISTRIBUTION	**2008**	2007	**2008**	**2008**	2007	**2008**
Japan	**¥2,420,639**	¥2,182,021	**$24,206.4**	**¥136,740**	¥139,852	**$1,367.4**
Asia	**341,175**	281,679	**3,411.8**	**(4,609)**	(3,922)	**(46.1)**
Other	**167,996**	159,120	**1,679.9**	**2,830**	1,829	**28.3**
Subtotal	**2,929,810**	2,622,820	**29,298.1**	**134,961**	137,759	**1,349.6**
Corporate Costs				**(9,915)**	(9,170)	**(99.1)**
Total	**¥2,929,810**	¥2,622,820	**$29,298.1**	**¥125,046**	¥128,589	**$1,250.5**

Notes: As mentioned in the Notes to the Consolidated Financial Statements, MCHC and its domestic consolidated subsidiaries have adopted a new method of depreciation for property, plant and equipment acquired on or after April 1, 2007. This change was made based on an amendment to the Japanese Corporate Tax Law. As a result, operating expenses related to operations in Japan for the consolidated fiscal year under review increased by ¥2,391 million, while Corporate Costs increased by ¥566 million and operating income decreased by the same amount.

Furthermore, as mentioned in the Additional Information, pursuant to an amendment to the Japanese Corporate Tax Law, MCHC and its domestic consolidated subsidiaries depreciate the difference between 5% of the acquisition cost of assets acquired on or before March 31,2007 and the memorandum value of said assets uniformly over a five-year period, starting the year following the fiscal year in which the depreciated value of said assets reaches 5% of the acquisition price using the pre-amendment depreciation method. Depreciated amounts are included in depreciation expenses. As a result, operating expenses for the consolidated fiscal year under review increased by ¥7,625 million for operations in Japan, compared to what they would have been using the previous depreciation method. Corporate Costs increased by ¥1,165 million, while operating income decreased by the same amount.

	Total Assets		
	Millions of yen		Millions of U.S. dollars
GEOGRAPHIC DISTRIBUTION	**2008**	2007	**2008**
Japan	**¥2,273,516**	¥1,834,794	**$22,735.2**
Asia	**277,178**	235,130	**2,771.8**
Other	**141,954**	137,486	**1,419.5**
Subtotal	**2,692,648**	2,207,410	**26,926.5**
Corporate Assets and Eliminations	**73,189**	111,422	**731.9**
Total	**¥2,765,837**	¥2,318,832	**$27,658.4**

	Millions of yen		Millions of U.S. dollars
OVERSEAS SALES	**2008**	2007	**2008**
Asia	**¥ 550,898**	¥ 481,482	**$ 5,509.0**
Other	**244,499**	225,636	**2,445.0**
Total Overseas Sales	**795,397**	707,118	**7,954.0**
Consolidated Sales	**2,929,810**	2,622,820	**29,298.1**
Total Overseas Sales as a Percentage of Consolidated Sales	**27.1%**	26.9%	—

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

The Consolidated Accounting Period in Review

Overview of Results

During the year ended March 31, 2008, the Japanese economy expanded at a moderate rate on the strength of capital expenditures encouraged by higher exports to China and other Asian countries and favorable corporate earnings. Entering the latter half, however, the subprime housing loan problem set the stage for growing fears of a US economic slowdown and financial market uncertainty, amid sudden increases in crude oil and other raw material and fuel prices. The addition of rapid yen appreciation resulted in signs of an economic weakening in Japan.

Regarding business conditions facing the Mitsubishi Chemical Holdings Corporation ("MCHC") Group, domestic and overseas demand generally remained solid for petrochemical products. Nevertheless, with the surge in crude oil prices and lackluster conditions in some overseas product markets, severe conditions took hold after the latter half of the third quarter. For pharmaceuticals and other health care areas, the trend toward tighter drug price controls continued amid increasingly heated competition, and there was no let up in the extremely difficult business conditions for the Health Care Segment.

Within that context, the MCHC Group revised product prices and worked to expand sales and cut costs. In addition, because the year under review was the final year of the three-year KAKUSHIN Plan: Phase 2, we concentrated management resources on R&D and capital expenditures for key markets, and enlisted the resource of the entire Group in measures like applying custom R&D facilities to develop solutions for customers and strengthening technical and marketing capabilities by establishing facilities like the Automotive Solutions for pursuing the overall development of technologies and product groups.

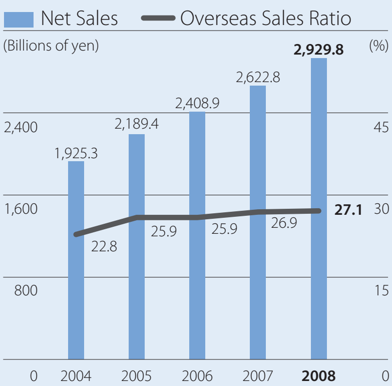
As a result, net sales, reflecting factors like petrochemical and other product price revisions in response to surging crude fuel prices and the launch of Mitsubishi Tanabe Pharma Corporation ("MTPC") through the merger of Mitsubishi Pharma Corporation ("MPC") and Tanabe Seiyaku Co., Ltd., came to ¥2,929.8 billion. Operating income, however, declined by 2.7%, to ¥125.0 billion, as rapidly rising raw material and fuel prices, downturns in some petrochemical product markets, and the effects of an accident at Mitsubishi Chemical Corporation's ("MCC") Kashima Plant more than offset the business expansion realized through the launching of MTPC.

Results of Operations

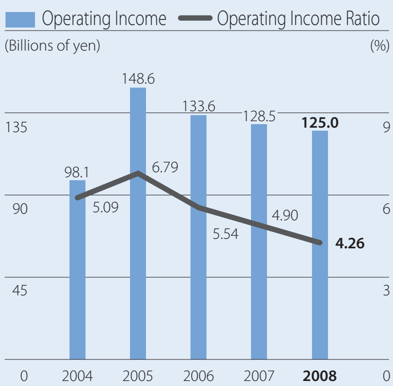
Net Sales

Business conditions for the MCHC Group included generally solid domestic and overseas demand, primarily for petrochemical products, but sudden increases in raw material and fuel

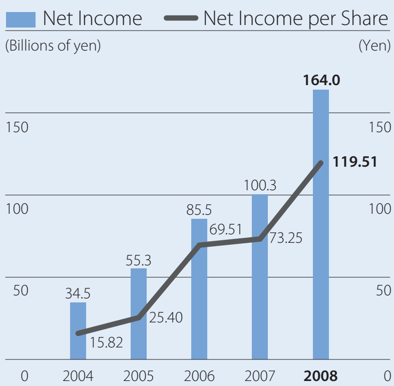
Net Sales



Operating Income



Net Income



prices and anemic overseas markets for some products resulted in difficult conditions beginning after the latter half of the third quarter. In addition, in pharmaceuticals and other health care areas, market competition increased significantly as severe business conditions, including the trend toward tighter drug price controls continued.

Within that context, net sales grew 11.7%, to ¥2,929.8 billion, reflecting primarily petrochemical product price revisions implemented in response to raw material and fuel price surges, and MPC's merger with Tanabe Seiyaku Co., Ltd. to create MTPC.

Operating Income

Operating income was helped by the business expansion resulting from the launch of MTPC, and by solid sales of key pharmaceutical products, which increased sales in the Health Care Segment. However, ongoing weakness in overseas markets for terephthalic acid and effects of an accident at MCC's Kashima Plant in the Petrochemical Segment, and delays in revising some product prices in response to sharply higher raw material and fuel prices in the Functional Products business in the Performance and Functional Products Segment caused operating income to decrease by 2.7%, or ¥3.5 billion, to ¥125.0 billion.

Consequently, the operating income ratio declined from 4.9%, to 4.2%, because of lower operating income and higher sales of petrochemical products, resulting from increases in raw material prices.

Other Income and Expenses

For the fiscal year ended March 31, 2008, interest income came to ¥3.1 billion, up ¥1.3 billion, and dividend income amounted to ¥5.7 billion, also up ¥1.3 billion. Interest expense ended the year at ¥15.3 billion, up ¥2.8 billion, primarily due to causes related to the start of production at Ningbo Mitsubishi Chemical Co., Ltd., a consolidated subsidiary in China involved in the terephthalic acid business.

As a result, net financial expenses totaled ¥6.3 billion, up ¥0.1 billion.

Equity in earnings of unconsolidated subsidiaries and affiliates amounted to ¥8.1 billion, down ¥7.1 billion. The primary causes of this decline were decreace of profit at Mitsubishi Engineering-Plastics Corporation, turning to red figures at Sam Nam Petrochemical Co., Ltd., and greater losses at an overseas equity-method company involved in the terephthalic acid business, and losses related to the decision to dissolve the Mitsubishi Kagaku Institute of Life Sciences.

Foreign exchange gains for the fiscal year ended March 31, 2008 came to ¥3.2 billion, down ¥1.8 billion.

In addition to the above, a ¥117.5 billion gain on changes in equity of affiliated companies was recorded in connection with the merger of MPC and Tanabe Seiyaku Co., Ltd.

MTPC recorded a ¥9.5 billion provision for possible losses in connection with litigation. These include an estimated liability of ¥9.1 billion to provide for losses that may arise in the future from a settlement of lawsuits filed by plaintiffs infected with HCV (hepatitis C virus), and an estimated liability of ¥0.4 billion to provide for future payments of health management allowances and settlement payments in connection with a lawsuit for damages filed by plaintiffs infected with HIV. In addition, ¥4.9 billion in costs were recorded in connection with the merger of MPC and Tanabe Seiyaku Co., Ltd. and ¥3.0 billion in losses were caused by plant shutdown and low operation due to the accident at MCC's Kashima Plant.

Net Income

Current income tax came to ¥39.7 billion for the fiscal year ended March 31, 2008. Deferred income taxes came to ¥6.2 billion, resulting in a taxation expense of ¥45.9 billion. After applying tax-effect accounting, the income tax burden was 21.1%, 19.5 percentage points below the statutory tax rate. The primary reason for this difference was a ¥117.5 billion gain on changes in equity of affiliated companies, recorded in connection with the merger of MPC and Tanabe Seiyaku Co., Ltd.

Minority interests in consolidated subsidiaries amounted to ¥7.7 billion, an increase of ¥3.6 billion. The main cause of this increase was the creation of a minority interest in connection with the merger of MPC, a wholly owned subsidiary, and Tanabe Seiyaku Co., Ltd.

As a result of the above, net income increased by ¥63.7 billion, or 63.5%, to ¥164.0 billion.

Results by Industry Segment

Petrochemicals

The production volume for ethylene, a basic raw material for the Petrochemicals Segment, came to 1,200 kt, down 10.6% compared to the prior fiscal year, because of the impact of an accident at MCC's Kashima Plant.

The Basic petrochemicals, chemical products, synthetic fiber intermediates, synthetic resins and performance polymers continued to enjoy strong domestic and overseas demand, and, despite a production decrease resulting from the accident mentioned above, factors like price revisions to adjust for surging raw material and energy prices, generally higher prices in overseas markets, and the start of terephthalic acid production in China resulted in higher sales.

As a result, sales in the Petrochemical Segment totaled ¥1,431.8 billion, up 14.8%. Operating income, however, declined by 67.3%, to ¥9.2 billion, due to causes like weak overseas markets for terephthalic acid, a synthetic fiber intermediate, and the impact of the accident mentioned above.

Major Initiatives

- Mitsubishi Chemical Corporation decided to increase propylene production capacity at the Kashima Plant. (April 2007)
- Beijing Ju-Ling-Yan Plastic Company Limited decided to construct a new plant for polypropylene compound in Foshan City, Guangdong Province in China. (June 2007)
- Mitsubishi Chemical Performance Polymers, Inc. completed expansion of 4,600 kta production facility for performance polymer compounds and started its operation. (July 2007)
- Mitsubishi Chemical Corporation decided to construct a new 25,000 kta production facility for polytetramethylene ether glycol in the Nigbo Daxie Development Zone, Nigbo City, Zhejiang Province, China. (August 2007)

Performance and Functional Products

Performance Products

Despite persistently strong demand for DVDs, falling sales prices resulted in lower sales of optical recording media. Falling sales prices also caused lower sales of organic photo conductor (OPC) drums, toner and other office printing materials, for which sales volumes actually rose. Food ingredient sales remained strong, increasing for the fiscal year . Among the carbon businesses, coking coal sales benefited from solid demand from domestic steelmakers, but a fall in the price of coal, the raw material for coking coal, led to a decline in product prices, and sales ended the year lower.

Functional Products

Strong demand for protective films for liquid crystal displays ("LCD") and other products resulted in higher sales of various film and sheet products. Sales of injection-molded and other information and electronics-related products approximated the level of a year ago. And sales of carbon and alumina fibers and other materials for industrial and construction applications rose on product price revisions and redoubled sales efforts.

As a result, sales in the Performance and Functional Products Segment came to ¥924.2 billion, down 0.1%. Operating income declined by 6.7%, to ¥55.3 billion, partly due to a delay in revising some product prices in response to surging raw material and fuel prices.

