Mitsubishi Chemical Holdings Corporation

Good **Chemistry** for Tomorrow

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

Annual Report 2012

Fiscal Year Ended March 31, 2012

Profile

Mitsubishi Chemical Holdings Corporation (MCHC) was established in October 2005. Its four core operating companies are Mitsubishi Chemical Corporation (MCC), Mitsubishi Tanabe Pharma Corporation (MTPC), Mitsubishi Plastics, Inc. (MPI), and Mitsubishi Rayon Co., Ltd. (MRC)

MCHC's five principal business segments are electronics applications, designed materials, health care, chemicals, and polymers. At the end of March 2012, the MCHC Group comprised 341 consolidated companies and 63 equity-method affiliates employing a total of 53,979 people around the world.

MCHC is undertaking *APTSIS 15*, a five-year management plan through fiscal 2015 that will orchestrate the Group's strengths to grow, innovate, and leap ahead. MCHC is putting the infinite potential of Good Chemistry to work in pursuing *KAITEKI* Management—enhancing economic value, advancing technology management, and attaining sustainability—so it can swiftly capitalize on opportunities to secure long-term growth.

Changing Gear—Accelerating innovation, globalization and structural reforms to secure long-term growth

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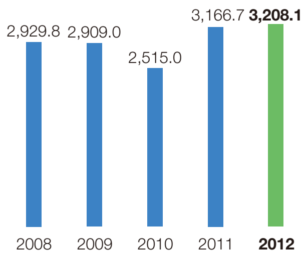
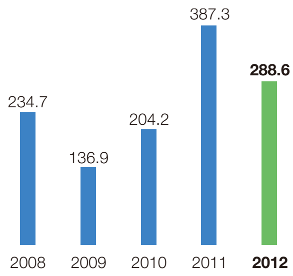
Key Figures

Years ended/as of March 31

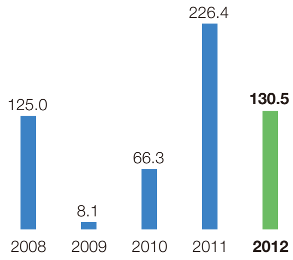
Net Sales
(Billions of yen)



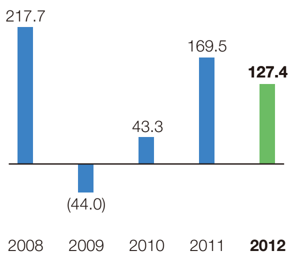
EBITDA
(Billions of yen)



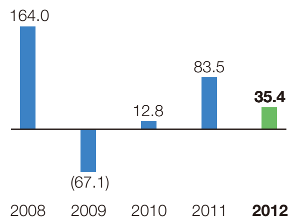
Operating Income
(Billions of yen)



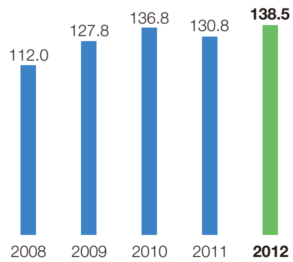
Income (Loss) before Income Taxes
(Billions of yen)



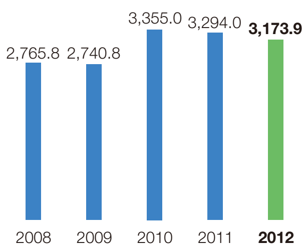
Net Income (Loss)
(Billions of yen)



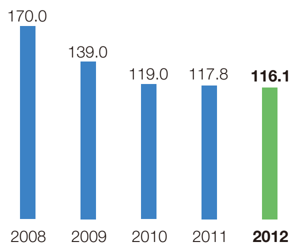
R&D Expenditures
(Billions of yen)



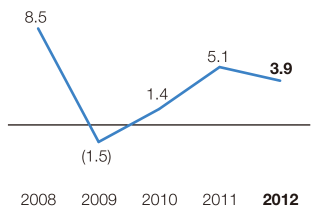
Total Assets
(Billions of yen)



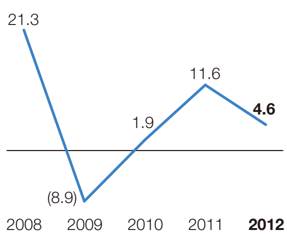
Capital Expenditures
(Billions of yen)



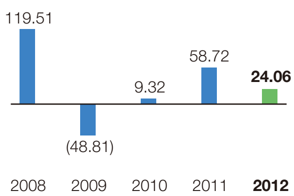
Return on Assets (ROA)
(%)



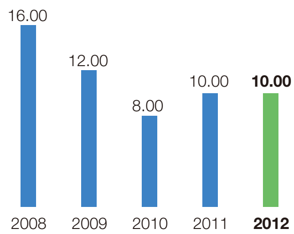
Return on Equity (ROE)
(%)



Net Income (Loss) per Share
(Yen)



Cash Dividend per Share
(Yen)



Notes: 1. In this annual report, fiscal year refers to the period beginning April 1 and ending March 31. Fiscal 2011 (FY2011) refers to the year ended March 31, 2012.
2. ROA is calculated as income before income taxes and minority interests in consolidated subsidiaries divided by average total assets.
3. ROE is calculated as net income divided by average shareholders' equity.
4. EBITDA (earnings before interest, taxes, depreciation, and amortization) is calculated as operating income plus depreciation and amortization plus amortization of goodwill.

To Our Stakeholders

Yoshimitsu Kobayashi
President & Chief Executive Officer

Overviewing Fiscal 2011 Results

Fiscal 2011, ended March 31, 2012, although effect of the Great East Japan Earthquake lingered, the domestic economy headed toward a gradual recovery as companies progressed in restoring their supply chains and corporate production and personal consumption picked up. At the same time, the yen continued to appreciate, while a slowdown in global economies induced by Europe's sovereign debt crisis and the impact of floods in Thailand caused the nation's economy to turn severe again in the second half of fiscal 2011. Key factors affecting the MCHC Group were the Great East Japan Earthquake, the continued appreciation of the yen, and demand slumps in global markets, such as the People's Republic of China (PRC), from summer 2011. It should be noted that the Health Care domain, nonetheless to the difficult situation due to the earthquake, still makes profits out of its businesses based on steady market demand.

The MCHC Group responded to these challenges in numerous ways. For example, through continuous efforts, Mitsubishi Chemical Corporation (MCC) restarted ethylene production at Kashima after operations there were suspended in the wake of the earthquake. The MCHC Group also slashed costs and reviewed capital spending throughout the year.

These endeavors and additional sales that some global subsidiaries posted after changing their accounting periods enabled us to offset lower demand in the Performance Products and Industrial Materials domains, increasing net sales 1.3% to ¥3,208.1 billion. Plunging second-half demand in those domains caused operating income to drop 42.3% to ¥130.5 billion. Net income was down 57.5% to ¥35.4 billion, owing to these factors and partial reversals of deferred tax assets and liabilities pursuant to the promulgation of the 2011 Reform Amendment Tax Law and the Special Restoration Tax Law.

Changing Gear: Accelerating Innovation, Globalization and Structural Reforms to Secure Long-Term Growth

APTSIS 15 Goals

Under *APTSIS 15,* our medium-term management plan, we are targeting ¥400 billion in operating income, a return on assets of at least 8%, and a net debt-to-equity ratio of 1.0 by fiscal 2015, generating at least 45% of net sales outside Japan. Although the global business environment climate was extremely adverse in fiscal 2011, the first year of *APTSIS 15*.

Management Initiatives

As president of MCHC, I am focusing even more on initiatives to reinforce Group governance and portfolio management and thereby make the MCHC brand even more valuable.

We already have drawn on this new setup by starting specific initiatives to accelerate Group synergies. For example:

- Renewed leaderships of core operating companies, MCC, Mitsubishi Plastics, Inc. (MPI) and Mitsubishi Rayon Co., Ltd. (MRC) to promote the generation of

Initial Progress and Targets	FY2011 Results	FY2012 Forecast	FY2015 Targets
Economic Indexes			
Operating income	¥130.6 billion	¥160 billion	¥400 billion
Growth and innovation strategies			¥330 billion
Leaping ahead (M&A)			¥ 70 billion
ROA*	3.9 %		≥8 %
Net debt-to-equity ratio	1.22		1.0
Overseas sales ratio	36.9 %		≥45 %

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

synergy effects from integration, including personnel interchange.

- Appointed core operating company presidents as mission coordinators. Their roles are to formulate groupwide strategic plans for business areas and to guide and advise on those business operations.
- Relocated the head offices of our Groups to a single office building in Tokyo. Having the senior executives of all these businesses and integrating general affairs for Group operations at the same site is already proving effective.
- Established the Health Care Solutions Office to further strengthen the Group healthcare strategy and promote the commercialization of new healthcare solutions business by transcending individual core operating company boundaries.
- Strengthened the functions of the Group Synergy Office. In order to enhance proactive proposals, mediation and support functions for Group companies, synergy projects were reviewed and a director and person responsible for implementing each project were appointed.
- Integrated the engineering, supplies procurement of MCC, MPI and MRC within Mitsubishi Chemical Engineering Corporation
- Consolidated Group funding and financial administration within MCFA Inc.
- Integrated the public relations functions of MCC, MPI and MRC within MCHC's public and investor relations structure.

Changing Gear

In addition to adverse global market conditions, Japanese economy faces -six woes- the particular difficulties in Japan. “Six woes” are high corporate taxes, strong yen, delays in free trade agreements, restrictions on the use of temporary workers in manufacturing, environmental restrictions (25% reduction commitment of greenhouse gas, etc.) and increased electricity charges. The seventh woe for MCHC and other chemical companies is hikes in materials costs.

We are exploring ways to change gear and more nimbly tackle dramatic changes in the operating climate. We are continuing to transform our operational portfolio, focusing on promising advanced areas of our Next-Generation Growth and Growth Businesses.

On the structural reforms front, we made more progress toward overhauling our basic petrochemicals business at MCC Kashima Plant by formulating plans in June 2012 to establish a structure that enables us to accommodate an accelerating shift in the commodities toward high-performance, high-value-added offerings. Key factors in that shift are the expansion of large production facilities in the Middle East, a growing petrochemicals supply capacity in the PRC, and the emerging influence of shale gas, particularly in North America. Kashima Plant's structural reforms will empower us to maintain high operating rates for our ethylene production facilities, even when demand is low, and reduce fixed costs by around ¥4 billion annually. We will also shift toward high-performance derivatives, notably in ethylene oxide, polyethylene, and polypropylene.

Strategies

Grow, Innovate, and Leap Ahead by orchestrating the Group strengths

Strengthening Fundamentals
- Generate synergies, improve financial position, and reform business structure

Growth Strategy
- Accelerate transformation to deliver high-performance products and high-value-added businesses
- Expand green businesses
- Develop new medicines to fulfill unmet medical needs
- Operate globally

Deliver *KAITEKI* solutions by pursuing Sustainability, Health, and Comfort

Innovation Strategy
- Build new businesses for the future

Leaping Ahead (M&A)
- Invest strategically in alliances and acquisitions

In July 2012, we made another move in the structural reform process by deciding to transfer MPI's polyvinyl chloride piping business to Sekisui Chemical Co., Ltd. Conditions in the piping market have been very adverse, key factors being declines in housing starts and constrained public investments. We concluded that transferring this business to Sekisui Chemical as a production partner in that area would be the best way to ensure supply stability. Subject to approval from the Japan Fair Trade Commission, the transfer process should be completed during fiscal 2012. MPI will focus on highly profitable businesses.

Innovation and differentiation are also priorities in changing gear. In the petrochemicals business, we are focusing on new technologies for two areas, sustainable resources and catalysts. With isosorbide polymers, we are opening a new plant in August 2012 that will have an annual capacity of 5,000 metric tons, and plan to eventually boost capacity to 20,000 metric tons per year. Alliances that we began exploring with foreign companies for *GS Pla* in 2010 are now in place so we can commence operating a commercial plant during fiscal 2014. We are looking to complete new butadiene and non-phosgene polycarbonate technologies during 2012, and commercializing them from 2014. We also intend to reinforce our catalysts such as hexane-1, dimethylether-to-propylene, and butane-to-crude-butadiene offerings.

It is worth noting that the MCHC Group has all of the materials and products required for generating power (photovoltaic and organic photovoltaic modules), electricity storage (lithium-ion battery materials), and power savings (LEDs and organic electroluminescent lighting and materials), so we are cultivating a systems business that combines all of these capabilities. We will allocate around half of our research and development expenditure outside pharmaceuticals operations to pursue innovations in our six Next-Generation Growth Businesses, and in three of our Growth Businesses, i.e. white LED lighting and materials, lithium-ion battery materials, and carbon fibers. Please see the special feature pages 14 to 19 of this report for details on these businesses.

Another way in which we are changing gear is that we are increasing production outside Japan. Revenues outside Japan accounted for around 34% of net sales in fiscal 2010, but we lifted the proportion to about 37% in fiscal 2011, and aim to increase that figure to 45% by fiscal 2015.

To Be the KAITEKI Company

We endeavor to enhance our corporate value—*KAITEKI value*— by pursuing *KAITEKI* Management, which is about striking a balance among business administration, the management of technology, and the Management of SUSTAINABILITY (MOS). We

deployed the MOS Indexes because we recognize that our business can only be sustainable if we constantly consider both the public interest and the environment. See pages 20 to 23 for more details about *KAITEKI* value and our MOS Indexes.

Delivering Shareholder Value

We will continue striving to enhance shareholder value under *APTSIS 15*. We seek to generate attractive returns to shareholders in two components. The first is to maintain sufficient internal reserves so we can fund business development and pay cash dividends that reflect our consolidated performances. Annual dividends for fiscal 2011 were therefore set at ¥10 per share, constituting interim and year-end payments of ¥5 per share. The second component is to maintain a medium-term payout ratio of at least 30% in keeping with our commitment to dividend stability. For fiscal 2012, we plan to raise cash dividends by ¥2 per share from fiscal 2011, to ¥12, comprising interim and year-end payments of ¥6 each.

We expect the Japanese economy to continue a gradual recovery in fiscal 2012 from the levels experienced in the second half of fiscal 2011, although we are concerned about the potential impacts of economic downturns outside of Japan, volatile exchange rates, and oil prices. While drug price revisions will probably hamper our Health Care domain, we anticipate improved results from the Performance Products and Industrial Materials domains, with the expansion of performance products sales and the gradual recovery of the chemicals market.

While the business climate will change over time, we are committed to ensuring that MCHC progresses in its businesses, responds to such changes by fulfilling its commitment to become The KAITEKI Company by 2025.

August 2012

Yoshimitsu Kobayashi
President & Chief Executive Officer

Maintaining a Highly Competitive Business Portfolio

Under *APTSIS 15,* MCHC has carefully selected the following businesses, which straddle our three product domains, on the basis of profitability, our market strength in each area, and their potential for future growth. Constant innovation and differentiation in all product domains make our business portfolio highly competitive.

Cash-Generating Businesses	Growth Businesses	Next-Generation Growth Businesses
Performance Products		
Recording Media Performance Films Food Ingredients	White LED Lighting and Materials Lithium-ion Battery Materials Flat Panel Display Components Performance Composite Materials High-Performance Molding Products Specialty Chemicals Water Treatment Systems and Services	Organic Photovoltaic Modules and Materials Organic Photo Semiconductors Advanced Performance Products Agribusiness Solutions
Health Care		
Diagnostics and Support for New Pharmaceuticals Development Generics	Pharmaceuticals	Healthcare Solutions
Industrial Materials		
Terephthalic Acid Coke Phenol, Bisphenol-A, and Polycarbonate Polypropylene and Polypropylene Compounds	High-Performance Graphite Performance Polymers Methyl Methacrylate and Polymethyl Methacrylate	Advanced Performance Products Sustainable Resources

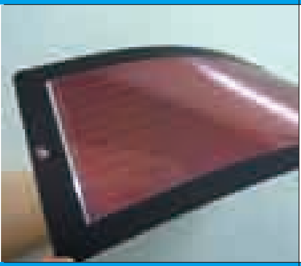
Next-Generation Growth Businesses

■ Accelerate launch of new growth drivers

Organic Photovoltaic Modules and Materials

Net sales

Target for FY2015 **¥50.0 billion**



Developing photovoltaic module materials and applications

We are working to create new markets for our modules, and are exploring smart community collaborations with housing makers and general contractors. We have achieved a world-leading 11% conversion efficiency in organic thin-film solar cells. We are targeting market shares of 30% in such areas as barrier films and sealants.

Organic Photo Semiconductors

Net sales

Target for FY2015 **¥30.0 billion**

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

We are developing a wet process with Pioneer for manufacturing coating-based OLED lighting products. Costs should be much lower with the new process. We plan to fully commercialize our organic photo semiconductor business in 2014.

Advanced Performance Products

Net sales

Target for FY2015 **¥20.0 billion**

Providing innovative materials

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

Agribusiness Solutions

Net sales

Target for FY2015 **¥10.0 billion**

Fostering lower-cost, environment-friendly agricultural systems

We are working on new systems to enable cultivation in areas with adverse growing conditions. Key developments to date are cost competitive plant production system and materials and plant factories. We are developing systems that can save water and thereby reduce environmental impact.

Healthcare Solutions

Planned R&D expenditures

FY2011–FY2015 **¥410.0 billion**

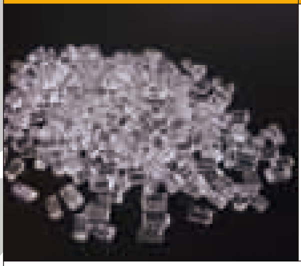
Delivering total solutions for pharmaceuticals and diagnostics

We are delivering disease treatment and prevention solutions. Key focuses include drugs that fulfill unmet medical needs, diagnostic biomarkers, and medical information technology analysis. We are working on medical devices by applying computational analysis technologies that we have accumulated in chemical plant control.

Sustainable Resources

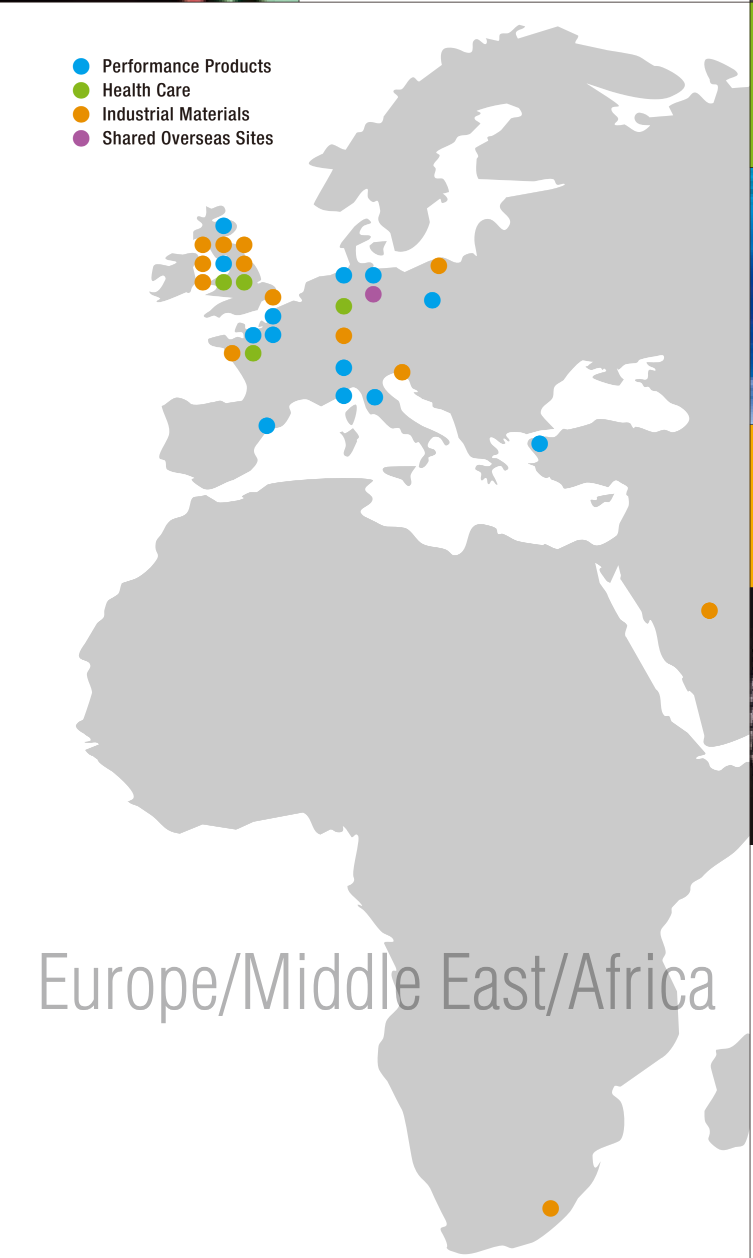
Net sales

Target for FY2015 **¥10.0 billion**



Contributing to the environment and a sustainable carbon society

We are cultivating demand for *DURABIO*, an isosorbide polymer that enjoys a solid market presence for its advanced optical performance and weather resistance. We look to sell 20,000 metric tons annually of this product by 2015. We are also collaborating with business partners to accelerate the commercialization of *GS Pla*, a biodegradable polymer.



Growth Businesses

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

White LED Lighting and Materials

Net sales	
FY2011	¥11.6 billion
FY2012 Forecast	¥16.8 billion
Target for FY2015	¥100.0 billion

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

We will pursue key goals in the materials and lighting business. We also will leverage the liquid-phase method in working toward mass-producing gallium nitride substrates offering outstanding quality and low costs. We have already started distributing samples, and plan to begin full-fledged mass production in 2013. We are building a full phosphor lineup targeting the lighting market and are cultivating the *KAITEKI* lighting business globally through the *Verbatim* marketing channel.

Lithium-Ion Battery Materials

Net sales	
FY2011	¥16.5 billion
FY2012 Forecast	¥28.1 billion
Target for FY2015	¥80.0 billion

The sole supplier providing all four core materials

We seek global leadership in lithium-ion battery (LiB) materials for electric and hybrid electric vehicles. The MCHC Group is the world's sole supplier of all four core LiB materials, namely electrolytes, anodes, cathodes, and separators. The Group will continue to develop its LiB materials business by providing all four key materials. We will offer optimal material solutions to meet customer needs, provide the products with consistent quality, and establish a stable supply network.