Major Initiatives

- Mitsubishi Polyester Film Corporation decided to increase 10,000 pta polyester film production capacity and construct its new 4,000 pta production line for coating at its Shiga Plant. (July 2007)
- Mitsubishi Plastics, Inc. developed a new grade of bi-axially oriented high gas barrier nylon film with straight cut property, SUPERNYL type SPR-M. (June 2007)
- Mitsubishi Chemical Corporation expanded a production facility of electrolyte for Li-ion battery and started the production in the Yokkaichi Plant. (October 2007)
- Mitsubishi Plastics, Inc. completed a stock-for-stock exchange with Mitsubishi Chemical Corporation. (October 2007)
- Mitsubishi Kagaku Media Co., Ltd. launched the world's first recordable Blue-ray Disc, which utilizes organic dye in the recording layer. (February 2008)

Health Care

In October 2007, Mitsubishi Pharma Corporation ("MPC") merged with Tanabe Seiyaku Co., Ltd. to create Mitsubishi Tanabe Pharma Corporation ("MTPC"), a listed consolidated subsidiary. The purpose of the merger is to expand and strengthen the Health Care Segment's core pharmaceutical business. The launching of MTPC resulted in a significant sales increase by enlarging the scale of pharmaceutical operations and increasing sales volumes for mainstay products like the anti-TNFα monoclonal antibody, "Remicade;" the agent for treatment of allergic disorders, "Talion;" the anti-platelet, "Anplag;" and the agent for improving hepatic, biliary and digestive functions, "Urso." The clinical testing and drug discovery support businesses both turned in solid performances, and higher sales.

In total, Health Care Segment sales increased by 29.8%, to ¥395.7 billion. Operating income grew by 44.4%, to ¥57.2 billion.

Major Initiatives

- Mitsubishi Chemical Corporation agreed to commence a joint research on biomarker discovery for cerebral infarction with Graduate School of Medical Sciences, Kyushu University and Hisayama Research Institute for Lifestyle Diseases. (July 2007)
- Mitsubishi Tanabe Pharma Corporation received approval for anti-tumor necrosis factor (TNF)-α monoclonal antibody preparation Remicade for Drip Infusion 100 (generic name: infliximab) for extended indication of maintenance therapy for Crohn's disease. (November 2007)

Others

Sales in the engineering and logistics businesses rose on higher orders in both areas.

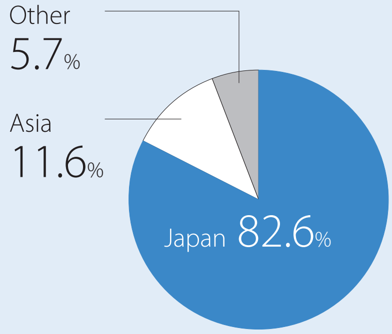
For the segment, therefore, sales grew by 21.4%, to ¥177.9 billion. Operating income increased by 24.1%, to ¥13.1 billion.

Results by Geographic Distribution

Japan

MCHC Group companies reported ¥2,420.6 billion in sales, up 10.9%, on product prices increased in response to soaring naphtha and other raw material and fuel prices, and the launch of MTPC. Despite the formation of that new company, however, operating income fell by 2.2%, to ¥136.7 billion, due to delays in revising some product prices in response to the surge in raw material and fuel prices and the impact of an accident at MCC's Kashima Plant.

Sales Breakdown



Asia

MCHC Group companies in Asia reported sales up 21.1%, to ¥341.1 billion, on factors like the startup of terephthalic acid production in China and high sales of petrochemical products. Ongoing weakness in overseas markets for terephthalic acid, however, resulted in an operating loss of ¥4.6 billion, 17.5% greater than the loss reported for previous fiscal year.

Other Regions

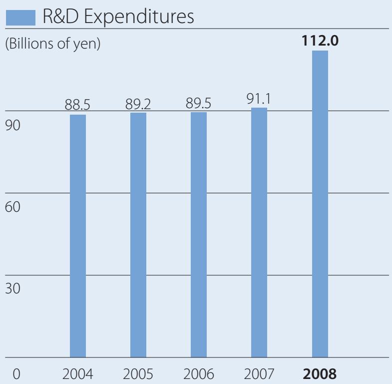
Overseas MCHC Group companies in areas outside of Asia reported sales of ¥167.9 billion, up 5.5%, and operating income of ¥2.8 billion, up 54.7%, on higher sales of optical disk-related products and film and sheet products for semiconductors and LCDs.

R&D Expenditures

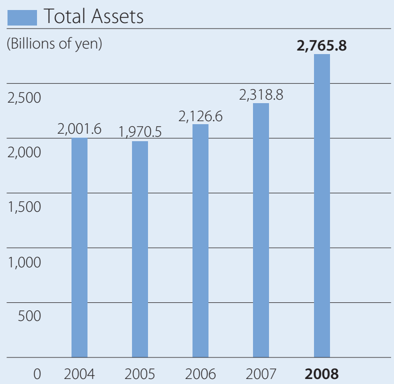
R&D activities are performed by MCHC Group companies working independently and efforts are made to work together and strengthen ties among MCHC Group companies through the close sharing of information on technologies and markets, collaborative research and mutual commissioning of R&D operations. In addition, the MCHC Group is moving aggressively on joint R&D activities with non-MCHC Group companies, and taking other steps to develop new technologies and improve existing technologies.

MCHC Group had 4,370 R&D employees as of March 31, 2008 and recorded R&D expenditures of ¥112.0 billion for the fiscal year.

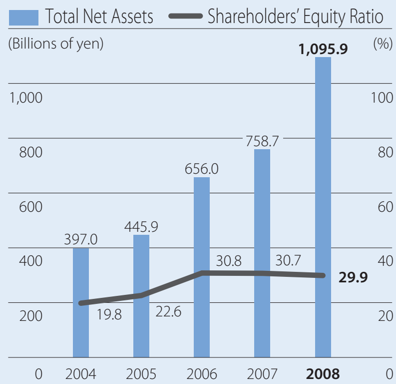
R&D Expenditures



Total Assets



Total Net Assets



Liquidity and Source of Funds

Financial Position

Because the merger of MPC with Tanabe Seiyaku Co., Ltd. was qualified as a reverse acquisition under the Accounting Standards for Business Combinations, the financial statement treatment is to apply the purchase method with MPC, the company that ceased to exist, as the purchasing company. The assets and liabilities of Tanabe Seiyaku Co., Ltd., therefore, were assumed at market value as of the end of September 2007.

Assets

Total assets of the MCHC Group as of March 31, 2008 came to ¥2,765.8 billion, an increase of ¥447.0 billion from the end of the previous fiscal year. The final day of the previous fiscal year was a bank holiday and had a negative impact on total assets, but the merger of MPC and Tanabe Seiyaku Co., Ltd. added ¥330.3 billion in assets, not including the recording of ¥85.0 billion in goodwill as an intangible fixed asset, and expanded capital expenditures added to fixed assets.

Liabilities

Total liabilities as of March 31, 2008, came to ¥1,669.9 billion, an increase of ¥109.8 billion from the end of the previous fiscal year. As noted above, the final day of the previous fiscal year was a bank holiday and this worked to lower total liabilities. This decrease, however, was more than offset by an increase in interest-bearing debt and the assumption of ¥79.4 billion in liabilities related to the merger mentioned above.

Net Assets

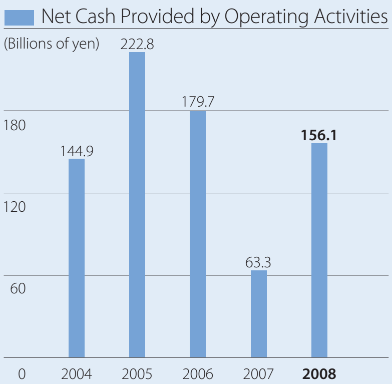
Net assets as of March 31, 2008, came to ¥1,095.9 billion, an increase of ¥337.1 billion from the end of the previous fiscal year. Contributing to this result were MCHC's dividend payments, a decrease of ¥35.2 billion in write-downs of other investments due to declines in market value, an increase of ¥221.2 billion in minority interests due to factors like the creation of a minority interest by the merger of the wholly owned subsidiary MPC with Tanabe Seiyaku Co., Ltd., and a ¥143.5 billion increase in retained earnings arising principally from the recording of ¥164.0 billion in net income.

The shareholders' equity ratio as of the end of the fiscal year was 29.9%, down 0.8 percentage points from the end of the previous fiscal year.

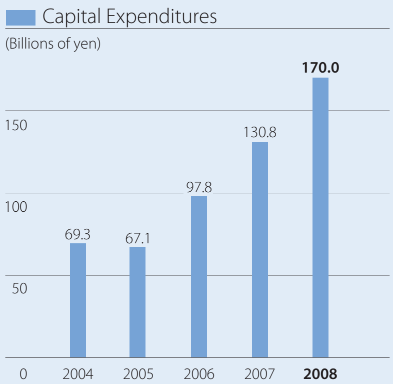
Cash Flows

Free cash flows, which consist of cash flows from operating and investing activities, came to a total of ¥21.8 billion used, compared with ¥70.0 billion used in the previous fiscal year.

Net Cash Provided by Operating Activities



Capital Expenditures



Cash Flows from Operating Activities

For the fiscal year ended March 31, 2008, net cash provided by operating activities was ¥156.1 billion, up ¥92.8 billion from the previous fiscal year. This was primarily due to the fact that the last day of the previous fiscal year was a bank holiday, which caused a decrease in trade receivables.

Cash Flows from Investing Activities

For the fiscal year ended March 31, 2008, net cash used in investing activities was ¥177.9 billion, up ¥44.5 billion from the previous fiscal year. The main reason for this increase was higher capital expenditures.

Cash Flows from Financing Activities

For the fiscal year ended March 31, 2008, net cash provided by financing activities was ¥70.8 billion, down ¥3.6 billion from the previous fiscal year. Cash was used for purposes like repaying borrowings and redeeming bonds, but a greater amount of cash was provided from the issuance of bonds with warrants, and other financing activities.

In sum, cash and cash equivalents as of the end of the fiscal year ended March 31, 2008, including inflows of ¥47.2 billion from the merger of MPC and Tanabe Seiyaku Co., Ltd., came to ¥165.7 billion, up ¥97.7 billion from the end of the previous fiscal year.

Capital Expenditures

Capital expenditures for the fiscal year ended March 31, 2008 were ¥170.0 billion, an increase of ¥39.1 billion compared with the previous fiscal year. Of these expenditures, ¥94.9 billion was for new facilities and facility expansions, ¥20.6 was related to streamlining, ¥9.4 billion went for R&D, whereas ¥45.0 billion was for other uses. The major projects involving investment in new or expanded facilities were the productive capacity expansion of PTA plant of MCC PTA India Corp. Private Limited and of polycarbonate resin and diphenyl polycarbonate facility of MCC at its Kurosaki Plant in the Petrochemicals Segment.

Consolidated Balance Sheets

Mitsubishi Chemical Holdings Corporation and consolidated subsidiaries
As of March 31

Assets

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2008	2007	2008
Current assets:			
Cash and cash equivalents	¥ 165,748	¥ 67,995	$ 1,657,480
Short-term investments	802	1,514	8,020
Securities (Note 8)	5,200	47	52,000
Trade receivables	665,703	661,140	6,657,030
Inventories:			
Finished goods	210,831	174,464	2,108,310
Work in process	88,501	73,171	885,010
Raw materials and supplies	123,349	109,655	1,233,490
Land held for sale	4,462	5,173	44,620
Deferred income taxes—current (Note 12)	32,703	31,708	327,030
Prepaid expenses and other current assets	28,799	22,613	287,990
Allowance for doubtful accounts	(1,127)	(1,682)	(11,270)
Total current assets	1,324,971	1,145,798	13,249,710
Property, plant and equipment (Note 15)**:**			
Land	212,763	172,396	2,127,630
Buildings	706,037	631,340	7,060,370
Machinery and equipment	1,672,689	1,540,388	16,726,890
Construction in progress	105,693	84,764	1,056,930
	2,697,182	2,428,888	26,971,820
Accumulated depreciation	(1,844,376)	(1,704,450)	(18,443,760)
Property, plant and equipment, net	852,806	724,438	8,528,060
Investments and other assets:			
Investment securities (Note 8)	356,420	337,724	3,564,200
Long-term loans receivable	5,858	8,135	58,580
Deferred income taxes—non-current (Note 12)	26,634	17,331	266,340
Goodwill	98,746	18,043	987,460
Other	101,697	68,693	1,016,970
Allowance for doubtful accounts	(1,295)	(1,330)	(12,950)
Total investments and other assets	588,060	448,596	5,880,600
Total assets	¥2,765,837	¥2,318,832	$27,658,370