Flat Panel Display Components

Net sales	
FY2011	¥80.4 billion
FY2012 Forecast	¥96.9 billion
Target for FY2015	¥190.0 billion

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

Although we are reviewing overall growth rate projections for flat panel display components, we anticipate ongoing expansion because we are specializing in the smiling curve area on the left. We will continue to push ahead with materials in which we have superior quality, including by accelerating overseas expansion.

Performance Composite Materials

Net sales	
FY2011	¥50.5 billion
FY2012 Forecast	¥58.5 billion
Target for FY2015	¥110.0 billion

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

Carbon fiber can help increase blade sizes for wind turbines. We can optimally supply polyacrylonitrile-and pitch-based carbon fibers, and aim to lift our capacity significantly in the next few years. We are looking to develop carbon fiber–reinforced thermoplastics for automotive applications. We are collaborating with Cytec Industries Inc. of the United States in aerospace development.

Pharmaceuticals

Net sales	
FY2011	¥389.6 billion
FY2012 Forecast	¥411.4 billion
Target for FY2015	¥495.0 billion

Delivering globally competitive products and developing new drugs

Priorities for fiscal 2011 were to steadily cultivate *Remicade* and such new products as *Telavic* and *Lexapro*. From fiscal 2012, we plan to boost earnings by offsetting declines from a revision in National Health Insurance drug prices on the strength of gains from new products and increased volume in key offerings.

High-Performance Graphite

Net sales	
FY2011	¥13.9 billion
FY2012 Forecast	¥18.9 billion
Target for FY2015	¥25.0 billion

Leveraging superior quality to expand sales

We aim to take advantage of rising demand for this material in electric arc furnace electrode processes. We look to reinforce our business in needle coke by setting up a South Korean production and sales joint venture with POSCO CHEMTECH. We plan to boost pitch coke sales for silicon carbide crucibles to accommodate greater demand for photovoltaic modules.

Performance Polymers

Net sales	
FY2011	¥38.1 billion
FY2012 Forecast	¥43.1 billion
Target for FY2015	¥60.0 billion

Gaining shares in key markets through overseas expansion

We are accelerating efforts to build our presences in the PRC, North America, and Asia for such existing products as polyolefin elastomer. We transferred the polyvinyl chloride compound business of The Sunprene Co. to Mitsubishi Chemical Performance Polymers, Inc. We have rationalized domestic operations, as part of which we reorganized the Nagoya Plant of Mitsubishi Chemical in October 2011.

High-Performance Molding Products

Net sales	
FY2011	¥66.2 billion
FY2012 Forecast	¥64.3 billion
Target for FY2015	¥80.0 billion

Broadening applications and overcoming business climate changes

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

Specialty Chemicals

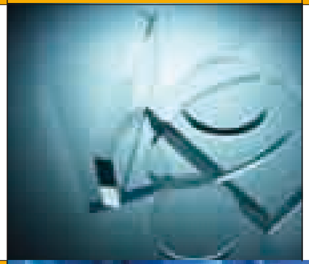
Net sales	
FY2011	¥73.3 billion
FY2012 Forecast	¥81.5 billion
Target for FY2015	¥110.0 billion

Maximizing Group synergies and expanding our business scale

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

Methyl Methacrylate and Polymethyl Methacrylate

Net sales	
FY2011	¥290.9 billion
FY2012 Forecast	¥296.8 billion
Target for FY2015	¥430.0 billion



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

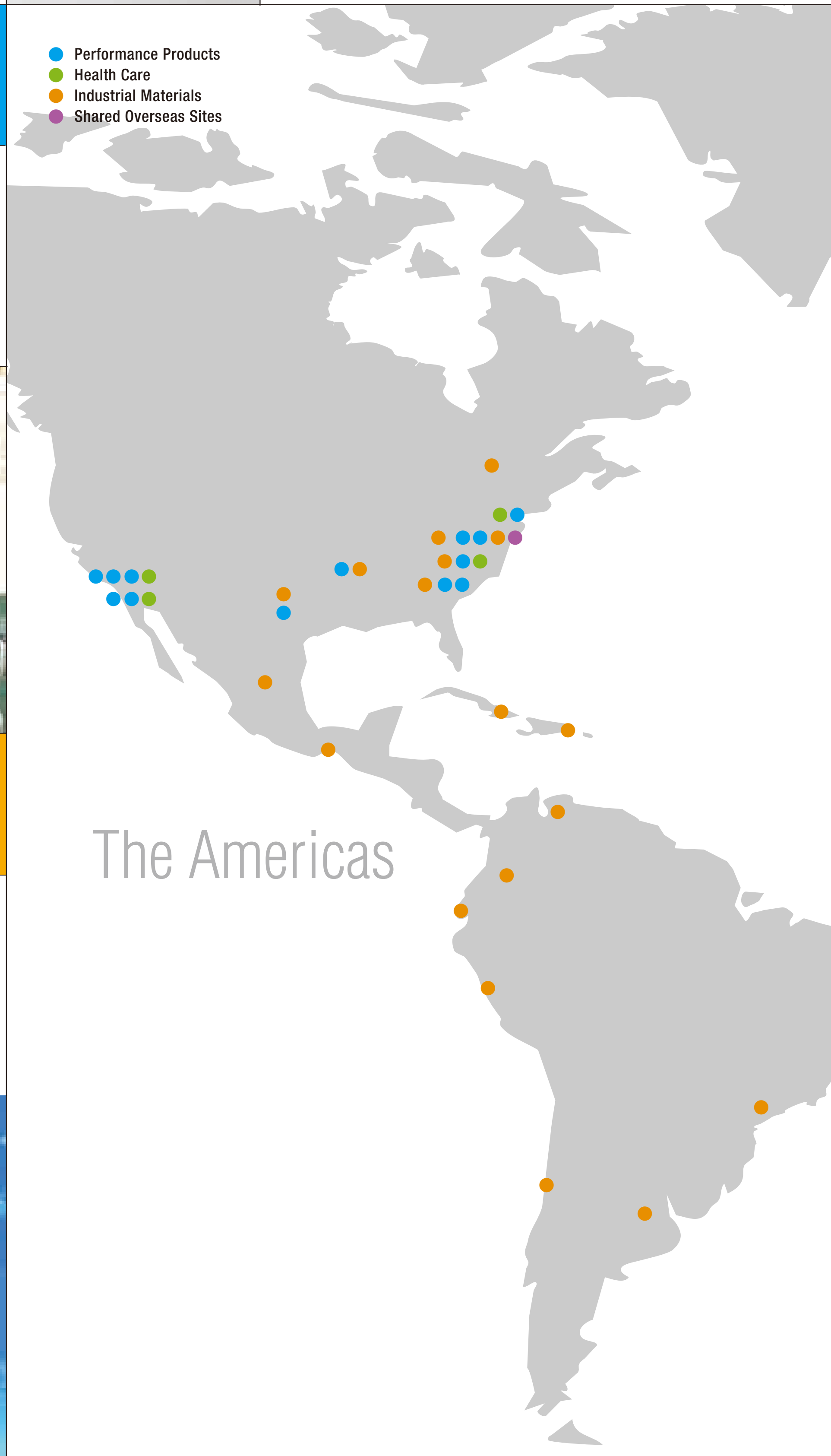
We are working to create an integrated management structure for our global production bases in methyl methacrylate monomer and maximize earnings for production plans that we have formulated to match demand trends. In polymethyl methacrylate, we are focusing away from LED TV light guide plate application sales in favor of such general applications as LED lighting and automobiles.

Water Treatment Systems and Services

Net sales	
FY2011	¥30.9 billion
FY2012 Forecast	¥35.2 billion
Target for FY2015	¥70.0 billion

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

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



Cash-Generating Businesses ■ Stabilize earnings and increase profit stability

Recording Media

Net sales	
FY2011	¥58.3 billion
FY2012 Forecast	¥55.6 billion
Target for FY2015	¥100.0 billion

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

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

Food Ingredients

Net sales	
FY2011	¥15.2 billion
FY2012 Forecast	¥15.4 billion
Target for FY2015	¥30.0 billion

Offering a range of products based on natural materials

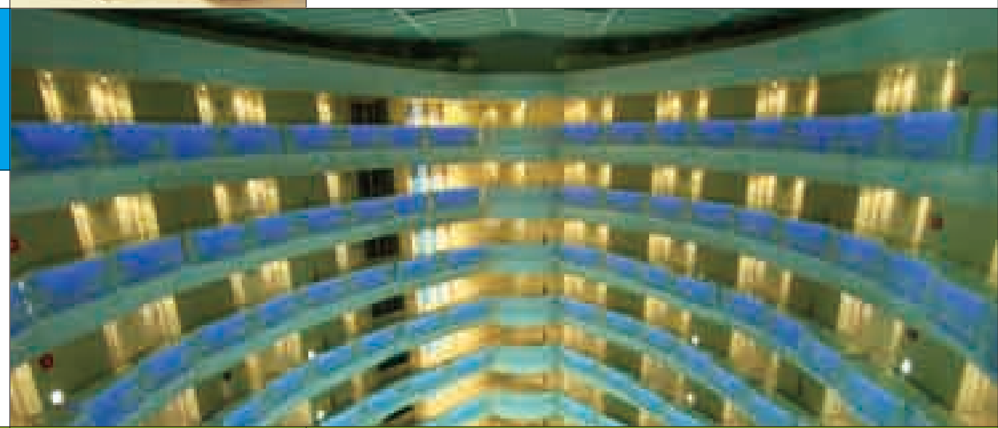
We will strengthen our capabilities in erythritol and other fermentation technologies, while expanding our business foundations through partnerships. We have launched a compounding ingredients business in the PRC that takes full advantage of our distinct emulsifiers.

Performance Films

Net sales	
FY2011	¥50.3 billion
FY2012 Forecast	¥52.6 billion
Target for FY2015	¥70.0 billion

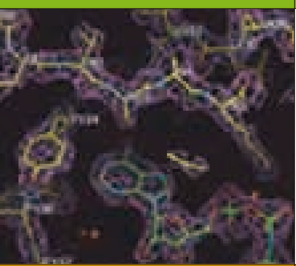
No. 1 share of the global market for optical PET film

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



Diagnostics and Support for New Pharmaceuticals Development

Net sales	
FY2011	¥77.2 billion
FY2012 Forecast	¥82.0 billion
Target for FY2015	¥115.0 billion



Strengthening our clinical testing services and expanding diagnostic reagents and instruments

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

Generics

Net sales	
FY2011	¥17.5 billion
FY2012 Forecast	¥17.6 billion
Target for FY2015	¥50.0 billion

Providing highly reliable generic drugs

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

Terephthalic Acid

Net sales	
FY2011	¥363.3 billion
FY2012 Forecast	¥323.3 billion
Target for FY2015	¥260.0 billion

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

We will swiftly stabilize production at the No. 2 production facility in India. We will become more cost-competitive by cutting energy costs while establishing world-class technologies that minimize environmental impact. At the same time, we will secure a market presence by deploying a market-driven partnership strategy that centers on technology exports and offtake agreements in expanding markets.