Liabilities and Net Assets

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2008	2007	**2008**
Current liabilities:			
Short-term debt (Note 15)	**¥ 232,051**	¥ 244,871	**$ 2,320,510**
Current portion of long-term debt (Note 15)	**75,900**	82,765	**759,000**
Trade payables	**547,797**	557,785	**5,477,970**
Accrued expenses	**68,193**	58,820	**681,930**
Accrued income taxes	**24,764**	16,468	**247,640**
Other current liabilities	**50,148**	49,998	**501,480**
Total current liabilities	**998,853**	1,010,707	**9,988,530**
Long-term liabilities:			
Long-term debt (Note 15)	**514,569**	412,037	**5,145,690**
Accrued retirement benefits (Note 10)	**82,577**	86,274	**825,770**
Other non-current liabilities	**73,911**	51,062	**739,110**
Total long-term liabilities	**671,057**	549,373	**6,710,570**
Net Assets (Note 5)**:**			
Shareholders' equity:			
Common stock:			
Authorized—6,000,000 thousand shares;			
Issued and outstanding— 1,506,288 thousand shares at March 31, 2008 and 1,806,288 thousand shares at March 31, 2007	**50,000**	50,000	**500,000**
Additional paid-in capital	**303,063**	379,793	**3,030,630**
Retained earnings	**465,638**	322,049	**4,656,380**
Less, Treasury stock at cost— 129,943 thousand shares at March 31, 2008 and 436,895 thousand shares at March 31, 2007	**(37,109)**	(120,693)	**(371,090)**
Total shareholders' equity	**781,592**	631,149	**7,815,920**
Valuation, translation adjustments and other:			
Net unrealized holding gain on other securities	**44,720**	80,016	**447,200**
Loss on deferred hedges	**(789)**	(16)	**(7,890)**
Land revaluation surplus	**1,765**	1,858	**17,650**
Foreign currency translation adjustments	**2,246**	3,179	**22,460**
Unfunded retirement benefit obligation with respect to a foreign subsidiary	**(1,725)**	(4,026)	**(17,250)**
Total valuation, translation adjustments and other	**46,217**	81,011	**462,170**
Warrants (Note 11)	**807**	543	**8,070**
Minority interests in consolidated subsidiaries	**267,311**	46,049	**2,673,110**
Total net assets	**1,095,927**	758,752	**10,959,270**
Total liabilities and net assets	**¥2,765,837**	¥2,318,832	**$27,658,370**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Income

Mitsubishi Chemical Holdings Corporation and consolidated subsidiaries
Years ended March 31

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2008	2007	**2008**
Net sales	**¥2,929,810**	¥2,622,820	**$29,298,100**
Cost of sales (Note 4)	**2,358,509**	2,104,642	**23,585,090**
Gross profit	**571,301**	518,178	**5,713,010**
Selling, general and administrative expenses (Note 4)	**446,255**	389,589	**4,462,550**
Operating income	**125,046**	128,589	**1,250,460**
Other income (expenses):			
Interest expense	**(15,312)**	(12,432)	**(153,120)**
Interest income	**3,158**	1,785	**31,580**
Dividend income	**5,780**	4,460	**57,800**
Equity in earnings of unconsolidated subsidiaries and affiliates	**8,101**	15,210	**81,010**
Foreign exchange gain, net	**3,280**	5,118	**32,800**
Provision for possible losses in connection with litigation	**(9,532)**	(2,092)	**(95,320)**
Loss on sales and disposal of property, plant and equipment, net	**(5,434)**	(2,615)	**(54,340)**
Cost related to MTPC merger	**(4,904)**	—	**(49,040)**
Loss caused by plant shutdown and low operation at MCCs Kashima plant	**(3,007)**	—	**(30,070)**
Provision for loss on disposal of businesses	**(2,822)**	(3,115)	**(28,220)**
Amortization of initial cost of business	**(1,949)**	—	**(19,490)**
Loss on impairment of fixed assets	**(1,883)**	(1,191)	**(18,830)**
Provision for prospective loss on removal of fixed assets	**(1,821)**	(2,987)	**(18,210)**
Additional benefits for employees' early retirement (Note 10)	**(1,253)**	(300)	**(12,530)**
Additional depreciation of property, plant and equipment	**(331)**	(353)	**(3,310)**
Write-downs of securities and investment securities	**(161)**	(692)	**(1,610)**
Gain on changes in equity of affiliated companies	**118,091**	—	**1,180,910**
Gain on reimbursement of salaries for employees on secondment, net	**1,307**	2,022	**13,070**
Gain on sales of securities and investment securities	**1,049**	6,905	**10,490**
Other, net	**388**	(510)	**3,880**
Income before income taxes and minority interests in consolidated subsidiaries	**217,791**	137,802	**2,177,910**
Income taxes (Note 12)**:**			
Current	**39,773**	5,745	**397,730**
Deferred	**6,218**	27,606	**62,180**
	45,991	33,351	**459,910**
Minority interests in consolidated subsidiaries	**(7,736)**	(4,113)	**(77,360)**
Net income	**¥164,064**	¥100,338	**$1,640,640**

The accompanying notes are an integral part of these statements.

	yen		U.S. dollars
Per share (Note 14):			
Net income—Basic	**¥119.51**	¥73.25	**$1.195**
—Diluted	**114.51**	73.21	**1.145**
Cash dividends	**16.00**	14.00	**0.160**

Consolidated Statement of Changes in Net Assets

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

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

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

Year ended March 31, 2008

		Millions of yen				
		Shareholders' equity				
	Number of outstanding shares of common stock (thousands)	Common stock	Retained earnings	Additional paid-in capital	Treasury stock at cost	Total shareholders' equity
Balance at March 31, 2007	1,806,288	¥50,000	¥379,793	¥322,049	(¥120,693)	¥631,149
Cash dividends	—	—	—	**(20,544)**	—	**(20,544)**
Net income	—	—	—	**164,064**	—	**164,064**
Purchases of treasury stock	—	—	—	—	**(604)**	**(604)**
Disposition of treasury stock	—	—	**5,390**	—	**2,069**	**7,459**
Retirement of treasury stock	**(300,000)**	—	**(82,120)**	—	**82,120**	—
Increase by merger	—	—	—	**239**	—	**239**
Change of scope of equity method	—	—	—	**(217)**	—	**(217)**
Reversal of revaluation reserve for land	—	—	—	**93**	—	**93**
Orher	—	—	—	**(46)**	—	**(46)**
Net change in items other than those in shareholders' equity	—	—	—	—	—	—
Balance at March 31, 2008	**1,506,288**	**¥50,000**	**¥303,063**	**¥465,638**	**(¥37,109)**	**¥781,592**

	Millions of yen								
	Valuation, translation adjustments and other								
	Net unrealized holding gain on other securities	Loss on deferred hedges	Land revaluation surplus	Foreign currency translation adjustments	Unfunded retirement benefit obligation with respect to a foreign subsidiary	Total valuation, translation adjustments and other	Warrants	Minority interests in consolidated subsidiaries	Total net assets
Balance at March 31, 2007	¥80,016	(¥16)	¥1,858	¥3,179	(¥4,026)	¥81,011	¥543	¥46,049	¥758,752
Cash dividends	—	—	—	—	—	—	—	—	**(20,544)**
Net income	—	—	—	—	—	—	—	—	**164,064**
Purchases of treasury stock	—	—	—	—	—	—	—	—	**(604)**
Disposition of treasury stock	—	—	—	—	—	—	—	—	**7,459**
Retirement of treasury stock	—	—	—	—	—	—	—	—	—
Increase by merger	—	—	—	—	—	—	—	—	**239**
Change of scope of equity method	—	—	—	—	—	—	—	—	**(217)**
Reversal of revaluation reserve for land	—	—	**(93)**	—	—	**(93)**	—	—	—
Orher	—	—	—	—	—	—	—	—	**(46)**
Net change in items other than those in shareholders' equity	**(35,296)**	**(773)**	—	**(933)**	**2,301**	**(34,701)**	**263**	**221,262**	**186,824**
Balance at March 31, 2008	**¥44,720**	**(¥789)**	**¥1,765**	**¥2,246**	**(¥1,725)**	**¥46,217**	**¥807**	**¥267,311**	**¥1,095,927**

	Number of outstanding shares of common stock (thousands)	Thousands of U.S. dollars (Note 2)				
		Shareholders' equity				
		Common stock	Retained earnings	Additional paid-in capital	Treasury stock at cost	Total shareholders' equity
Balance at March 31, 2007	1,806,288	$500,000	$3,797,930	$3,220,490	($1,206,930)	$6,311,490
Cash dividends	—	—	—	**(205,440)**	—	**(205,440)**
Net income	—	—	—	**1,640,640**	—	**1,640,640**
Purchases of treasury stock	—	—	—	—	**(6,040)**	**(6,040)**
Disposition of treasury stock	—	—	**53,900**	—	**20,690**	**74,590**
Retirement of treasury stock	**(300,000)**	—	**(821,200)**	—	**821,200**	—
Increase by merger	—	—	—	**2,390**	—	**2,390**
Change of scope of equity method	—	—	—	**(2,170)**	—	**(2,170)**
Reversal of revaluation reserve for land	—	—	—	**930**	—	**930**
Orher	—	—	—	**(460)**	—	**(460)**
Net change in items other than those in shareholders' equity	—	—	—	—	—	—
Balance at March 31, 2008	**1,506,288**	**$500,000**	**$3,030,630**	**$4,656,380**	**($371,090)**	**$7,815,920**

	Thousands of U.S. dollars (Note 2)								
	Valuation, translation adjustments and other								
	Net unrealized holding gain on other securities	Loss on deferred hedges	Land revaluation surplus	Foreign currency translation adjustments	Unfunded retirement benefit obligation with respect to a foreign subsidiary	Total valuation, translation adjustments and other	Warrants	Minority interests in consolidated subsidiaries	Total net assets
Balance at March 31, 2007	$800,160	($160)	$18,580	$31,790	($40,260)	$810,110	$5,430	$460,490	$7,587,520
Cash dividends	—	—	—	—	—	—	—	—	**(205,440)**
Net income	—	—	—	—	—	—	—	—	**1,640,640**
Purchases of treasury stock	—	—	—	—	—	—	—	—	**(6,040)**
Disposition of treasury stock	—	—	—	—	—	—	—	—	**74,590**
Retirement of treasury stock	—	—	—	—	—	—	—	—	—
Increase by merger	—	—	—	—	—	—	—	—	**239**
Change of scope of equity method	—	—	—	—	—	—	—	—	**(217)**
Reversal of revaluation reserve for land	—	—	**(930)**	—	—	**(930)**	—	—	—
Orher	—	—	—	—	—	—	—	—	**(46)**
Net change in items other than those in shareholders' equity	**(352,960)**	**(7,730)**	—	**(9,330)**	**23,010**	**(347,010)**	**2,630**	**2,212,620**	**1,868,240**
Balance at March 31, 2008	**$447,200**	**($7,890)**	**$17,650**	**$22,460**	**($17,250)**	**$462,170**	**$8,070**	**$2,673,110**	**$10,959,270**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

Mitsubishi Chemical Holdings Corporation and consolidated subsidiaries
Years ended March 31

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2008	2007	**2008**
Cash flows from operating activities:			
Income before income taxes and minority interests in consolidated subsidiaries	**¥217,791**	¥137,802	**$2,177,910**
Adjustments for:			
Depreciation and amortization	**101,841**	82,917	**1,018,410**
Additional depreciation of property, plant and equipment	**331**	353	**3,310**
Interest expense	**15,312**	12,432	**153,120**
Interest and dividend income	**(8,938)**	(6,245)	**(89,380)**
Equity in earnings of unconsolidated subsidiaries and affiliates	**(8,101)**	(15,210)	**(81,010)**
Foreign exchange (gain) loss, net	**(2,216)**	(19)	**(22,160)**
Loss on sales and disposal of property, plant and equipment, net	**5,434**	2,615	**54,340**
Write-downs of securities and investment securities	**161**	692	**1,610**
Provision for prospective loss on removal of fixed assets	**1,821**	2,987	**18,210**
Loss on impairment of fixed assets	**1,883**	1,191	**18,830**
Gain on changes in equity of affiliated companies	**(118,091)**	—	**(1,180,910)**
Gain on sales of securities and investment securities	**(1,049)**	(6,905)	**(10,490)**
Decrease (increase) in trade receivables	**56,388**	(63,196)	**563,880**
Increase in inventories	**(36,437)**	(37,993)	**(364,370)**
(Decrease) increase in trade payables	**(28,880)**	27,934	**(288,800)**
Decrease in accrued retirement benefits	**(24,701)**	(22,910)	**(247,010)**
Other, net	**11,159**	13,510	**111,590**
Subtotal	**183,708**	129,955	**1,837,080**
Interest and dividends received	**13,025**	13,822	**130,250**
Interest paid	**(15,821)**	(11,904)	**(158,210)**
Income taxes paid	**(24,739)**	(68,530)	**(247,390)**
Net cash provided by operating activities	**156,173**	63,343	**1,561,730**
Cash flows from investing activities:			
Proceeds from repayment of securities	**6,412**	—	**64,120**
Payments for purchases of property, plant and equipment	**(172,005)**	(112,167)	**(1,720,050)**
Proceeds from sales of property, plant and equipment	**1,615**	11,802	**16,150**
Payments for purchases of investment securities	**(11,972)**	(45,092)	**(119,720)**
Proceeds from sales of investment securities	**11,483**	9,687	**114,830**
(Increase) decrease in loans receivable, net	**(5,825)**	3,284	**(58,250)**
Other, net	**(7,693)**	(948)	**(76,930)**
Net cash used in investing activities	**(177,985)**	(133,434)	**(1,779,850)**
Cash flows from financing activities:			
(Decrease) increase in short-term debt, net	**(6,604)**	65,513	**(66,040)**
Proceeds from issuance of long-term debt	**180,465**	134,606	**1,804,650**
Repayment of long-term debt	**(84,621)**	(100,446)	**(846,210)**
Cash dividends paid	**(20,544)**	(20,555)	**(205,440)**
Other, net	**2,175**	(4,626)	**21,750**
Net cash provided by financing activities	**70,871**	74,492	**708,710**
Effect of exchange rate changes on cash and cash equivalents	**296**	1,791	**2,960**
Net increase in cash and cash equivalents	**49,355**	6,192	**493,550**
Cash and cash equivalents at beginning of the year	**67,995**	61,547	**679,950**
Effect of adjustment of scope of consolidation on cash and cash equivalents	**48,398**	256	**483,980**
Cash and cash equivalents at end of the year	**¥165,748**	¥67,995	**$1,657,480**

The accompanying notes are an integral part of these statements.

1

Significant Accounting Policies

(a) Basis of Presentation

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

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

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

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

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

(c) Securities

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

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

(d) Inventories

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

(e) Property, Plant and Equipment

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

Principal estimated useful lives of the assets are as follows:

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

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

Accounting change

MCHC and its domestic consolidated subsidiaries have adopted a new method of depreciation for property, plant and equipment acquired on or after April 1, 2007. This change was made based on an amendment to the Japanese Corporate Tax Law. As a result of this change, operating income decreased by ¥2,957 million($29,570 thousand) , and ordinary income and income before income taxes and minority interests both decreased by ¥3,114 million($31,140 thousand) , compared to the amounts that would have been recorded under the previous method. Impacts on segment information are described in the Segment Information.

Additional Information

Pursuant to an amendment to the Japanese Corporate Tax Law, MCHC and its domestic consolidated subsidiaries depreciate the difference between 5% of the acquisition cost of assets acquired on or before March 31, 2007 and the nominal value of said assets uniformly over a five-year period, starting the year following the fiscal year in which the depreciated value of said assets reaches 5% of the acquisition price using the pre-amendment depreciation method. Depreciated amounts are included in depreciation expenses.

As a result of this change, operating income decreased by ¥8,790 million ($87,900 thousand), and ordinary income and income before income taxes and minority interests both decreased by ¥9,392 million ($93,920 thousand), compared to the amounts that would have been recorded under the previous method. Impacts on segment information are described in the Segment Information.

(f) Allowance for Doubtful Accounts

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

(g) Accrued Bonuses to Employees

To provide for payments of bonuses to its employees, accrued bonuses are recorded at the amount expected to be paid. The corresponding balance of ¥34,998 million ($349,980 thousand) is included in “Other current liabilities” in the accompanying consolidated balance sheet as of March 31, 2008.

(h) Reserves for Possible Losses in Connection with Litigation

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

1. Reserve for Health Management Allowances for HIV Compensation

¥1,758 million ($17,580 thousand) was included in “Other non-current liabilities.”

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

Additional Information

Mitsubishi Pharma Corporation, which merged with MTPC and was a former MCHC consolidated subsidiary, previously set aside the estimated amount of future settlement payments (including attorney fees) in “Other current liabilities.”

A number of years have passed since the March 1996 settlement was reached and, in recent years, the number of people who have reached settlement has declined substantially. Accordingly, MTPC has revaluated its previous provision for settlement payments (including attorney fees) and, at the same time, because the number of people receiving payments of health management allowances can now be estimated, it has become possible to rationally calculate the amount of future payments to be made. As a result, the health management allowances for people with AIDS have been recorded as "Other non-current liabilities."

In accordance with the settlement reached in March 1996, for health management allowances, the Company has set aside the present value of the estimated amount of future payments to be made calculated with reference to the amounts actually paid to patients with AIDS who have already reached settlements; and, for settlement payments, the Company has set aside, for patients infected with HIV through the use of antihemophilic preparations (non-heat-treated concentrated preparations), the estimated amount of payments to be made to existing plaintiffs of HIV lawsuits as of March 31, 2008 and to future plaintiffs, calculated with reference to settlement outcomes up to March 31, 2008.

2. Reserve for HCV Litigation

¥11,200 million ($112,000 thousand) was included in "Other non-current liabilities."

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

Additional Information

Mitsubishi Pharma Corporation, which merged with the Company and was a former MCHC consolidated subsidiary; Benesis Corporation which was a Mitsubishi Pharma Corporation consolidated subsidiary; the Japanese government; and certain other parties are defendants in a number of lawsuits ongoing since October 21, 2002, in which the plaintiffs seek compensation for damages allegedly suffered through infection with HCV (hepatitis C virus) following the use of a fibrinogen product or a non-heat-treated prothrombin complex concentrate manufactured and sold by the former Green Cross Corporation. Previously, a reserve for losses that may arise in the future with respect to this issue was set aside as "Other non-current liabilities" at an amount deemed necessary to resolve the issue for existing plaintiffs as of the end of the fiscal year.

However, in consideration of the fact that the Japanese government promulgated and put into effect the Relief Law on January 16, 2008, MTPC has changed its accounting treatment with respect to this issue to a method which sets aside the estimated amount of relief to be paid by MTPC, based on estimates of the number of people who will receive relief payments, the amounts of such payments and so forth in accordance with the Relief Law.

In accordance with Article 16 of the Relief Law (consultations between the Minister of Health, Labour and Welfare and manufacturers), the method and allocation of the expense required to provide payments of this relief are to be determined based on consultations between the Minister of Health, Labour and Welfare and MTPC. It is possible that the estimated amount of relief to be paid by MTPC will change based on the outcome of future consultations or due to an increase or decrease in the number of people eligible to receive relief.

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

¥5,093 million ($50,930 thousand) was included in "Other non-current liabilities."

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

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

(i) Reserve for Periodic Repairs

Several consolidated subsidiaries provide for costs of periodic repairs of production facilities in plants and oil tanks. The corresponding balance of ¥10,866 million ($108,660 thousand) and

¥10,141 million were included in "Other current liabilities" and "Other non-current liabilities" in the accompanying consolidated balance sheets as of March 31, 2008 and 2007, respectively.

(j) Accrued Retirement Benefits and Pension Plans

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

Some subsidiaries have defined benefit plans and/or defined contribution plans.

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

(k) Directors' Retirement Benefits

Accrued lump-sum retirement benefits for directors, executive officers and corporate auditors are determined based on internal regulations. The corresponding balance of ¥1,437 million ($14,370 thousand) and ¥2,060 million were included in "Other non-current liabilities" in the accompanying consolidated balance sheets as of March 31, 2008 and 2007, respectively.

(l) Reserve for Costs Associated with Liquidation of Subsidiaries and Affiliates

Several consolidated subsidiaries provide for estimated costs derived from liquidation of its subsidiaries and affiliates. The corresponding balance of ¥2,545 million ($25,450 thousand) is included in "Other noncurrent liabilities" in the accompanying consolidated balance sheet as of March 31, 2008.

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

Several consolidated subsidiaries provide for prospective loss on removal of fixed assets. The corresponding balance of ¥6,595 million ($65,950 thousand) and ¥6,579 million were included in "Other current liabilities" and "Other non-current liabilities" in the accompanying consolidated balance sheet as of March 31, 2008 and 2007, respectively.

(n) Foreign Currency Translation

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

(o) Foreign Currency Financial Statements

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

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

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

(q) Amortization of Goodwill and Negative Goodwill
Goodwill and negative goodwill are amortized on a straight-line basis over a period of less than 20 years depending on the source.

Goodwill related to the merger between Mitsubishi Pharma Corporation and Tanabe Seiyaku Co., Ltd. is being amortized over 15 years. Goodwill related to the restructuring and consolidation of the Functional Products businesses are being amortized over 10 years. Goodwill and negative goodwill in other cases are being amortized over 5 years.

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

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

(t) Distribution of Retained Earnings
Cash dividends are recorded in the fiscal year in which they are approved at the relevant shareholders' meeting or, in the case of interim dividends, the respective years in which they are declared by the Board of Directors.

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

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

2

U.S. Dollar Amounts

MCHC and its domestic consolidated subsidiaries maintain their accounting records in Japanese yen. The U.S. dollar amounts are included solely for convenience and have been translated, as a matter of arithmetical computation only, at the rate of ¥100 to U.S.$1.00, the approximate exchange rate prevailing on the Tokyo foreign exchange market at March 31, 2008. This translation should not be construed as a representation that yen amounts actually represent, or have been, or could be, converted into U.S. dollars at this, or any other rate.

3

Contingent Liabilities

At March 31, 2008, MCHC and its consolidated subsidiaries were contingently liable for trade notes discounted and transferred by means of endorsement of ¥791 million ($7,910 thousand). They were also guarantors for the following borrowings principally incurred by unconsolidated subsidiaries, affiliates and others:

	Gross including third parties' liabilities		Net MCHC's and consolidated subsidiaries' own liabilities	
	Millions of yen	Thousands of U.S. dollars	Millions of yen	Thousands of U.S. dollars
Guarantees	**¥19,447**	**$194,470**	**¥17,306**	**$173,060**
Stand-by guarantees	**1,437**	**14,370**	**1,083**	**10,830**
Others	**628**	**6,280**	**584**	**5,840**

Trademark Infringement Lawsuit

The consolidated subsidiary Verbatim Corporation (US) was sued for trademark infringement in Brazil. In May 2007, a court in Manaus, in the Brazilian state of Amazonas, ruled in favor of the plaintiff and ordered Verbatim Corporation (US) to pay 377 million reals (¥21,651 million). Verbatim Corporation, believing that no trademark infringement took place, and dissatisfied with the fact that reasons for recognizing the plaintiff's monetary claim were not disclosed, immediately filed an appeal with Brazil's Supreme Court. In February 2008, the Supreme Court ruled in favor of Verbatim Corporation and returned the case to the Manaus court for retrial.

4

Research and Development

For the years ended March 31, 2008 and 2007, the following items were recorded in the consolidated statements of income:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Research and development	**¥112,064**	¥91,177	**$1,120,640**

5

Supplementary Information for Consolidated Statement of Changes in Net Assets

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

(a) Type and number of outstanding shares

	Year ended March 31, 2008			
	Number of shares (Thousands)			
Type of shares	Balance at beginning of year	Increase in shares during the year	Decrease in shares during the year	Balance at end of year
Issued stock:				
Common stock	1,806,288	—	300,000	1,506,288
Total	1,806,288	—	300,000	1,506,288
Treasury stock:				
Common stock (*1,2)	436,895	608	307,560	129,943
Total	436,895	608	307,560	129,943

*(1) Shares of common stock held in treasury increased by 608 thousand due to repurchases of fractional shares less than one unit.
(2) Shares of common stock held in treasury decreased by 307,560 thousand due to sales of 74 thousand fractional shares less than one unit, reissuance of 152 thousand shares upon exercises of stock purchase warrants, 7,333 thousand shares by stock exchanges, and 300,000 thousand shares by retirement of treasury stock.

(b) Warrants

			Number of outstanding shares (Thousands)				
	Description	Type of outstanding shares	Balance at beginning of year	Increase (Decrease)	Balance at end of year	Millions of yen	Thousands of U.S. dollars
MCHC	Warrants as stock options			—		¥807	$8,070
Consolidated subsidiaries	—			—		—	—
Total				—		¥807	$8,070

(c) Dividends

(1) Dividends paid to shareholders

Date of approval	Resolution approved by	Type of shares	Amount (Millions of yen)	Amount (Millions of U.S. dollars)	Amount per share (Yen)	Amount per share (U.S. dollars)	Entitlement date	Effective date
June 26, 2007	Annual general meeting of shareholders	Common stock	¥ 9,588	$ 95.9	¥7	$0.07	March 31, 2007	June 27, 2007
November 2, 2007	Board of directors	Common stock	¥10,955	$109.6	¥8	$0.08	September 30, 2007	December 4, 2007

(2) Dividends whose entitlement date was in the year ended March 31, 2008 and whose effective date will be in the subsequent fiscal year

Date of approval	Resolution approved by	Type of shares	Amount (Millions of yen)	Amount (Millions of U.S. dollars)	Paid from	Amount per share (Yen)	Amount per share (U.S. dollars)	Entitlement date	Effective date
June 26, 2008	Annual general meeting of shareholders	Common stock	¥11,013	$110.1	Retained earnings	¥8	$0.08	March 31, 2008	June 27, 2008

6

Supplementary Information for Statement of Cash Flows

Significant Non-Cash Transactions

In the fiscal year under review, Mitsubishi Pharma Corporation, which had been a subsidiary of MCHC, merged with Tanabe Seiyaku Co., Ltd. Tanabe Seiyaku was the surviving company and Mitsubishi Pharma was absorbed as the non-surviving company. The merger is regarded as a reverse acquisition under the Accounting Standards for Business Combinations, so MCHC has taken over the assets and liabilities, evaluated at fair market value, of Tanabe Seiyaku and its consolidated subsidiaries. Summary of these assets and liabilities are provided below.