Phenol, Bisphenol-A, and Polycarbonate

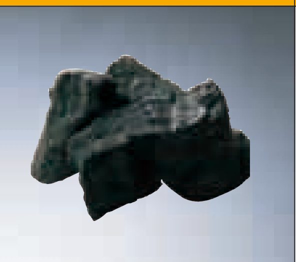
Net sales	
FY2011	¥73.5 billion
FY2012 Forecast	¥87.4 billion
Target for FY2015	¥95.0 billion

No. 1 share of the Asian market for polycarbonate

We plan to set up production facilities for Sinopec Mitsubishi Chemical Polycarbonate (Beijing) Co., Ltd., a bisphenol-A and polycarbonate joint venture with China Petroleum & Chemical Corporation. We look to develop non-phosgene diphenyl carbonate and polycarbonate processes by the end of 2012. In Japan, we aim to become more profitable by cutting costs and expanding sales of high-performance products.

Coke

Net sales	
FY2011	¥217.9 billion
FY2012 Forecast	¥190.8 billion
Target for FY2015	¥250.0 billion



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

We aim to solidify our earnings structure and harness proprietary technologies and maintain and reinforce production. We will strengthen knowledge-based businesses overseas and expand highly profitable exports to emerging markets, particularly to India, Thailand, and Brazil.

Polypropylene and Polypropylene Compounds

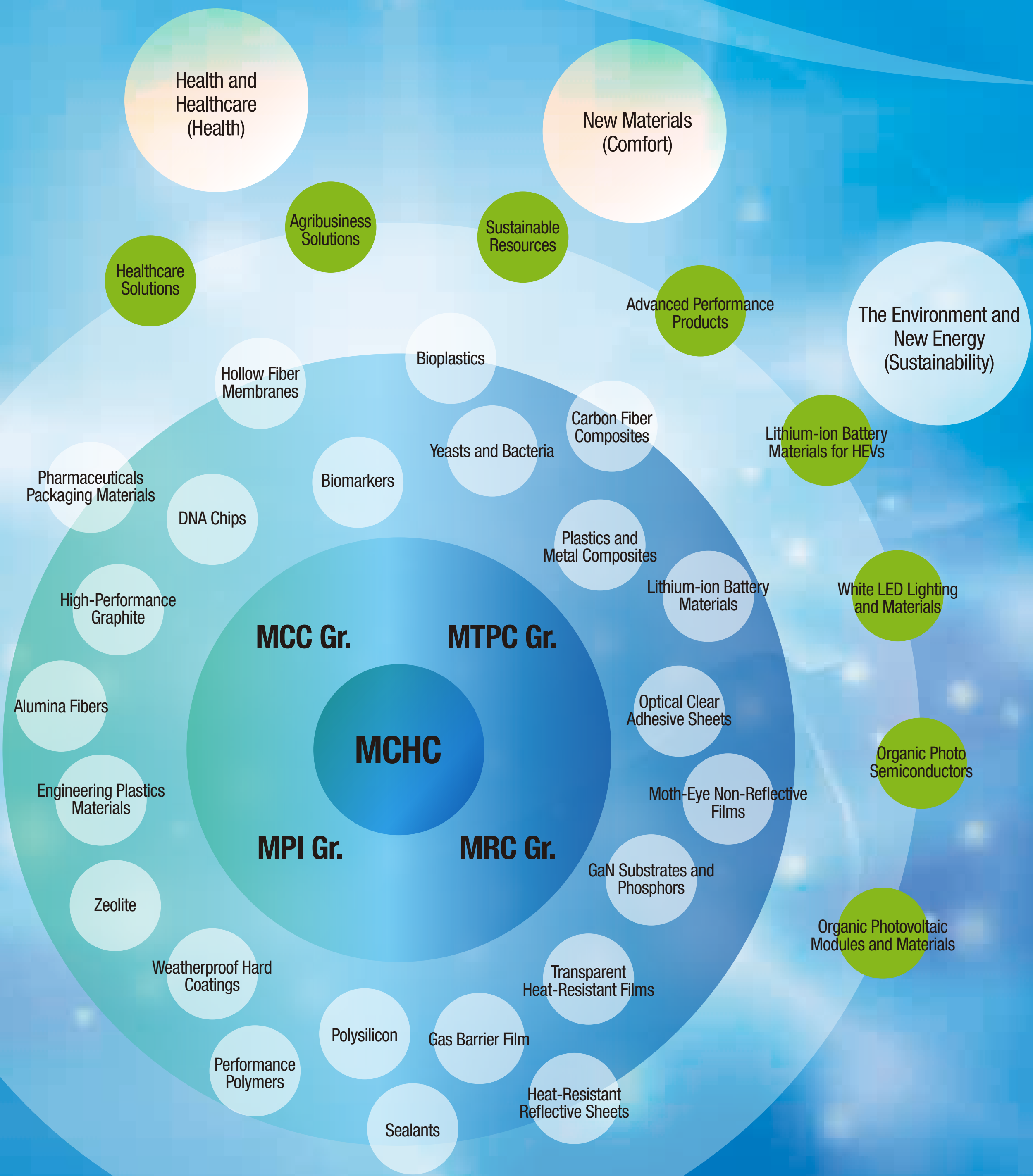
Net sales	
FY2011	¥163.1 billion
FY2012 Forecast	¥198.8 billion
Target for FY2015	¥200.0 billion

No. 1 share in the automobile market in Japan

We seek to develop high-performance polypropylene, impact copolymer reactor compounds, and other advanced polypropylene technologies at new pilot facilities. We will license the HORIZONE process in the PRC. We will increase global sales of compounds, particularly for the automotive market in the PRC, Thailand, India, North America, and Europe, while strengthening an alliance with Borealis AG.

Innovating for Today and Tomorrow

We are accelerating innovation and differentiation as a management priority to quickly tackle dramatic changes in the global business environment climate. We are focusing on our six Next-Generation Growth Businesses and three of our Growth Businesses, whereby MCHC can create or strengthen its leading position in each of these promising areas.



Innovating for Today
Growth Businesses

A model car mounted with large-scale LiBs

Four core LiB materials: electrolytes, separators, anodes, and cathodes

1 Lithium-ion Battery Materials

The MCHC Group is the sole supplier of all four key materials in lithium-ion batteries (LiBs), namely electrolytes, anodes, cathodes and separators.

Separators can be manufactured using wet or dry processes. The dry process will likely be adopted widely to produce separators for electric vehicle batteries, as it is more cost-competitive and more suited to high power output.

In 2009, Mitsubishi Plastics started production of *SEPALENT* with annual capacity of 12 million m^2, a LiB separator that employs a proprietary dry process, combining low-temperature output and an outstanding life cycle. A new plant with 15 million m^2 per year is expected to launch its commercial production in 2013.

In 2011, Mitsubishi Plastics developed a highly cost-competitive heat-resistant separator for the LiBs market for electric vehicles. Using a coating with *SEPALENT* ensures heat-resistance of at least 200℃ , helping to prevent batteries from short-circuiting. Furthermore, the company's coating agent development capability and coating process technology accumulated over the years equip the new separator with superior cost competitiveness to other heat-resistant separators (made through a wet method) on the market. Following quality testing by manufacturers of LiBs, Mitsubishi Plastics plans to begin mass-producing these separators by 2013.

Other three key materials are produced by Mitsubishi Chemical. For electrolytes, in addition to other operation sites in Japan, the UK and the US, a new wholly-owned subsidiary in the PRC will have 10,000 metric tons of capacity per year by the end of 2012. Mitsubishi Chemical currently has a combined anode production capacity in Japan and the PRC of 11,000 metric tons and intends to raise Chinese capacity in the autumn of 2012 by 4,000 metric tons. Annual capacity of cathode is 2,200 metric tons.

The MCHC Group will continue to develop its LiB materials business by providing all four key materials. The Group will offer optimal material solutions to meet customer needs, provide the products with consistent quality, and establish a stable supply network.

A Verbatim LED light bulb

2 White LED Lighting and Materials

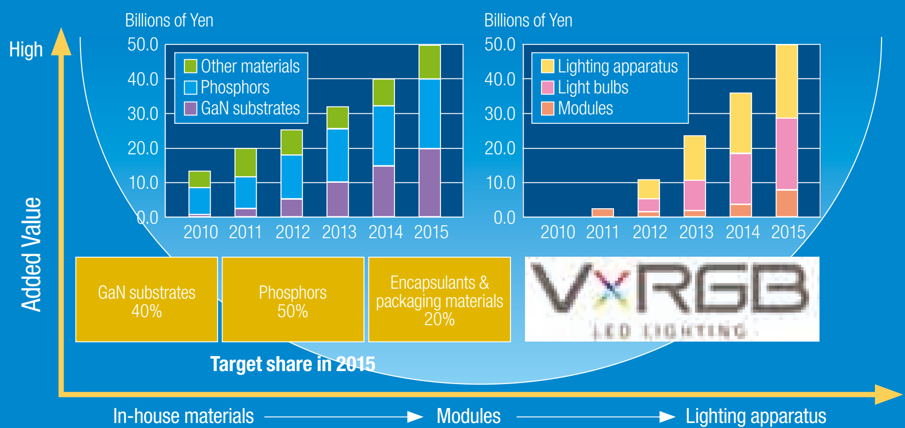
A key feature of Mitsubishi Chemical's white LED lighting and materials business is that it encompasses gallium nitride (GaN) substrate and phosphor technologies. The company's substrate has a high-quality, single-crystal structure. It is made using HVPE, for hydride vapor phase epitaxy, a technique developed over many years that employs epitaxial technologies and compound semiconductor processing technologies. This has resulted in good uniformity, high crystallinity, and superior surface quality.

Mitsubishi Chemical has already established a mass-production technology for GaN substrates that employs the Super Critical Acidic Ammonia Technology method, which ensures higher quality, low dislocation density, and productivity. In April 2012, the company completed proving facilities at the Mizushima Plant and started making crystal samples. It looks to launch mass production in 2013.

Mitsubishi Chemical's phosphor business is focusing on the lighting market. It aims to maintain and further raise its high market share in red phosphors while bolstering its lineup of the green and yellow versions. It also looks to begin accommodating remote phosphors, attaining a full phosphor lineup.

Mitsubishi Kagaku Media Co., Ltd., a subsidiary of Mitsubishi Chemical is also selling LED lighting products for consumer and business applications globally under the *Verbatim* brand. In line with augmenting our LED light bulb lineup, in July 2012, in Europe, we introduced a complete family of cost-effective retrofit LED lamps for households. The new lineup comprises 13 products including LED lamps to replace 25W to 60W Classic A bulbs and 15W to 25W Classic B candle lamps. Color temperatures range from 2,700K to 3,000K, and each model has a minimum color rendering index of 80.

White LEDs: Business Outlook



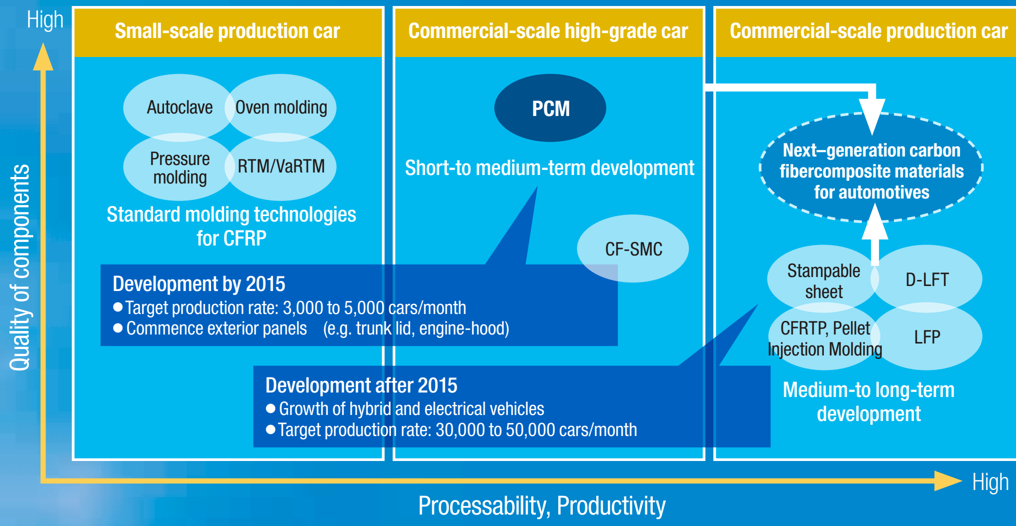
Road map for gallium nitride substrates

2012 Inaugural year for lighting applications
Jan. Commercialize high-quality c-plane substrates
Oct. Commercialize high-quality two-inch m-plane substrates

2013 Fully enter the LED lighting market
Apr.-Oct. Start mass production furnace operations
Commercialize high-quality four-inch substrates and launch full-fledged production

2015 Planning to fully enter the electronic devices market
Oct. Comercialize high-quality six-inch substrates

Establishment of CFRP Technologies for Commercial–Scale Production Vehicles



Carbon fibers used for automotive structural parts

PAN- and pitch-based carbon fibers can help increase blade sizes.

3 Performance Composite Materials
(Carbon Fibers and Carbon Fiber Composite Materials)

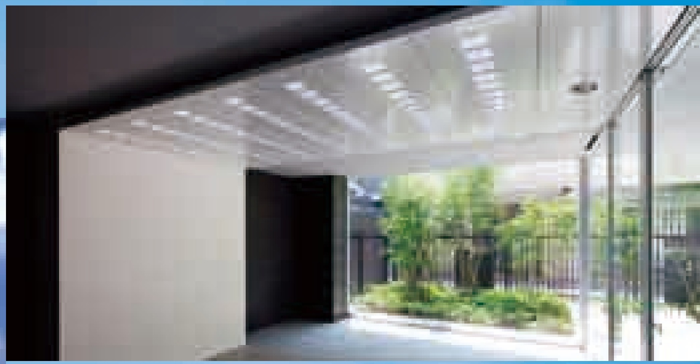
We are creating carbon fiber–reinforced plastics technologies for mass-produced vehicles. These technologies contribute greatly to lightness, lower CO_2 emissions, enable more flexible vehicle designs, and help cut the numbers of parts and components. These materials should drive the popularity of electric and fuel cell vehicles. For thermosetting, we are conducting development through our proprietary prepreg compression molding technique to shorten the molding cycle to less than three minutes. For thermoplastics, we are working on samples and development for complex shapes and large parts for stampable sheet and long-fiber-reinforced thermoplastic and direct long-fiber-reinforced thermoplastic techniques. We aim to complete these efforts by 2015, applying our techniques for the trunk lids and engine hoods of luxury cars. From 2015, we aim to have our carbon fiber–reinforced plastics technologies applied to mass production for the general vehicle market.

For wind-powered generation systems, we leverage our supply strengths in polyacrylic nitrile and pitch, providing these materials for large wind turbine blades. We are leveraging a business alliance with Cytec Industries Inc. of the United States to enter the aerospace field.

Innovating for Tomorrow

Six Next-Generation Growth Businesses

2 *OLED lighting at a building entrance*

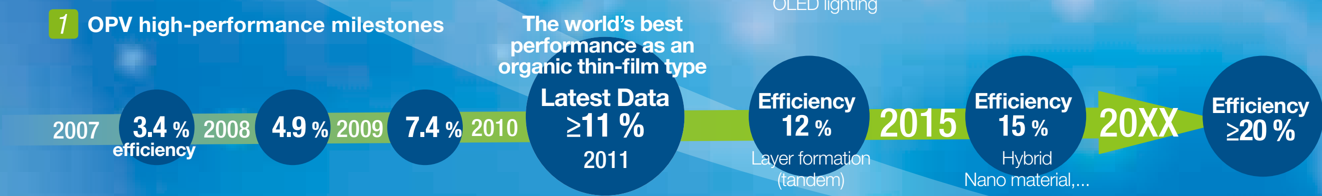


1 *BIPV (Building-Integrated Photovoltaic) modules featured in a smart building*

1 *OPVs are applicable for use on a car body*

2 **OLED lighting business**

1 **OPV high-performance milestones**



1 Organic Photovoltaic Modules and Materials

Organic photovoltaic modules (OPVs) are more flexible and lighter than conventional crystalline silicon-based counterparts. The key to practical usage is enhancing conversion efficiency. Having attained a world-leading conversion efficiency of 11%, Mitsubishi Chemical aims to raise this level to 15%, commercializing its OPVs by 2015. The company is also building pilot facilities to manufacture larger modules. OPVs are made using printing processes, making them suitable for mass-production applications that include buildings and car bodies. Mitsubishi Chemical is marketing its amorphous silicon photovoltaic modules, which are flexible and light like OPVs, to cultivate the OPV market.

2 Organic Photo Semiconductors

In June 2012, Mitsubishi Chemical and Pioneer Corporation developed organic light emitting diode (OLED) elements using a wet process for the light-emitting layers. OLED devices from this joint project resulted from combining innovative proprietary light-emitting materials with a Mitsubishi Chemical–developed wet process and jointly optimizing the device structure and wet process. The devices offer sufficiently long service lives and efficiency to make them commercially viable for lighting applications.

Assuming a 70% lifetime and a white luminance of 1,000 cd/m^2, the white elements provide a lifetime of 57,000 hours. The high-efficiency full-color version delivers an efficiency of 56 lumens per watt at 2,000 cd/m^2. Penta-Ocean Construction Co., Ltd., chose to install the *VELVE*-brand organic lighting panel at its headquarters building because of the panel's outstanding thinness, light structure, soft lighting and dimming, and color matching functions.

3 Advanced Performance Products

Mitsubishi Plastics and Union Industry Co., Ltd., developed an easy-to-install compact adsorption chiller with an integrated cooling tower that delivers a cooling capacity of 10 kilowatts. The chiller uses the zeolitic water vapor adsorbent *AQSOA* and can be incorporated in a solar water heater, helping reduce electricity consumption by up to 20% when the chiller is combined with a cogeneration system.

Mitsubishi Plastics began manufacturing heat exchangers and other parts coated with *AQSOA* in 2008. That adsorbent can efficiently release water vapor even at relatively low temperatures. Because heat exchangers coated with *AQSOA* can reduce energy consumption, the parts are already being used in many adsorption chillers in Japan and Europe. Another advantage of *AQSOA* is that its superior durability lowers maintenance requirements, thus cutting running costs.

3 An easy-to-install compact absorption chiller, which uses the zeolitic water vapor absorbent AQSOA

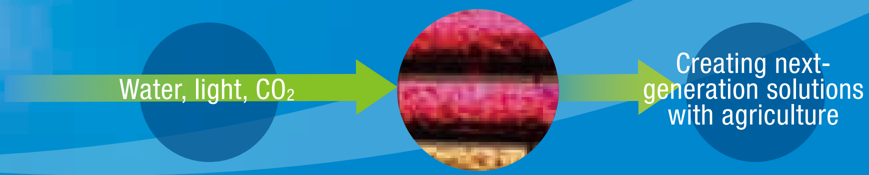
4 Healthcare Solutions

MCHC is orchestrating Group strengths in providing solutions to satisfy unmet medical needs. We have developed several healthcare solutions. One example is the carbon dioxide bath unit to create carbon dioxide rich water, for which the benefits include increased blood flow. The unit employs Mitsubishi Rayon's hollow fiber membrane technique. Potential applications include rehabilitation, nursing care, health promotion, and beauty care. One of other achievements is the MIMAMORI-Gait system, which employs the proprietary analytical technologies accumulated at our chemical plants. We have released this product as a medical device. We have developed an enclosed plant factory system and will evaluate applications for this system in pharmaceutical manufacturing.

5 An agricultural production system in a closed environment under artificial lighting

4 MIMAMORI-Gait is a daily activity analysis system

5 Developing agribusiness solutions



6 With the effective use of resources, the DURABIO transparent bio-based engineering plastic contributes to the realization of a sustainable carbon society.

5 Agribusiness Solutions

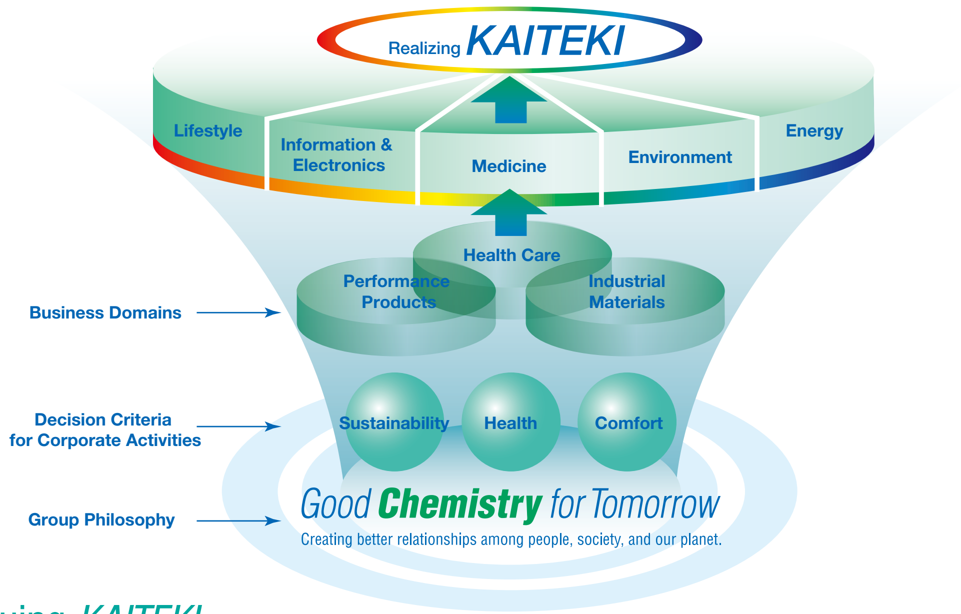
In Japan, we became involved in a plant factory project of the Ministry of Agriculture, Forestry and Fisheries, and have started demonstration tests. We are growing seedlings under completely artificial light while using sunlight in greenhouses to grow tomatoes. We partnered with China Co-op (headquarters Nanjing, Jiangsu) to start plant factory experiments in Wuxi. We plan other tests in Nanjing, Beijing, and Jilin. We are looking to set up a company to manufacture and sell high-performance film for plant factories, expanding our plant factory business in the PRC.

6 Sustainable Resources

GS Pla from Mitsubishi Chemical is a polybutylene succinate-based resin that is biodegradable—it decomposes into water and CO_2 in the natural environment. These qualities have made *GS Pla* an ideal material for agricultural film and tableware, reducing energy consumption and the cost of waste disposal.

Another fruit of Mitsubishi Chemical's sustainable resources endeavors is *DURABIO,* a transparent bio-based engineering plastic that is not only biomass-derived but also has higher optical properties than conventional transparent plastics. This product is durable against discoloration from light and resists heat and impact. Mitsubishi Chemical is drawing on these properties in applying the product in such diverse areas as advanced optical materials, automotive bodies and interiors, building materials, and as an alternative to advanced glass.