	Millions of yen	Thousands of U.S. dollars
Current assets	**¥148,772**	**$1,487,720**
Fixed assets	**181,584**	**1,815,840**
Total Assets	**330,357**	**3,303,570**
Current liabilities	**44,392**	**443,920**
Long-term liabilities	**35,051**	**350,510**
Total Liabilities	**79,443**	**794,430**

7

Lease Transactions

At March 31, 2008 and 2007, finance leases other than those deemed to transfer the ownership of the leased assets to the lessees were accounted for as operating leases. Pro forma amounts for these leases, if they were capitalized, were as follows:

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

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Machinery and equipment:			
Acquisition costs	**¥24,212**	¥20,678	**$242,120**
Accumulated depreciation	**13,237**	11,483	**132,370**
Accumulated impairment loss	**168**	159	**1,680**
Balance at year-end	**10,807**	9,036	**108,070**

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

Future minimum lease payments for the remaining lease periods

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Due within one year	**¥ 4,698**	¥ 4,312	**$ 46,980**
Due after one year	**7,106**	6,114	**71,060**
	11,804	10,426	**118,040**
Impairment loss on leased assets	**¥ 93**	¥ 83	**$ 930**

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

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Paid lease fees	**¥5,541**	¥4,736	**$55,410**
Amortization expense amount	**34**	37	**340**
Depreciation expense amount	**5,527**	4,699	**55,270**
Impairment loss on leased assets	**¥ 20**	¥ —	**$ 200**

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

Future minimum sublease income for the remaining lease periods

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Due within one year	**¥310**	¥ 375	**$3,100**
Due after one year	**687**	1,015	**6,870**
	¥997	¥1,390	**$9,970**

At March 31, 2008 and 2007, noncancellable operating lease obligations were accounted for as follows;

Future minimum lease payments for the remaining lease periods

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Due within one year	**¥1,170**	¥ 810	**$11,700**
Due after one year	**2,600**	2,269	**26,000**
	¥3,770	¥3,079	**$37,700**

8

Securities

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

However, certain held-to-maturity debt securities have fair value. The carrying value, gross unrealized gains, gross unrealized losses and estimated fair value of held-to-maturity debt securities at March 31, 2008 and 2007 are summarized as follows:

	Millions of yen			
March 31, 2008	Carrying value	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Held-to-maturity debt securities:				
Government bonds	**¥ 2,851**	**¥100**	**(¥ 0)**	**¥ 2,951**
Corporate bonds	**1,009**	**—**	**(12)**	**997**
Other debt securities	**16,500**	**—**	**(2,144)**	**14,356**
	¥20,360	**¥100**	**(¥2,156)**	**¥18,304**

	Millions of yen			
March 31, 2007	Carrying value	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Held-to-maturity debt securities:				
Government bonds	¥ 10	¥—	(¥ 0)	¥ 10
Corporate bonds	1,013	—	(11)	1,002
Other debt securities	—	—	—	—
	¥1,023	¥—	(¥11)	¥1,012

	Thousands of U.S. dollars			
March 31, 2008	Carrying value	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Held-to-maturity debt securities:				
Government bonds	**$ 28,510**	**$1,000**	**($ 0)**	**$ 29,510**
Corporate bonds	**10,090**	**—**	**(120)**	**9,970**
Other debt securities	**165,000**	**—**	**(21,440)**	**143,560**
	$203,600	**$1,000**	**($21,560)**	**$183,040**

Other securities with quoted market prices are measured at fair value. Differences between fair value and acquisition cost are recorded as a component of net assets. The differences at March 31, 2008 and 2007 are summarized as follows:

	Millions of yen				
	Acquisition costs	Fair value	Net differences	(Breakdown)	
March 31, 2008				Gross gains	Gross losses
Other securities:					
Equity securities	**¥102,094**	**¥181,967**	**¥79,873**	**¥87,636**	**(¥7,763)**
Government bonds	**17,506**	**17,650**	**144**	**144**	**—**
Corporate bonds	**—**	**—**	**—**	**—**	**—**
Other debt securities	**650**	**647**	**(3)**	**3**	**(6)**
	¥120,250	**¥200,264**	**¥80,014**	**¥87,783**	**(¥7,769)**

	Millions of yen				
	Acquisition costs	Fair value	Net differences	(Breakdown)	
March 31, 2007				Gross gains	Gross losses
Other securities:					
Equity securities	¥58,578	¥192,191	¥133,613	¥134,020	(¥407)
Government bonds	—	—	—	—	—
Corporate bonds	—	—	—	—	—
Other debt securities	—	—	—	—	—
	¥58,578	¥192,191	¥133,613	¥134,020	(¥407)

	Thousands of U.S. dollars				
				(Breakdown)	
March 31, 2008	Acquisition costs	Fair value	Net differences	Gross gains	Gross losses
Other securities:					
Equity securities	**$1,020,940**	**$1,819,670**	**$798,730**	**$876,360**	**($77,630)**
Government bonds	**175,060**	**176,500**	**1,440**	**1,440**	**—**
Corporate bonds	**—**	**—**	**—**	**—**	**—**
Other debt securities	**6,500**	**6,470**	**(30)**	**30**	**(60)**
	$1,202,500	**$2,002,640**	**$800,140**	**$877,830**	**($77,690)**

Sales of other securities for the fiscal year ended March 31, 2008 are shown below:

	Millions of yen		
	Sales	Gains	Losses
Year ended March 31, 2008	**¥7,706**	**¥1,074**	**¥416**

	Thousands of U.S. dollars		
	Sales	Gains	Losses
Year ended March 31, 2008	**$77,060**	**$10,740**	**$4,160**

Details of other securities without quoted market prices at March 31, 2008 are shown below:

	Millions of yen				
	Unlisted equity securities	Unlisted bond	Certificate of deposit	Commercial paper	Equity fund
Year ended March 31, 2008	**¥34,537**	**¥2,007**	**¥27,500**	**¥22,977**	**¥2,273**

	Thousands of U.S. dollars				
	Unlisted equity securities	Unlisted bond	Certificate of deposit	Commercial paper	Equity fund
Year ended March 31, 2008	**$345,370**	**$20,070**	**$275,000**	**$229,770**	**$22,730**

The redemption schedule for held-to-maturity debt securities and other securities with maturity dates at March 31, 2008 and 2007 is shown below:

	Millions of yen				
March 31, 2008	Government securities	Corporate securities	Other debt securities	Other securities	Total
Maturity:					
Due in one year or less	**¥ 5,015**	**¥ —**	**¥ —**	**¥50,629**	**¥55,644**
Due after one year through five years	**12,645**	**3,009**	**1,500**	**—**	**17,154**
Due after five years through ten years	**2,841**	**—**	**—**	**—**	**2,841**
Due after ten years	**—**	**—**	**15,000**	**—**	**15,000**

	Millions of yen				
March 31, 2007	Government securities	Corporate securities	Other debt securities	Other securities	Total
Maturity:					
Due in one year or less	¥—	¥ —	¥—	¥—	¥ —
Due after one year through five years	10	3,000	2	—	¥3,012
Due after five years through ten years	—	—	1	—	1
Due after ten years	—	13	—	—	13

March 31, 2008	Thousands of U.S. dollars				
	Government securities	Corporate securities	Other debt securities	Other securities	Total
Maturity:					
Due in one year or less	$ 50,150	$ —	$ —	$506,290	$556,440
Due after one year through five years	126,450	30,090	15,000	—	171,540
Due after five years through ten years	28,410	—	—	—	28,410
Due after ten years	—	—	150,000	—	150,000

Investment securities of unconsolidated subsidiaries and affiliates at March 31, 2008 are shown below:

	Millions of yen	Thousands of U.S. dollars
March 31, 2008	¥97,447	$974,470

9

Derivative Financial Instruments and Hedge Accounting

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

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

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

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

Interest rate swaps and cap contracts are used to manage the risk arising from fluctuations in cash flows resulting from the risk arising from fluctuations in interest rates associated with financial transactions.

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

Most of the hedging relationships between the derivative financial instruments and their underlying hedged items are highly effective in offsetting changes in foreign currency exchange rates, interest rates, commodity prices and freight. Investments in complex financial products are accompanied by risk arising from interest rate, foreign exchange rate, and equity market fluctuations.

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

10

Pension and Severance Plans

At March 31, 2008 and 2007, a breakdown of the amounts recognized in the acccompanying consolidated balance sheets was as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Projected benefit obligation at end of year	**(¥454,850)**	(¥367,722)	**($4,548,500)**
Fair value of plan assets at end of year	**390,045**	327,504	**3,900,450**
Funded status	**(64,805)**	(40,218)	**(648,050)**
Unrecognized transition amount under post-employment benefit accounting	**5,871**	6,718	**58,710**
Unrecognized actuarial loss (gain)	**21,207**	(21,899)	**212,070**
Unrecognized prior service cost	**(6,827)**	(16,607)	**(68,270)**
Net amount recognized	**(44,554)**	(72,006)	**(445,540)**
Prepaid pension expense	**38,023**	14,268	**380,230**
Accrued retirement benefits	**(¥ 82,577)**	(¥ 86,274)	**($ 825,770)**

The components of net pension and severance cost for the years ended March 31, 2008 and 2007, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Service cost	**¥10,909**	¥ 9,859	**$109,090**
Interest cost	**9,442**	8,116	**94,420**
Expected return on plan assets	**(7,611)**	(5,802)	**(76,110)**
Amortization of transition amount under post-employment benefit accounting	**838**	851	**8,380**
Recognized actuarial loss	**417**	2,040	**4,170**
Amortization of prior service cost	**(9,056)**	(8,792)	**(90,560)**
Defined contribution plan cost	**671**	—	**6,710**
Net periodic pension cost	**¥ 5,610**	¥ 6,272	**$ 56,100**

Notes: 1. Actuarial loss (gain) is recognized using the straight-line method over a period of mainly five years from the fiscal year following the year in which the loss (gain) arises, however the portion which was succeeded from Tanabe Seiyaku Co., Ltd. by means of merger with Mitsubishi Pharma Corporation is recognized over a period of thirteen years.
2. Prior service cost is amortized using the straight-line method over a period of mainly five years from the relevant fiscal year.
3. Transition amount under post-employment benefits accounting is amortized using the straight-line method over a period of mainly fifteen years from the year ended March 31, 2001.
4. Additional benefits for employees' early retirement amounting to ¥1,253 million and ¥300 million were recorded in addition to the amount of net periodic pension cost for the years ended March 31, 2008 and 2007, respectively.

Assumptions used for the years ended March 31, 2008 and 2007, were as follows:

	2008	2007
Discount rate	**2.0%**	2.0%
Expected rate of return on plan assets	**2.0%**	2.0%

11

Stock-Based Compensation Plan

At March 31, 2008, stock-based compensation plans were as follows:

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

	2006 plan	2006 plan	2006 plan	2005 plan
Grantees	3 directors of MCHC	1 executive officer of MCHC	2 directors of a subsidiary	7 directors of a subsidiary
		1 retiring director of MCHC	1 retiring director of a subsidiary	19 executive officers of a subsidiary
			19 executive officers of a subsidiary	3 retiring executive officers of a subsidiary
			4 retiring executive officers of a subsidiary	
Type of stock	Common stock	Common stock	Common stock	Common stock
Date of grant	December 13, 2006	December 13, 2006	December 15, 2006	July 1, 2005
Number of shares granted	70,400	28,200	331,000	466,050
Exercise price (yen)	1	1	1	1
Exercisable period	from December 14, 2006 to December 13, 2026	from June 28, 2007 to June 27, 2027	from December 16, 2006 to December 15, 2026	from June 28, 2006 to June 27, 2026

12

Income Taxes

At March 31, 2008 and 2007, significant components of deferred tax assets and liabilities were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Deferred tax assets:			
Tax loss carryforwards	**¥ 41,916**	¥ 42,951	**$ 419,160**
Employees' retirement benefits	**27,743**	31,442	**277,430**
Write-downs of investment securities	**8,658**	9,904	**86,580**
Bonus payment reserve for employees	**13,957**	10,811	**139,570**
Depreciation	**6,811**	8,263	**68,110**
Unrealized earnings	**6,875**	6,716	**68,750**
Impairment loss on fixed assets	**2,433**	2,426	**24,330**
Other	**52,585**	38,125	**525,850**
Gross deferred tax assets	**¥160,978**	¥150,638	**$1,609,780**
Valuation allowance	**(49,851)**	(46,967)	**(498,510)**
Total deferred tax assets	**¥111,127**	¥103,671	**$1,111,270**
Deferred tax liabilities:			
Valuation gain on investment securities	**(40,271)**	(48,556)	**(402,710)**
Accelerated tax depreciation	**(9,266)**	(10,596)	**(92,660)**
Valuation of assets	**(21,795)**	(9,391)	**(217,950)**
Tax deductible reserve	**(2,805)**	(1,039)	**(28,050)**
Other	**(2,813)**	(1,045)	**(28,130)**
Total deferred tax liabilities	**(76,950)**	(70,627)	**(769,500)**
Net deferred tax assets	**¥ (34,177)**	¥ 33,044	**$ (341,770)**

At March 31, 2008 and 2007, deferred tax assets and liabilities included in the consolidated balance sheets are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Deferred income taxes—current	**¥32,703**	¥31,708	**$ 327,030**
Deferred income taxes—non-current	**26,634**	17,331	**$ 266,340**
Other current liabilities	**(274)**	(118)	**($2,740)**
Other non-current liabilities	**(24,886)**	(15,877)	**($248,860)**

A reconciliation of the statutory tax rates to the effective tax rates for the years ended March 31, 2008 and 2007 was as follows:

	2008	2007
Statutory tax rate	**40.6%**	40.6%
Increase (decrease) in taxes resulting from:		
Permanent differences	**2.8**	4.7
Increase in valuation allowance	**2.1**	7.0
Gain on changes in equity of affiliated companies	**(22.0)**	—
Tax credits for research and development costs	**(1.9)**	(1.4)
Equity in earnings of unconsolidated subsidiaries and affiliates	**(1.4)**	(4.4)
Tax loss generated by an equity transaction	**—**	(21.4)
Other	**0.9**	(0.9)
Effective tax rates	**21.1%**	24.2%

13

Business Combinations and Divestitures

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

The domestic wholly-owned subsidiary Mitsubishi Pharma Corporation ("MPC") entered into a merger with Tanabe Seiyaku Co., Ltd. on October 1, 2007, with the latter as the surviving company. The merger qualified as a reverse acquisition under the Accounting Standard for Business Combinations (Business Accounting Council; October 31, 2003) (III. Accounting Standard for Business Combinations, 2. Accounting for Purchases, (6) Accounting Treatment on the Financial Statements of Each Party, 3 Merger Provisions), so the purchase method was applied with MPC, which ceased to exist as an element of the consolidated financial statements, as the purchasing company. From the perspective of the MCHC Group, this merger will help to significantly expand and strengthen the core pharmaceutical business of the Health Care Segment, which is positioned as one of the three pillars in the KAKUSHIN Plan: Phase 2 mid-term management plan.

An outline of the merger is presented below:

(1) Merger Participants, Business Activities, Merger Date, Legal Form, New Company Name, and Ownership Percentage Acquire

a. Name and principal business of the acquired company
Name: Tanabe Seiyaku Co., Ltd.
Principal business:
Manufacture and sale of ethical drugs, OTC drugs, diagnostics and chemicals

b. Date of the merger
October 1, 2007

c. Legal form of the merger
The merger will be effected with Tanabe Seiyaku being the surviving company.

d. Name of the new company
Mitsubishi Tanabe Pharma Corporation

e. Acquired voting rights ratio
56.36%

(2) Period for which Merger Participant Business Results are included in the Consolidated Financial Statements

October 1, 2007 to March 31, 2008

(3) Acquisition Cost

Acquisition Price	Tanabe Seiyaku Co., Ltd. common shares	¥399,461 million
Direct Expenses	Advisory fees and other expenses	¥493 million
Acquisition Cost		¥399,954 million

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

a. Type of shares to be issued and merger ratio

Type of shares to be issued: Common stock

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

b. Merger Ratio Calculation

MPC and Tanabe Seiyaku Co., Ltd. each requested outside financial advisors to calculate the merger ratio. MPC relied on Nomura Securities, and Tanabe Seiyaku called on Merrill Lynch Japan Securities to do this work.

Nomura Securities applied comparable company comparison and DCF (discounted cash flow) analyses to MPC and market capitalization, comparable company comparison, and DCF analyses to Tanabe Seiyaku. Merrill Lynch Japan Securities first analyzed the various terms and conditions of the merger and then considered the results of various analyses including DCF, comparable company comparison, comparable transaction comparison, average market capitalization, profit contribution, past merger, dilution, and other approaches before rendering an opinion.

MPC and Tanabe Seiyaku each examined both companies' financial conditions and forecasts, and factors like the share price trends of both companies, thoroughly discussed their conclusions, and were ultimately satisfied that the merger ratio given in a. the above was reasonable.

c. Number of Shares Exchanged

316,320,069 shares

Tanabe Seiyaku Co., Ltd. provided this number of shares by appropriating 22,500,000 treasury shares and newly issuing 293,820,069 shares.

d. Number of shares to be issued

316,320,069 shares

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

(5) Goodwill, Source and Amortization Method and Period

a. Goodwill ¥85,040 million

b. Source

The Goodwill derives from future profitability expected to result from the merged entity's business development activities.

c. Amortization Method and Period

Goodwill will be amortized over a period of 15 years using the straight-line method.

(6) Assets and Liabilities Assumed on the Pay of the Merger

Current assets	¥148,772 million
Fixed assets	¥181,584 million
Total assets	¥330,357 million
Current liabilities	¥44,392 million
Long-term liabilities	¥35,051 million
Total liabilities	¥79,443 million

(7) Revenue and Earnings Information for the Fiscal Year Assuming Merger Completion on First Day of Fiscal Year

Net sales	¥3,023,601 million
Operating income	¥140,655 million
Ordinary income	¥145,282 million
Income before income taxes and minority interests in consolidated subsidiaries	¥231,271 million
Net income	¥162,291 million

Notes: 1 Because calculated estimates indicated that the merger should be treated as a reverse acquisition, the consolidated earnings of the acquiree, Tanabe Seiyaku Co., Ltd., corresponding to the period extending from the first day of its consolidated fiscal year to the day of the merger were included in the Consolidated Statements of Income for the fiscal year under review, and minority interests in consolidated subsidiaries were calculated and entered accordingly. Goodwill recognized as of the date of the merger is considered to have come into existence as of the first day of the fiscal year under review and is being amortized on that basis. Therefore, consolidated earnings based on the assumption that the merger took place at the beginning of the fiscal year under review are not reflected.

2 Calculated estimates were not audited.

2 Mitsubishi Plastics became a Wholly Owned Subsidiary of MCHC via Share Exchange

MCHC and Mitsubishi Plastics ("MPI"), a domestic consolidated subsidiary of MCHC, conducted a share exchange that went into effect on October 1, 2007 in order to further strengthen the functional products business. MCHC became the full parent of MPI and MPI became a wholly owned subsidiary of MCHC. Information on the share exchange, including its objectives, is provided below.

Common Control Transactions

1) MPI Overview, Legal Form of Business Combination, and Transaction Overview (Including Objectives)

(1) MPI Overview (as of September 30, 2007)

Name	Mitsubishi Plastics, Inc.
Head Office	2-5-2 Marunouchi, Chiyoda-ku, Tokyo
Capitalization	¥21,503 million
Shares issued and outstanding	214,742,000 shares
Net Assets	¥63,551 million (consolidated)
Total Assets	¥168,254 million (consolidated)
Net Sales (Year Ended March 31, 2007)	¥193,866 million (consolidated)
Net Income (Year Ended March 31, 2007)	¥4,616 million (consolidated)
Principal Business	Manufacture and sale of synthetic resin products
Representative	Akira Kano, President
Number of Employees	3,746 (consolidated) 1,696 (non-consolidated)

(2) Legal Form of Business Combination

Common control transaction (MPI became a wholly owned subsidiary of MCHC through a share exchange)

(3) Transaction Overview (Including Objectives)

MCHC became the full parent of MPI and MPI became the wholly owned subsidiary of MCHC through a share exchange that went into effect on October 1, 2007. This transaction was conducted to further strengthen the functional products business. MCHC acquired all the stock held in MPI by Mitsubishi Chemical Corporation, a domestic consolidated subsidiary of MCHC, from Mitsubishi Chemical on September 20, 2007. MCHC's capital was unaffected by the share exchange.

2) Transaction Cost

Acquisition price	MCHC common shares	¥7,303 million
Direct expenses	Advisory fees and other expenses	¥91 million
Acquisition cost		¥7,395 million

3) Share Exchange Ratio by Share Class, Calculation Method and Number of Shares Exchanged

(1) Share Class and Exchange Ratio

Shares of MPI were exchanged for shares of MCHC at the following ratio for all shareholders listed or registered in Mitsubishi Plastics' list of shareholders (including list of beneficial shareholders) as of September 30, 2007.

Share class: Common shares
Exchange ratio: 1 share of MCHC for 0.41 shares of MPI

(2) Number of Shares Exchanged

7,333,260 shares

All 7,333,260 shares were treasury stock possessed by MCHC.

(3) Share Exchange Ratio Calculation

MCHC and MPI selected and requested independent appraisal organizations to calculate the share exchange ratio. MCHC selected Nikko Citigroup Limited and Mitsubishi Plastics selected Mitsubishi UFJ Securities Co., Ltd.

Nikko Citigroup calculated the ratio using discounted cash flow, comparisons with similar public companies and closing stock prices for both companies and submitted the results of its calculations to MCHC.

Mitsubishi UFJ Securities valued shares of MCHC using average closing prices and shares of Mitsubishi Plastics using average closing prices and discounted cash flow. It calculated a share exchange ratio after comprehensively considering these valuations and submitted the results of its calculations to MPI .

Both companies deliberated on the results of these calculations and determined that the share exchange ratio listed above was appropriate.

4) Goodwill, Source and Amortization Method and Period

a. Goodwill ¥2,036 million

b. Source

The Goodwill derives from future profitability expected to result from MPI's business development activities.

c. Amortization Method and Period

Goodwill will be amortized over a period of ten years using the straight-line method.

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Per Share Information

	yen 2008	U.S. dollars 2008
Net assets	**¥601.45**	**$6.015**
Net income—Basic	**119.51**	**1.195**
—Diluted	**114.51**	**1.145**

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

Net income per share		2008	Thousands of U.S. dollars 2008
Net income	(millions of yen)	**¥ 164,064**	**$1,640,640**
Net income applicable to common shares	(millions of yen)	**164,064**	**1,640,640**
Average number of common shares during period	(thousands of shares)	**1,372,799**	**—**
Adjustment of net income:	(millions of yen)	**(23)**	**(230)**
Interest income (after deducting tax)		**(23)**	**(230)**
Increase in number of common shares:	(thousands of shares)	**59,650**	**—**
Bonds with subscription rights to shares		**58,734**	**—**
Warrants		**916**	**—**

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

Net assets per share		2008	Thousands of U.S. dollars 2008
Total net assets	(millions of yen)	**¥1,095,927**	**$10,959,270**
Amounts deducted from total net assets:	(millions of yen)	**268,118**	**2,681,180**
Warrants		**807**	**8,070**
Minority interests in consolidated subsidiaries		**267,311**	**2,673,110**
Net assets applicable to common shares	(millions of yen)	**827,809**	**8,278,090**
Number of common shares at the end of the fiscal year used in calculation of net assets per share	(thousands of shares)	**1,376,344**	**—**

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Short-Term Debt and Long-Term Debt

At March 31, 2008 and 2007, short-term debt of MCHC and its consolidated subsidiaries consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Short-term loans principally from banks and other financial institutions at average interest rate of 2.498% at March 31, 2008, and 1.881% at March 31, 2007	**¥180,551**	¥224,871	**$1,805,510**
Commercial paper	**51,500**	20,000	**515,000**
	¥232,051	¥244,871	**$2,320,510**

Notes: Short-term loans were at interest rates ranging from 0.00% to 8.75% at March 31, 2008.

At March 31, 2008 and 2007, long-term debt of MCHC's consolidated subsidiaries consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Debt issued by MCC:			
3.05% notes due 2007	¥ —	¥ 10,000	$ —
2.775% notes due 2007	—	10,000	—
2.675% notes due 2007	—	10,000	—
3.25% notes due 2007	—	10,000	—
Floating rate notes due 2007	—	5,000	—
2.75% notes due 2008	—	10,000	—
0.55% notes due 2008	10,000	10,000	100,000
1.08% notes due 2008	15,000	15,000	150,000
3.0% notes due 2009	10,000	10,000	100,000
1.43% notes due 2009	15,000	15,000	150,000
1.27% notes due 2009	20,000	20,000	200,000
2.65% notes due 2010	5,000	5,000	50,000
1.15% notes due 2010	10,000	10,000	100,000
1.3% notes due 2011	10,000	10,000	100,000
1.46% notes due 2011	10,000	10,000	100,000
1.51% notes due 2011	10,000	10,000	100,000
1.8% notes due 2013	15,000	15,000	150,000
1.16% notes due 2013	10,000	10,000	100,000
1.90% notes due 2014	10,000	10,000	100,000
2.02% notes due 2014	10,000	10,000	100,000
2.01% notes due 2016	20,000	20,000	200,000
2.05% notes due 2016	10,000	10,000	100,000
Debt issued by MCHC:			
Bonds with subcriotion rights to shares due 2011	70,311	—	703,110
Bonds with subcriotion rights to shares due 2013	70,000	—	700,000
Debt issued by consolidated subsidiaries other than MCC, due 2007—2011 at interest rates ranging from 0.75% to 5.750% at March 31, 2008 and from 0.58% to 5.750% at March 31, 2007	19,083	19,715	190,830
Loans, principally from banks and insurance companies due 2007 to 2025:			
Collateralized	10,350	14,588	103,500
Non-collateralized	230,725	215,499	2,307,250
	590,469	494,802	5,904,690
Less, current portion	(75,900)	(82,765)	(759,000)
	¥514,569	¥412,037	$5,145,690

Notes: 1. Loans were at interest rates ranging from 0.00% to 7.05% at March 31, 2008.
2. The average interest rates of loans were as follows:
March 31, 2008
Current portion 2.602%
Less current portion 2.417%

At March 31, 2008, assets pledged as collateral and debts secured by such assets were as follows:

	Millions of yen	Thousands of U.S. dollars
	2008	**2008**
Collateral assets	**¥170,433**	**$1,704,330**
Secured debts	**¥ 21,120**	**$211,200**

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

	Millions of yen	Thousands of U.S. dollars
	2008	**2008**
2009	**¥ 95,467**	**$ 954,670**
2010	**48,885**	**488,850**
2011	**119,632**	**1,196,320**
2012 and thereafter	**250,585**	**2,505,850**
	¥514,569	**$5,145,690**

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Segment Information

	Net Sales*			Inter-segment sales and transfers		
	Millions of yen		Millions of U.S. dollars	Millions of yen		Millions of U.S. dollars
INDUSTRY SEGMENT	**2008**	2007	**2008**	**2008**	2007	**2008**
Petrochemicals	**¥1,431,858**	¥1,246,389	**$14,318.6**	**¥ 41,572**	¥ 39,685	**$ 415.7**
Performance and Functional Products:						
Performance Products	**522,246**	525,706	**5,222.5**	**13,242**	18,900	**132.4**
Functional Products	**402,004**	399,543	**4,020.0**	**5,334**	5,901	**53.3**
Health Care	**395,793**	304,722	**3,957.9**	**228**	387	**2.3**
Others	**177,909**	146,460	**1,779.1**	**207,450**	181,628	**2,074.6**
Subtotal	**2,929,810**	2,622,820	**29,298.1**	**267,826**	246,501	**2,678.3**
Eliminations				**(267,826)**	(246,501)	**(2,678.3)**
Total	**¥2,929,810**	¥2,622,820	**$29,298.1**	**¥ —**	¥ —	**$ —**

* Inter-segment sales and transfers are not included.