KAITEKI signifies challenging our state of sustainability and materializing comfort for people, comfort for society, and comfort for the Earth. The MCHC Group believes that chemistry is the key technology to resolve many of society's challenges and to achieve _KAITEKI_.

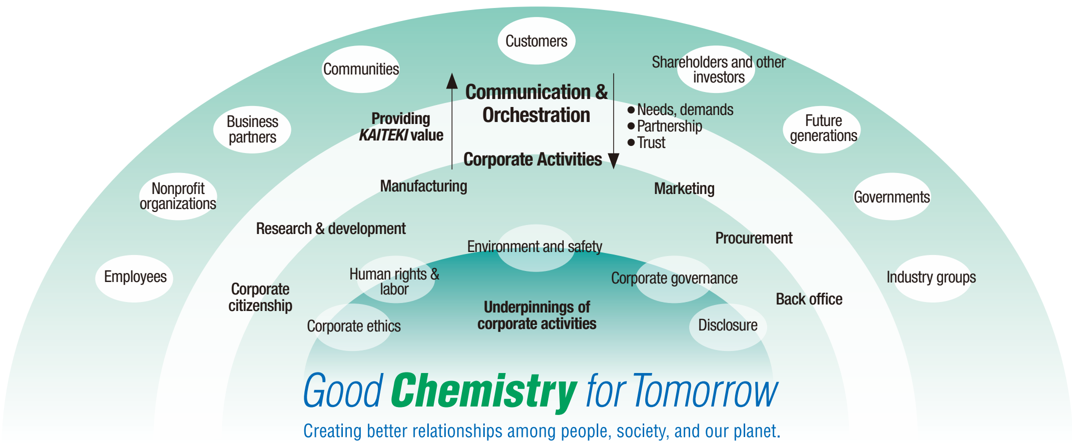


Pursuing *KAITEKI*

The MCHC Group believes that it has a responsibility to realize *KAITEKI* by engaging in corporate activities that match the three decision criteria of Sustainability, Health, and Comfort in keeping with a Group philosophy of "Good Chemistry for Tomorrow—Creating better relationships among people, society, and our planet."

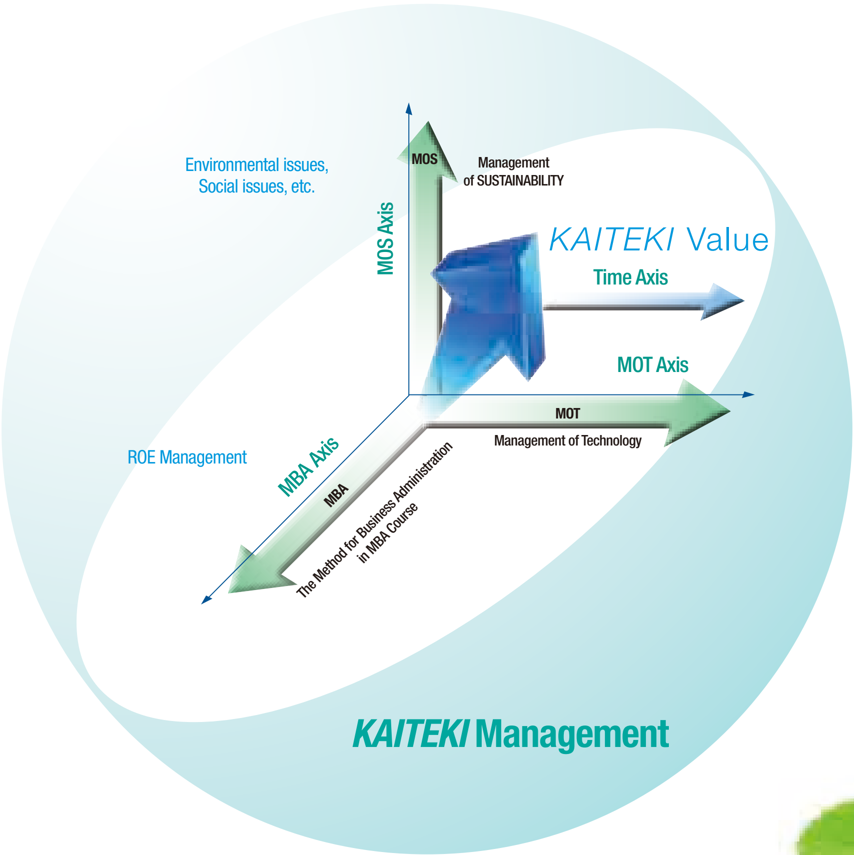
We will reach our *KAITEKI* targets by leveraging our products and services to help resolve issues our society confronts. At the same time, we will continue to improve our corporate activities underpinning our operations, concerning as our safety, environment, human rights, and labor practices.

We will make best efforts in reflecting the interests of all stakeholders through ongoing dialog and collaboration to materialize *KAITEKI*.



KAITEKI Management (Four Dimensional Management)

The MCHC Group is conducting its business management considering four axes, i.e. MBA Axis, MOT Axis, MOS Axis and Time Axis. MBA Axis is the “Method for Business Administration in MBA course” which is the fundament to enhance economic value of the Company. MOT, as we all know, means “Management of Technology”. MOS Axis for our unique management index is “Management of SUSTAINABILITY” to achieve sustainability for human kind, society and the planet. The direction of our management is being decided by taking into account a balance of respective values on MBA Axis, MOT Axis, MOS Axis. Time Axis is to review and adjust the values on MBA, MOT and MOS periodically as well as properly. We call this four dimensional approach “*KAITEKI* Management” and the vector of business thus indicated “*KAITEKI* Value”.



Books authored by Dr. Kobayashi, President & Chief Executive Officer, on *KAITEKI* Management and the MOS

Quantitatively Assessing Our Corporate Activities Based on MOS Indexes

We devised proprietary benchmarks to quantitatively assess our contributions to Sustainability, evaluating corporate activities and monitoring them with plan-do-check-act cycles. In determining our MOS Indexes, we selected key social issues that are of particular importance and relevance to both society and the MCHC Group. In other words, we explored how best to combine social needs and issues with our businesses and technologies to determine our direction and the benchmarks we should evaluate.

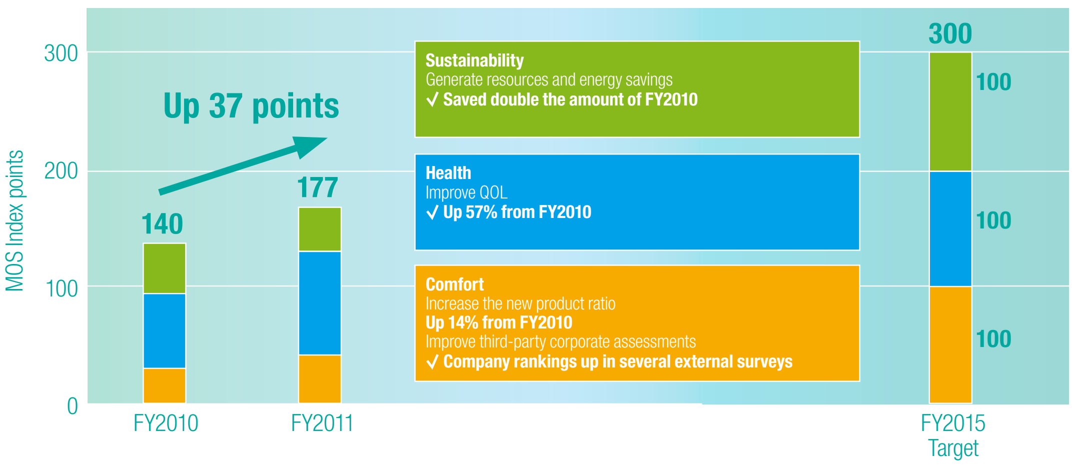
The MOS Indexes consist of factors to measure our contribution to Sustainability, Health, and Comfort with about 90 sub-criteria.

We assigned a maximum score of 100 points each for the 2015 targets of the Sustainability, Health, and Comfort indexes (for a maximum of 300 points).

Objective to be achieved	Achieve zero occurrences of material accidents and compliance violations
Sustainability Index	**S-1:** Reduce environmental impact through products and services **S-1-1:** Reduce environmental impact by 30% from 2005 levels **S-1-2:** Generate reduction of CO_2 emissions through products **S-2:** Practice energy saving and reduce use of depletion resources **S-2-1:** Procure reusable materials equivalent to 6,000 t/y of crude oil **S-2-2:** Suppress rare metal uses 800 t/y by improving processes and developing innovative products **S-2-3:** Generate resources and energy savings of ¥13 billion **S-3:** Reduce environmental impact through supply chain management **S-3-1:** Achieve an 80% inspection rate on toxic substances in purchased items **S-3-2:** Achieve 90% purchasing of raw materials and packaging according to CSR guidelines
Health Index	**H-1:** Contribute to medical treatment **H-1:** Increase the index performance derived by the degree of difficulty to treat diseases and the number of administered patients by 30% **H-2:** Improve QOL **H-2:** Increase contribution to QOL improvements by 40% **H-3:** Contribute to the early detection and prevention of diseases **H-3-1:** Increase the index of vaccine treatment by 40% **H-3-2:** Increase the number of diagnostic tests by 17%
Comfort Index	**C-1:** Deliver products (development and manufacturing) for comfortable lifestyles **C-1-1:** Increase sales of comfort-oriented products by ¥600 billion **C-1-2:** Increase the new product ratio from 16% to 35% **C-2:** Improve stakeholder satisfaction **C-2-1:** Improve third-party corporate assessments **C-2-2:** Improve employee-related indexes **C-3:** Earn recognition of corporate trust **C-3-1:** Halve the number of troubles and accidents **C-3-2:** Halve the lost time injuries frequency rate **C-3-3:** Confirm product safety according to GPS for 70% of the products

The performance of the MOS Indexes in 2011 was evaluated and reviewed at the second *KAITEKI* Project conference. The total score of the MOS Indexes was almost as planned under *APTSIS 2015*. We will continue pursuing improvements in the years ahead. The review of the MOS Indexes for 2011 will be reported in detail on our Web site (http://www.mitsubishichem-hd.co.jp/english/csr/index.html) and *KAITEKI* Report 2012.

Trend in MOS Results



Participating in the UN Global Compact and Securing External Recognition

MCHC signed the UN Global Compact in May 2006 to formalize our commitment to the ten principles in the areas of human rights, labor, environment, and anti-corruption. We have embraced the precepts of ISO 26000, the international guidance standard on social responsibility, and the OECD Guidelines for Multinational Enterprises in our operations as part of ongoing efforts to improve *KAITEKI* activities.

We have already earned considerable external recognition for our *KAITEKI* activities. As of June 2012, three external organizations had included MCHC's stock in their socially responsible investment indexes on the strength of the commitment in its corporate activities to a sustainable society. MCHC is a component of the FTSE4Good Index Series, the Dow Jones Sustainability Asia Pacific Index 2011, and the Morningstar Socially Responsible Investment Index.