	Operating Income			Total Assets		
	Millions of yen		Millions of U.S. dollars	Millions of yen		Millions of U.S. dollars
INDUSTRY SEGMENT	**2008**	2007	**2008**	**2008**	2007	**2008**
Petrochemicals	**¥ 9,214**	¥ 28,197	**$92.1**	**¥ 971,276**	¥ 880,087	**$ 9,712.8**
Performance and Functional Products:						
Performance Products	**36,125**	35,037	**361.3**	**455,659**	473,560	**4,556.6**
Functional Products	**19,246**	24,321	**192.5**	**357,111**	381,639	**3,571.1**
Health Care	**57,232**	39,616	**572.3**	**812,773**	388,019	**8,127.7**
Others	**13,144**	10,588	**131.4**	**323,557**	298,908	**3,235.6**
Subtotal	**134,961**	137,759	**1,349.6**	**2,920,376**	2,422,213	**29,203.8**
Corporate Costs, Corporate Assets and Eliminations	**(9,915)**	(9,170)	**(99.1)**	**(154,539)**	(103,381)	**(1,545.4)**
Total	**¥125,046**	¥128,589	**$1,250.5**	**¥2,765,837**	¥2,318,832	**$27,658.4**

	Depreciation			Capital Expenditures		
	Millions of yen		Millions of U.S. dollars	Millions of yen		Millions of U.S. dollars
INDUSTRY SEGMENT	**2008**	2007	**2008**	**2008**	2007	**2008**
Petrochemicals	**¥ 32,004**	¥24,728	**$320.0**	**¥89,028**	¥54,585	**$ 890.3**
Performance and Functional Products:						
Performance Products	**21,872**	18,425	**218.7**	**25,919**	23,785	**259.2**
Functional Products	**23,113**	18,776	**231.1**	**27,947**	29,129	**279.5**
Health Care	**16,841**	14,558	**168.4**	**13,658**	9,447	**136.6**
Others	**3,308**	3,029	**33.1**	**6,102**	4,287	**61.0**
Subtotal	**97,138**	79,516	**971.4**	**162,654**	121,233	**1,626.5**
Corporate Assets, Corporate R&D and Other	**5,034**	3,754	**50.3**	**7,397**	9,622	**74.0**
Total	**¥102,172**	¥83,270	**$1,021.7**	**¥170,051**	¥130,855	**$1,700.5**

Notes: Beginning with the consolidated fiscal year under review, the business segment classifications for three consolidated subsidiaries have been changed to more clearly reflect the nature of their business operations following changes in their business positions within the MCHC Group. The business segment classification for one of these consolidated subsidiaries was changed from Functional Products Segment, to Petrochemicals Segment. The classifications for the other two consolidated subsidiaries, meanwhile, were changed from Others, to Petrochemicals Segment. As a result of these changes, Petrochemicals Segment net sales for the fiscal year under review was ¥22,317 million higher than it would have been under the previous business segment classification. Similarly, Functional Products Segment net sales was ¥21,261 million lower and Others net sales were ¥1,056 million lower. Operating income was ¥941 million higher in the Petrochemicals Segment, but lower by ¥907 million in the Functional Products Segment and ¥34 million in the Others. Total assets increased by ¥9,911 million for the Petrochemicals Segment and decreased by ¥8,945 million for the Functional Products Segment and ¥966 million for the Others. Depreciation rose by ¥156 million in the Petrochemicals Segment and fell by ¥146 million in the Functional Products Segment and ¥10 million in the Others. Lastly, capital expenditures were higher by ¥163 million in the Petrochemicals Segment and lower by ¥154 million in the Functional Products Segment and ¥9 million in the Others.

As mentioned under "Accounting Change" in "1 Significant Accounting Policies (e)Property, Plant and Equipment" in the Notes to the Consolidated Financial Statements, MCHC and its domestic consolidated subsidiaries have adopted a new method of depreciation for property, plant and equipment acquired on or after April 1, 2007. This change was made based on an amendment to the Japanese Corporate Tax Law. As a result, operating expenses for the consolidated fiscal year under review increased by ¥614 million for the Petrochemicals Segment, ¥530 million for the Performance Products Segment, ¥660 million for the Functional Products Segment, ¥490 million for the Health Care Segment, and ¥97 million for the Others. Corporate Costs and Eliminations increased by ¥566 million, while operating income decreased by the same amount.

Furthermore, as mentioned in the Additional Information, pursuant to an amendment to the Japanese Corporate Tax Law, MCHC and its domestic consolidated subsidiaries depreciate the difference between 5% of the acquisition cost of assets acquired on or before March 31,2007 and the nominal value of said assets uniformly over a five-year period, starting the year following the fiscal year in which the depreciated value of said assets reaches 5% of the acquisition price using the pre-amendment depreciation method. Depreciated amounts are included in depreciation expenses. As a result, operating expenses for the consolidated fiscal year under review increased by ¥3,381 million for the Petrochemicals Segment, ¥2,601 million for the Performance Products Segment, ¥774 million for the Functional Products Segment, ¥661 million for the Health Care Segment, and ¥208 million for the Others, compared to what they would have been using the previous depreciation method. Corporate Costs and Eliminations increased by ¥1,165 million, while operating income decreased by the same amount.

	Net Sales*			Inter-segment sales and transfers		
	Millions of yen		Millions of U.S. dollars	Millions of yen		Millions of U.S. dollars
GEOGRAPHIC DISTRIBUTION	**2008**	2007	**2008**	**2008**	2007	**2008**
Japan	**¥2,420,639**	¥2,182,021	**$24,206.4**	**¥ 24,532**	¥ 35,817	**$ 245.3**
Asia	**341,175**	281,679	**3,411.8**	**30,133**	28,278	**301.3**
Other	**167,996**	159,120	**1,679.9**	**4,183**	815	**41.9**
Subtotal	**2,929,810**	2,622,820	**29,298.1**	**58,848**	64,910	**588.5**
Eliminations				**(58,848)**	(64,910)	**(588.5)**
Total	**¥2,929,810**	¥2,622,820	**$29,298.1**	**¥ —**	¥ —	**$ —**

* Inter-segment sales and transfers are not included.

GEOGRAPHIC DISTRIBUTION	Operating Income			Total Assets		
	Millions of yen		Millions of U.S. dollars	Millions of yen		Millions of U.S. dollars
	2008	2007	**2008**	**2008**	2007	**2008**
Japan	**¥136,740**	¥139,852	**$1,367.4**	**¥2,273,516**	¥1,834,794	**$22,735.2**
Asia	**(4,609)**	(3,922)	**(46.1)**	**277,178**	235,130	**2,771.8**
Other	**2,830**	1,829	**28.3**	**141,954**	137,486	**1,419.5**
Subtotal	**134,961**	137,759	**1,349.6**	**2,692,648**	2,207,410	**26,926.5**
Corporate Costs, Corporate Assets and Eliminations	**(9,915)**	(9,170)	**(99.1)**	**73,189**	111,422	**731.9**
Total	**¥125,046**	¥128,589	**$1,250.5**	**¥2,765,837**	¥2,318,832	**$27,658.4**

Notes: As mentioned in the Notes to the Consolidated Financial Statements, MCHC and its domestic consolidated subsidiaries have adopted a new method of depreciation for property, plant and equipment acquired on or after April 1, 2007. This change was made based on an amendment to the Japanese Corporate Tax Law. As a result, operating expenses related to operations in Japan for the consolidated fiscal year under review increased by ¥2,391 million, while Corporate Costs and Eliminations increased by ¥566 million and operating income decreased by the same amount.

Furthermore, as mentioned in the Additional Information, pursuant to an amendment to the Japanese Corporate Tax Law, MCHC and its domestic consolidated subsidiaries depreciate the difference between 5% of the acquisition cost of assets acquired on or before March 31,2007 and the nominal value of said assets uniformly over a five-year period, starting the year following the fiscal year in which the depreciated value of said assets reaches 5% of the acquisition price using the pre-amendment depreciation method. Depreciated amounts are included in depreciation expenses. As a result, operating expenses for the consolidated fiscal year under review increased by ¥7,625 million for operations in Japan, compared to what they would have been using the previous depreciation method. Corporate Costs and Eliminations increased by ¥1,165 million, while operating income decreased by the same amount.

OVERSEAS SALES	Millions of yen		Millions of U.S. dollars
	2008	2007	**2008**
Asia	**¥550,898**	¥ 481,482	**$5,509.0**
Other	**244,499**	225,636	**2,445.0**
Total Overseas Sales	**795,397**	707,118	**7,954.0**
Consolidated Sales	**2,929,810**	2,622,820	**29,298.1**
Total Overseas Sales as a Percentage of Consolidated Sales	**27.1%**	26.9%	—

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

Report of Independent Auditors

The Board of Directors
Mitsubishi Chemical Holdings Corporation

We have audited the accompanying consolidated balance sheets of Mitsubishi Chemical Holdings Corporation and consolidated subsidiaries as of March 31, 2008 and 2007, and the related consolidated statements of income, changes in net assets, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Mitsubishi Chemical Holdings Corporation and consolidated subsidiaries at March 31, 2008 and 2007, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2008 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2.

Ernst & Young ShinNihon

June 26, 2008

Corporate Data

As of March 31, 2008

Mitsubishi Chemical Group:

Major Affiliates

● Consolidated subsidiaries
○ Affiliates accounted for by the equity method

Petrochemicals Segment

Japan	Major Products or Lines of Business	Equity Participation (%)
● ADVANCED PLASTICS COMPOUNDS COMPANY*	Plastic compounds	100.0%
○ Chuo Rika Kogyo Corporation	Emulsions	46.2%
○ Dia Chemical Co., Ltd.	Industrial chemicals, Specialty chemicals	100.0%
○ Dia-Nitrix Co., Ltd.	Acrylonitrile, Acrylamide, Polyacrylamide, N-vinylformamide and its polymers	35.0%
● Dia Terephthalic Acid Corporation	Purified terephthalic acid	65.0%
● Echizen Polymer Co., Ltd.	PET resins, A-PET sheet	95.0%
● Japan Ethanol Company Limited	Synthetic alcohol for industrial use	100.0%
● Japan Polychem Corporation	Holding company of Japan Polyethylene Corp. and Japan Polypropylene Corp.	100.0%
● Japan Polyethylene Corporation	Polyethylene resins	58.0%
● Japan Polypropylene Corporation	Polypropylene resins	65.0%
○ Japan Unipet Co., Ltd.	PET resins for bottles	44.9%
○ J-PLUS Co., Ltd.	Plasticizers	50.0%
○ KAWASAKI KASEI CHEMICALS LTD.	Organic acid and its derivatives, Quinone-related products	37.6%
○ Mitsubishi Engineering-Plastics Corporation	Engineering plastics	50.0%
○ Nippon Ester Co., Ltd.	Polyester fibers, PET resins	40.0%
○ PS Japan Corporation	Polystyrene	27.5%
○ San-Dia Polymers, Ltd.	Super-absorbent polymers	40.0%
○ Techno Polymer Co., Ltd.	ABS resins	40.0%
○ The Nippon Synthetic Chemical Industry Co., Ltd.	PVOH, EVOH, PVOH films, Specialty polymers, Industrial and fine chemicals	35.1%
● V-Tech Corporation	Electrolytes products, Vinyl chloride monomer, Polyvinyl chloride	85.1%
● Yokkaichi Chemical Co., Ltd.	Nonionic surfactants, Glycol ethers, Fine chemicals	55.0%
○ Yuka Schenectady Co., Ltd.	Alkylphenol products (PTBP, PTOP, PDDP)	50.0%
Asia Pacific		
● Beijing Ju-Ling-Yan Plastic Co., Ltd.	Polypropylene compounds for automotive industry	55.0%
● MCC PTA India Corp. Private Limited	Purified terephthalic acid	66.0%
● Ningbo Mitsubishi Chemical Co., Ltd.	Purified terephthalic acid	54.9%
● Novapex Australia Pty Ltd.	PET resins	100.0%
● PT. Mitsubishi Chemical Indonesia	Purified terephthalic acid, PET resins	100.0%
○ Sam Nam Petrochemical Co., Ltd.	Purified terephthalic acid	40.0%
○ Sam Yang Kasei Co., Ltd.	Polycarbonate	25.0%
● Tai Young Nylon Co., Ltd.	Nylon resins	100.0%
● Yuka Seraya Private Limited	Styrene monomer	100.0%
America		
● Mitsubishi Chemical Performance Polymers, Inc.	Thermoplastic polyester elastomer: *THERMORUN*, *RABALON*, High-performance adhesive polymer: *MODIC*, Fine chemicals	100.0%
● Mytex Polymers US Corporation	Polypropylene compounds for automotive industry	100.0%

* ADVANCED PLASTICS COMPOUNDS COMPANY has been unified to Mitsubishi Chemical Corporation, effective April 1, 2008.