THE GLOBAL COMPACT
WE SUPPORT

FTSE4Good

Dow Jones Sustainability Indexes
Member 2011/12

MS-SRI
July 2012

Comments on *KAITEKI* Management and the MOS from the PRI Japan Network

For signatories collaborating with the Principles for Responsible Investment, this Network shares global trends on responsible investments that integrate environmental, social and corporate governance into decision-making and best practices. The Network is exploring responsible investment approaches in Japan, factoring in specific circumstances in this country to propagate the use of Principles for Responsible Investment and responsible investing among Japanese institutional investors.

MCHC and the PRI Japan Network have discussed MCHC's aspirations to realize *KAITEKI*, the basic concept of the MOS Indexes, the organizational approach to enlighten its employees, and the importance of the top management's message. Here, we present the comments published by the PRI Japan Network.

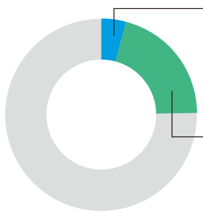
- MCHC commits to improve *KAITEKI* value, or its corporate value, through management based on three axes. One aims to enhance earnings and other forms of economic value. One aims at advance technology management. One aims at achieving sustainability for people, society, and the planet. MCHC is distinct in the way incorporating the MOS axis in its Group management, balancing the other two axes.

- To spread understanding of the MOS and visualize progress and achievements in improving *KAITEKI* value, MCHC selected the MOS Indexes that are common and important for the Group and can contribute to the enhancement of corporate value. MCHC deployed these indexes as part of *APTSIS 15*, its mid-term management plan. To implement *APTSIS 15*, MCHC launched the *KAITEKI* Project, under the direct control of the president, and set up a structure to monitor the MOS Indexes.

- Yoshimitsu Kobayashi, President and Chief Executive Officer, has authored two books on *KAITEKI* Management and the MOS. One is *Good Chemistry for KAITEKI—A Challenge to a Sustainable, Healthy and Comfortable Society*, which draws on numerous case studies. This publication is available in Japanese and English. The other book is on the concept of MOS, the background to develop the MOS Indexes, and *KAITEKI* Management. MCHC's *KAITEKI* Report for fiscal 2011 presents the specific relationships between businesses and *KAITEKI*.

Performance Products Domain

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



Main Products

Electronics Applications

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

Designed Materials

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

Performance Products Strategies under *APTSIS 15*

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

Growth

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

Innovation

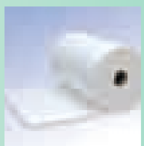
- Build and expand new businesses
  Organic photovoltaic modules and materials, organic photo semiconductors, advanced performance materials, and agribusiness solutions

Cash-Generating Businesses

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

Highlights of the Year

Alumina Fiber Production Line Completed

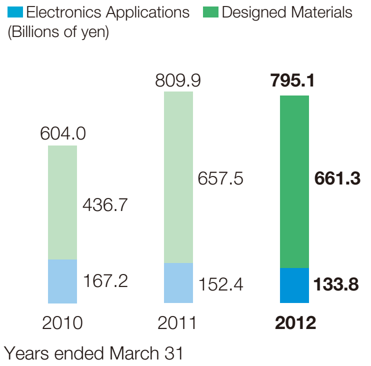


In February 2012, Mitsubishi Plastics completed a production line for its *MAFTEC* alumina fibers. The company set up another line in May 2012 and plans to install another one for this material by year-end to accommodate growing worldwide demand. *MAFTEC* maintains thermal insulation and cushioning properties for long periods, even in temperatures exceeding 1,600ºC. It has won top marks in Japan and abroad for its usefulness. *MAFTEC* is used in around 40% of support mats for diesel particulate filters and catalytic converters for exhaust gas-treatment equipment in cars.

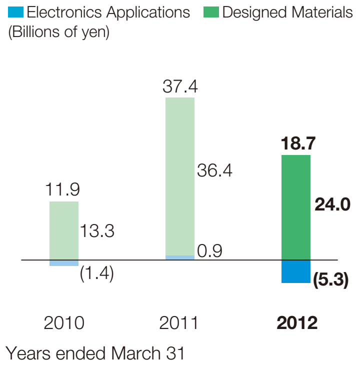
Boosting Sugar Ester Capacity

In October 2011, Mitsubishi Chemical began upgrading sugar ester capacity at its Yokkaichi Plant to 2,000 metric tons annually. The move was designed to capitalize on growing overseas demand, particularly in the PRC. Sugar ester is a food emulsifier derived from vegetable oils and sugar. It is used in canned coffee, whipped cream, chocolate, and numerous other processed foods. Mitsubishi Kagaku Foods Corporation, a wholly owned subsidiary of Mitsubishi Chemical, has the top share of the world market for this ester, which it sells in Japan and abroad.

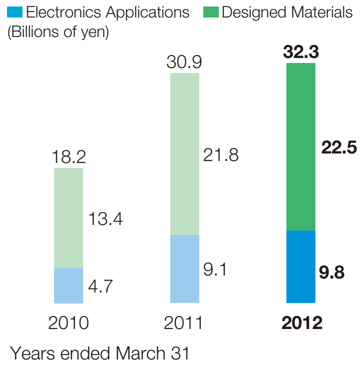
Net Sales



Operating Income (Loss)



R&D Expenditures



Note: For the year ended March 31, 2011, the Company changed from business segments to reporting segments. Only figures for the fiscal year ended March 31, 2010, have been restated as appropriate.

Business Outline

The Performance Products domain encompasses the Electronics Applications and the Designed Materials segments, both of which focus on creating globally competitive products. These are either the sole offerings available in their categories or top in their niche markets. Our many unique technologies help customers overcome challenges in the business environment and be at the forefront of their fields. We are creating environmentally friendly offerings and expanding overseas, while integrating superior performance and value that enables customers to devise new solutions.

Core technologies in Electronics Applications are the fruit of years of accumulating expertise in areas of chemistry that involve light and color. We combine these strengths with materials design, processing, and device creation technologies to drive ongoing innovations. Designed Materials operations draw on synthesis, materials and process design, and mold processing to serve specific customer needs in myriad industries.

The Year in Review

Electronics Applications Segment

Sales of recording media plunged amid lower DVD and external hard disk drive volumes, generally lower prices, and the impact of a higher yen, which offset higher volumes of flash memory devices.

Sales of electronics-related materials were down owing to lower volumes of display materials as a result of sluggish demand for flat panel displays. Sales of imaging supplies declined because of a high yen, which overshadowed consistently solid sales for organic photo conductor drums and toners.

As a result of these factors, segment sales decreased ¥18.6 billion, or 12.2%, to ¥133.8 billion. We posted an operating loss of ¥5.3 billion, from ¥962 million in operating income a year earlier.

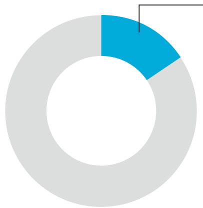
Designed Materials Segment

Sales of food ingredients were unchanged, as overseas demand remained favorable, compensating for a decrease in domestic volumes. Notwithstanding declining prices, sales of battery materials rose because of higher volumes, including from replacement demand owing to the Great East Japan Earthquake. Fine chemicals sales were down amid decreased demand. Sales of polymer processing products were unchanged. This was because volumes fell significantly for polyester films and other flat panel display offerings, overshadowing higher engineering plastic product volumes. In composite materials, sales of carbon and alumina fibers and other industrial materials jumped on expanded demand. Sales of inorganic chemicals plunged because of lower volumes in the aftermath of the earthquake and generally sluggish demand in the second half of the year. Fiber sales gained on increased volumes.

Segment sales therefore advanced ¥3.8 billion, or 0.6%, to ¥661.3 billion. Operating income dropped ¥12.5 billion, or 34.2%, to ¥24.0 billion. This was due mainly to sluggish demand for flat panel display-related products.

Health Care Domain

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



Main Products

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

Health Care Strategies under *APTSIS 15*

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

Growth (ethical drugs)

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

Innovation (healthcare solutions)

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

Cash-Generating Businesses

- Stabilize earnings
  Diagnostics and drug development support
  Generics

Highlights of the Year

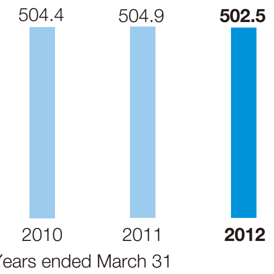
Oral Multiple Sclerosis Treatment Launched

Mitsubishi Tanabe Pharma commercialized 0.5-milligram *Imusera* Capsules in November 2011 as Japan's first once-daily oral treatment for multiple sclerosis. The company discovered this first-in-class drug, which inhibits sphingosine-1-phosphate receptors ($S1P_1R$) on lymphocytes. This prevents auto-aggressive lymphocytes from invading the central nervous system, controlling inflammation in the brain and spinal cord. More than 38,000 patients have been treated with the capsules. Licensee Novartis obtained new drug application approvals for this drug in more than 60 countries including the United States, Australia, Brazil, Switzerland, and in EU nations.

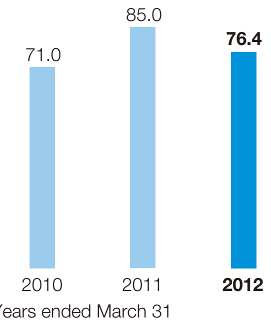
Mitsubishi Tanabe Pharma Commercializes Chronic Hepatitis C Treatment

Also in November 2011, Mitsubishi Tanabe Pharma introduced 250-milligram *Telavic* Tablets to treat chronic hepatitis C. *Telavic* is an orally available antiviral agent developed by Vertex Pharmaceuticals. This first-in-class drug suppresses the proliferation of the hepatitis C virus by inhibiting the NS3-4A serine protease involved in viral replication. Combination therapy that includes *Telavic* is considerably more effective and swifter than with conventional treatment approaches. *Telavic* has also benefited patients suffering from recurrences after other treatments, as well as those whose previous treatments have been ineffective.

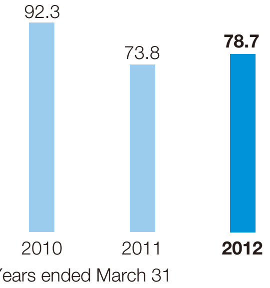
Net Sales
(Billions of yen)



Operating Income
(Billions of yen)



R&D Expenditures
(Billions of yen)



Note: For the year ended March 31, 2011, the Company changed from business segments to reporting segments. Only figures for the fiscal year ended March 31, 2010, have been restated as appropriate.

Business Outline

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

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

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

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

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

The Year in Review

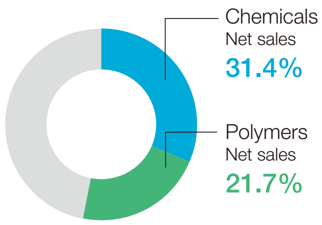
Health Care Segment

Pharmaceuticals sales dropped slightly because of the expanding impact of generics and in the absence of the temporary impact of post-quake demand in late fiscal 2010. Demand was nonetheless favorable for *Remicade,* an anti-TNFα monoclonal antibody, as well as *Maintate,* a treatment for angina pectoris, hypertension, and arrhythmias. Demand was also solid for new offerings, including *Telavic,* an antiviral for chronic hepatitis C, and on the strength of royalties from multiple sclerosis treatment. Sales of diagnostic reagents and instruments and clinical testing were unchanged.

Segment sales decreased ¥2.5 billion, or 0.5%, to ¥502.5 billion. Operating income was down ¥8.7 billion, or 10.3%, to ¥76.4 billion, reflecting higher selling, general and administrative expenses.