Performance and Functional Products Segment: Performance Products

Japan	Major Products or Lines of Business	Equity Participation (%)
● Calgon Mitsubishi Chemical Corporation	Activated carbon	51.0%
○ Dia Chemco Company Limited	Substrate for cosmetics	100.0%
○ Dia Fine Co., Ltd.	Dye stuff and chemicals for paper industry	50.0%
● Dia Instruments Co., Ltd.	Analysis equipments	100.0%
○ Frontier Carbon Corporation	Nanocarbon products	50.0%
● Japan Epoxy Resins Co., Ltd.	Epoxy resins	100.0%
● Kasei Optonix, Ltd.	Phosphors, Intensifying screen for radiography	97.4%
● Mitsubishi Chemical Agri, Inc.	Fertilizers, Green and gardening materials	100.0%
● Mitsubishi-Kagaku Foods Corporation	Food ingredients, Sugar esters, Erythritol	100.0%
● Mitsubishi Kagaku Media Co., Ltd.	DVD ±R/±RW, CD-R/-RW, MO, FD	100.0%
● Nippon Kasei Chemical Company Limited	Industrial chemicals, Specialty chemicals, Inorganic chemicals	52.8%
● Osaka Kasei Co., Ltd.	Chemicals	75.0%
● Shinryo Corporation	Ecological recycling, Semiconductors, Fine chemicals	75.0%
● KANSAI COKE AND CHEMICALS CO., LTD.	Coke, Tar derivatives	51.0%
● Yuka Denshi Company Limited	Materials for electronics devices	100.0%

Corporate Data
As of March 31, 2008

Mitsubishi Chemical Group:
Major Affiliates

● Consolidated subsidiaries
○ Affiliates accounted for by the equity method

Asia Pacific	Major Products or Lines of Business	Equity Participation (%)
● Mitsubishi Chemical Infonics Pte Ltd.	Copy machine-related and printer-related products (OPC), DVD ±R/±RW	100.0%
● Tai Young Chemical Co., Ltd.	Ion exchange resins	100.0%
● Tai Young High Tech Co., Ltd.	Electronics grade chemicals, Precision cleaning, LCD glass recycling	100.0%
America		
● Mitsubishi Kagaku Imaging Corporation	Copy machine-related and printer-related products (OPC, Toner)	100.0%
● Verbatim Corporation	DVD ±R/±RW, CD-R/-RW, MO	100.0%
Europe		
● RESINDION S.R.L.	Ion exchange resins	100.0%
● Verbatim Limited	DVD ±R/±RW, CD-R/-RW, MO	100.0%

Performance and Functional Products Segment: Functional Products

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

* Mitsubishi Plastics, Inc. became a 100% consolidated subsidiary, effective October 1, 2007.
** Mitsubishi Plastics, Inc. merged with Mitsubishi Chemical Functional Products, Inc., Mitsubishi Polyester Film Corporation, and MITSUBISHI CHEMICAL MKV COMPANY, effective April 1, 2008.

Health Care Segment

Japan	Major Products or Lines of Business	Equity Participation (%)
○ API Corporation	Manufacture and sale of chemicals and related products	47.4%
● Mitsubishi Chemical Medience Corporation	Clinical testing & diagnostics, Safety testing and research for chemicals Medical analytical instruments, Research reagents	99.4%
● Molecuence Corporation	Biomarker research	100.0%

Others

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

Mitsubishi Tanabe Pharma Group:
Major Affiliates

Health Care Segment

Japan	Major Products or Lines of Business	Equity Participation (%)
● API Corporation	Manufacture and sale of chemicals and related products	52.6%
● ARKEMA Yoshitomi, Ltd.	Manufacture and sale of chemicals	26.8%
● Benesis Corporation	Manufacture and sale of pharmaceuticals	100.0%
● BIPHA CORPORATION	Manufacture and sale of pharmaceuticals	51.0%
○ Koei Shoji Co., Ltd.	Non-life insurance agency	50.0%
● MP-Logistics Corporation	Distribution, warehouse operations	100.0%
● MP-Technopharma Corporation	Manufacture and sale of pharmaceuticals	100.0%
○ Ogura Art Printing Co., Ltd.	Printing	30.8%
○ Sun Chemical Co., Ltd.	Manufacture and sale of chemicals	48.3%
● Tanabe R&D Service Co., Ltd.	Testing and examination of pharmaceuticals	100.0%
● Tanabe Seiyaku Trading Co., Ltd.	Sale of pharmaceuticals and related products	100.0%
● Tanabe Seiyaku Yamaguchi Co., Ltd.	Manufacture and sale of pharmaceuticals and related products	100.0%
● Tanabe Seiyaku Yoshiki Factory Co., Ltd.	Manufacture and sale of pharmaceuticals	100.0%
● Tanabe Total Service Co., Ltd.	Real estate	100.0%
○ Tama Kagaku Kogyo Co., Ltd.	Manufacture and sale of chemicals	24.4%
● Welfide Service Corporation	Real estate	100.0%
● Yoshitomiyakuhin Corporation	Provision of information about pharmaceuticals	100.0%

Directory

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

Mitsubishi Chemical Group

Domestic	Address	TEL	FAX
Mitsubishi Chemical Corporation (Head Office)	14-1, Shiba 4-chome, Minato-ku, Tokyo 108-0014, Japan	[+81] (0)3-6414-3730	[+81] (0)3-6414-3745
Overseas			
Mitsubishi Chemical USA, Inc. (New York Office)	One North Lexington Avenue, White Plains, NY 10601, USA	[+1] 914-286-3600	[+1] 914-286-3677
Mitsubishi Chemical USA, Inc. (Virginia Office)	401 Volvo Parkway, Chesapeake, VA 23320, USA	[+1] 757-382-5750	[+1] 757-547-0119
Mitsubishi Chemical Europe GmbH	Prinzenallee 13, Duesseldorf 40549, Germany	[+49] (0)211-523920	[+49] (0)211-591272
Mitsubishi Chemical Hong Kong Ltd.	Room 1303, 13th Floor, Tower 1, Admiralty Centre, 18 Harcourt Road, Hong Kong	[+852] 2522-7031	[+852] 2868-1470
Mitsubishi Chemical Singapore Pte Ltd.	79 Anson Road, #12-01, Singapore 079906	[+65] 6226-3707	[+65] 6226-1676
Mitsubishi Chemical (Thailand) Co., Ltd.	18th Floor, Regent House Building, 183 Rajdamri Road, Bangkok 10330, Thailand	[+66] (0)-2255-2821	[+66] (0)-2255-2824
Mitsubishi Chemical India Private Ltd.	1105, Tower 'B', Millennium Plaza, Sushant Lok Phase-1, Sector 27, Gurgaon-122001, Haryana, India	[+91]-(0)124-420-0231	—
Mitsubishi Chemical China Commerce Limited	Room 4201B, The Center, No. 989 Chang Le Road, Shanghai 200031, PRC	[+86] (0)21-5407-6161	[+86] (0)21-5407-6262
Mitsubishi Chemical Corporation (Beijing Office)	Room 519, Beijing Fortune Building, No. 5 Dong San Huan Bei Lu, Chao Yang District, Beijing 100004, PRC	[+86] (0)10-6590-8621	[+86] (0)10-6590-8623
Mitsubishi Chemical Corporation (Shanghai Office)	Room 4209, The Center, No. 989 Chang Le Road, Shanghai 200031, PRC	[+86] (0)21-5407-6000	[+86] (0)21-5407-6111

Mitsubishi Tanabe Pharma Group

Domestic	Address	TEL	FAX
Mitsubishi Tanabe Pharma Corporation (Head Office)	2-10, Dosho-machi 3-chome, Chuo-ku, Osaka 541-8505, Japan	[+81] (0)6-6205-5085	[+81] (0)6-6205-5262
(Tokyo Head Office)	2-6, Nihonbashi-Honcho 2-chome, Chuo-ku, Tokyo 103-8405, Japan	[+81] (0)3-3241-4670	[+81] (0)3-3241-5188
Overseas			
Mitsubishi Pharma America, Inc.	25 Independence Boulevard, Suite 201, Warren, NJ 07059, USA	[+1] 908-607-1950	—
MP Healthcare Venture Management, Inc.	33 Arch Street, Suite 2202, Boston, MA 02110, USA	[+1] 617-737-4690	—
Mitsubishi Pharma Deutschland GmbH	Prinzenallee 13, D-40549 Duesseldorf, Germany	[+49] (0)211-52392-0	—
Mitsubishi Pharma Europe Ltd.	Jupiter House, Triton Court, 14 Finsbury Square, London EC2A 1BR, UK	[+44] (0)20-7065-5000	—

Corporate Data
As of March 31, 2008

Directory

Mitsubishi Tanabe Pharma Group

Overseas	Address	TEL	FAX
Mitsubishi Pharma (Guangzhou) Co., Ltd.	No. 2 Jiaoyuan Road, GETDD, Guangzhou 510730, PRC	[+86] (0)20-8222-0238	—
Mitsubishi Pharma Research & Development (Beijing) Co., Ltd.	Room 1004, China Resources Building, No. 8 Jianguomenbei Avenue, Beijing 100005, PRC	[+86] (0)10-8519-1507	—
P.T. Tanabe Indonesia	JL. Tanah Abang III No. 8, Jakarta Pusat 10160, Indonesia	[+62] (0)21-3841842	—
Synthelabo-Tanabe Chimie S.A.	174, Avenue de France, Paris 13 eme, France	[+33] (0)1-45-37-55-55	—
Tai Tien Pharmaceuticals Co., Ltd.	11th Floor, No. 108, Nanking East Road, Section 5, Taipei, Taiwan	[+886] (0)2-2756-8555	—
Taiwan Tanabe Seiyaku Co., Ltd.	11th Floor, No. 108, Nanking, East Road, Section 5, Taipei, Taiwan	[+886] (0)2-2756-8555	—
Tanabe Europe N.V.	Excelsiorlaan 83,1930 Zaventem, Belgium	[+32] (0)2-725-5100	—
Tanabe Research Laboratories, U.S.A., Inc.	4540 Towne Centre Court, San Diego, CA 92121, USA	[+1] 858-622-7000	—
Tanabe U.S.A., Inc.	7930 Convoy Court, San Diego, CA 92111, USA	[+1] 858-571-8410	—
Tianjin Tanabe Seiyaku Co., Ltd.	No. 16 MIP Third Road, Micro-Electronics Industrial Park, Jingang Highway, Xiging District, Tianjin, PRC	[+86] (0)22-2396-0505	—
Welfide Korea Co., Ltd.	903-4, Sangsin-Ri, Hyangnam-Myun, Hwasung-City, Kyonggi-Do, Korea	[+82] (0)31-353-6671	—

Corporate Information

Mitsubishi Chemical Holdings Corporation

Establishment:	October 3, 2005
Paid-in Capital:	¥50,000 million
Authorized Shares:	6,000,000,000
Outstanding Shares:	1,506,288,107
Number of Shareholders:	164,772
General Meeting of Shareholders:	The general meeting of shareholders was held on June 26, 2008.
Stock Listings:	Tokyo Stock Exchange Osaka Securities Exchange
Transfer Agent:	Mitsubishi UFJ Trust and Banking Corporation 4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8212

Major Shareholders (As of March 31, 2008)

Name	Number of Shares	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	62,365	4.1
Meiji Yasuda Life Insurance Company	60,644	4.0
Takeda Pharmaceutical Company Limited	51,730	3.4
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	50,937	3.3
Nippon Life Insurance Company	49,428	3.2
The Tokio Marine & Nichido Fire Insurance Co., Ltd.	42,312	2.8
State Street Bank and Trust Company	42,192	2.8
Japan Trustee Services Bank, Ltd. (Trust account)	39,485	2.6
Japan Trustee Services Bank, Ltd. (Trust account 4)	24,578	1.6
The Taiyo Life Insurance Company	23,547	1.5

Mitsubishi Chemical Holdings Corporation

www.mitsubishichem-hd.co.jp

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