Industrial Materials Domain

We deliver outstanding materials that offer high performance and value, sustained by our cutting-edge technologies and expertise in carbon chemistry and petrochemicals.



Main Products

Chemicals

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

Polymers

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

Industrial Materials Strategies under *APTSIS 15*

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

Growth

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

Innovation

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

Cash-Generating Businesses

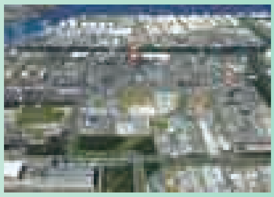
- Stabilize earnings and strengthen our business structure
  Ensure a stable supply and minimize environmental impact. Reinforce businesses by leveraging high-value-added products, expanding knowledge-based businesses, and improving process technologies, particularly for purified terephthalic acid, coke,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

Restructuring

- Conclude domestic overhaul

Highlights of the Year

Kashima Plant Revamps Basic Petrochemicals Operations

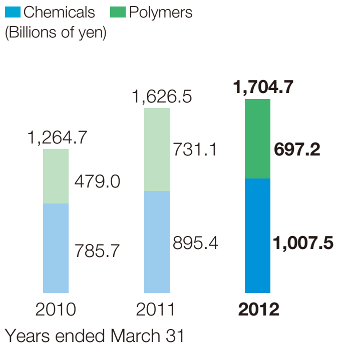


In June 2012, Mitsubishi Chemical decided to undertake an operational restructuring centering on shutting the Kashima No. 1 ethylene production facility. The move aims to enable the company to focus on high-performance, high-value-added products as markets for commodities shrink and demand declines for ethylene. The company plans to create a flexible production system as part of these efforts. As a result, it aims to maintain high operating rates for its steam cracker even when demand is low while reducing annual fixed costs by about ¥4 billion.

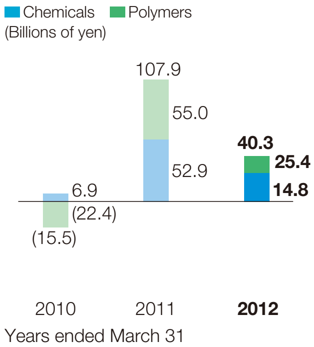
Allying with SABIC to Build the World's Largest MMA Plant

In May 2011, Mitsubishi Rayon and Saudi Basic Industries Corporation (SABIC) agreed to form a joint venture to build and operate a methyl methacrylate (MMA) plant and a polymethyl methacrylate (PMMA) facility in Saudi Arabia. With its materials procurement advantages, SABIC is an ideal partner for Mitsubishi Rayon's goal to solidify its global leadership in MMA. The MMA plant will be the world's largest of its type, with an annual capacity of 250,000 metric tons. And it will use the very competitive Alpha process technology of Lucite International Group Limited, a subsidiary of Mitsubishi Rayon. The PMMA plant's annual capacity will be 40,000 metric tons.

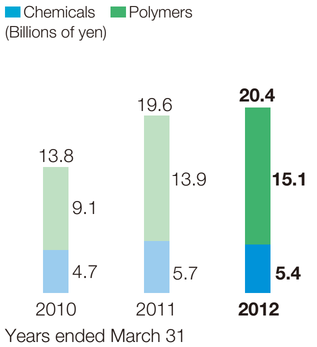
Net Sales



Operating Income (Loss)



R&D Expenditures



Note: For the year ended March 31, 2011, the Company changed from business segments to reporting segments. Only figures for the fiscal year ended March 31, 2010, have been restated as appropriate.

Business Outline

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

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

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

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

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

The Year in Review

Chemicals Segment

Production of ethylene, a basic raw material for petrochemicals, decreased 18.6% from a year earlier, to 975,000 metric tons. This was primarily because ethylene facilities at the Kashima Plant of Mitsubishi Chemical stopped operations in the wake of the Great East Japan Earthquake. Another factor was reduced production in response to plummeting demand in the second half of the term. Sales of basic petrochemicals and chemical derivatives were down dramatically amid far lower volumes following the earthquake and declining second-half demand despite price adjustments to reflect rising raw materials and fuel prices. In synthetic fiber materials, sales of terephthalic acid were up considerably, reflecting an upward market trend from rising raw material prices and the impact of some overseas subsidiaries posting additional sales in keeping with changes in their accounting periods. These gains offset decreased demand in the second half of the year. In carbon products, sales of blast furnace coke jumped on higher sales from increased coking coal prices, which compensated for lower demand.

Segment sales rose ¥112.1 billion, or 12.5%, to ¥1,007.5 billion. Operating income decreased ¥38.2 billion, or 72.0%, to ¥14.8 billion, reflecting a smaller spread between raw materials costs and product prices.

Polymers Segment

Sales of synthetic resins were down because of several factors. They included substantially lower acrylic resin volumes from decreased demand for light guiding panels and decreased demand and weakening markets for methyl methacrylate monomer in the second half of the year. In the aftermath of the Great East Japan Earthquake and falling second-half demand, polyolefin volumes decreased, while volumes and market conditions deteriorated for phenol-polycarbonate chain products.

Segment sales declined ¥34.0 billion, or 4.6%, to ¥697.2 billion. Operating income decreased ¥29.6 billion, or 53.8%, to ¥25.4 billion, partly because of narrower spreads between raw materials costs and product prices.

Research & Development

R&D underpins our ongoing commitment to pursuing innovations that enhance our competitiveness and growth so we can capitalize on new business opportunities.

In addition to engaging in original research and development, Group companies strengthen their collaboration by sharing technologies and market information, conducting joint internal research, and undertaking or commissioning R&D projects. We also participate extensively in joint R&D projects with companies outside the Group to develop or refine technologies.

The Group employs 4,966 R&D personnel and invested ¥138.5 billion in R&D in fiscal 2011. Focuses, results, and R&D investments in each segment are as follows.

Electronics Applications

This segment focuses on recording media, information and electronics-related materials, and imaging supplies. Key achievements during the year under review were as follows:

- In May 2011, Mitsubishi Chemical and Pioneer Corporation cooperatively developed an OLED panel with the world's highest efficiency and longest lifetime using a wet process, resulting in efficiency of 52 lm/W and a life span of 20,000 hours with brightness of 50% or more.
- In June 2011, Mitsubishi Chemical reached a world-leading conversion efficiency of 10.1% with organic photovoltaic modules (it attained a world-leading efficiency of 11% in September 2011).
- Mitsubishi Chemical installed the SCAAT (Super Critical Acidic Ammonia Technology) large testing facilities at its Mizushima Plant to explore low-cost mass production for gallium nitride substrates used in white LEDs.

Segment R&D expenditures for the year were ¥9.7 billion.

Designed Materials

R&D in this segment covers food ingredients, battery materials, fine chemicals, polymer processing products, compound materials, inorganic chemicals, and fibers. Major achievements during the year were as follows:

- In July 2011, Mitsubishi Plastics and Hakutsuru Sake Brewing Co., Ltd., jointly commercialized the first high-barrier PET bottle used for bottling sake.

- Mitsubishi Rayon Textile Co., LTD., and Mizuno Corporation started selling reflective/insulating polyester fiber material, which they developed in collaboration.
- In November 2011, Mitsubishi Plastics subsidiary MKV DREAM Co., Ltd., began proving tests with an agricultural cooperative in Jiangsu Province, the PRC, on a factory that uses sunlight to grow vegetables.
- Also in November 2011, Mitsubishi Plastics and Union Industry Co., Ltd., used the Mitsubishi Plastics–developed *AQSOA*, a zeolitic water vapor adsorbent, to jointly develop a compact adsorption chiller that offers outstanding electricity and energy savings, jointly launching sales in January 2012.
- In December 2011, Mitsubishi Plastics developed a lithium-ion battery separator that is highly cost-competitive and delivers superior heat resistance.

Segment R&D expenditures for the year were ¥22.5 billion.

Health Care

The key focuses here are pharmaceuticals, diagnostic reagents and instruments, and clinical testing. Highlights of the year were as follows:

- In May 2011, Mitsubishi Tanabe Pharma obtained approval in Japan for an additional indication for *Maintate*, a selective β1 antagonist. This new indication is for chronic heart failure. The company started promoting that treatment in the following month.

PATHFAST

Development Pipeline Status

As of May 8, 2012

■ Autoimmune Diseases ■ Diabetes/Kidney Diseases ■ Others * Main licensed products ** Orphan drug designated

	Phase 1	Phase 2	Phase 3	Filed	Approved
Japan	***Cholebine*** Hyperphosphatemia (Additional indication) **MT-4666** Alzheimer's disease **MT-3995** Hypertension **TA-7906*** Atopic dermatitis	**MP-435** Rheumatoid arthritis ***Cholebine*** Type 2 Diabetes mellitus (Additional indication) **MP-214** Schizophrenia **Y-39983*** Glaucoma	**Venoglobulin IH** Systemic scleroderma (Additional indication) ***Remicade*** Subtype Behcet's disease, Pediatric Crohn's disease (Additional indication) **TA-7284** Type 2 Diabetes mellitus **MP-513** Type 2 Diabetes mellitus (Additional combination) ***Maintate*** Chronic atrial fibrillation (Additional indication) ***Talion*** Pediatric allergic rhinitis (Additional indication) ***Radicut*** Amyotrophic lateral sclerosis ** (Additional indication) ***Telavic*** Chronic hepatitis C genotype2 (Additional indication)	**MP-513** Type 2 Diabetes mellitus **Venoglobulin IH** Immunoglobulin G2 deficiency (Additional indication) **BK-4SP** Vaccine	***Maintate*** Chronic heart failure (Additional indication) ***Azanin*** Systemic vasculitis, etc. (Additional indication) ***Imusera*** Multiple sclerosis ***Telavic*** Chronic hepatitis C ***Modiodal*** OSAS (Additional indication) ***Simponi*** Rheumatoid arthritis ***Remicade*** Crohn's disease, Dose escalation (Additional indication)
Overseas (in-house development products)	**MT-1303** Multiple sclerosis **MP-124** Acute ischemic stroke **TA-8995** Dyslipidemia **MT-3995** Hypertension **MP-157** Hypertension **MT-7716** Alcohol-use disorder **GB-1057** Stabilizing agent **sTU-199*** Gastroesophageal reflux disease **TT-138*** Pollakiuria, Urinary incontinence	**MP-513** Type 2 Diabetes mellitus **MT-2832** Secondary hyperparathyroidism **T-0047*** Multiple sclerosis **TA-7284*** Obesity **MKC-242*** Insomnia **MT-210*** Schizophrenia	**MP-146** Chronic kidney disease **TA-7284*** Type 2 Diabetes mellitus	**MCI-196** Hyperphosphatemia (Europe) **TA-1790*** Erectile dysfunction (Europe)	***Livalo*** Hypercholesterolemia, Familial hypercholesterolemia (Indonesia) **TA-1790*** Erectile dysfunction (US, South Korea)

- In May 2011, Mitsubishi Chemical Medience Corporation received 510(k) clearance from the Food and Drug Administration of the United States for the *PATHFAST* cTnI-II, a cardiac diagnostic test.
- In August 2011, Mitsubishi Tanabe Pharma obtained approval in Japan for a partial change of dosage and usage in Crohn's disease for *Remicade*.
- In August 2011, Mitsubishi Tanabe Pharma filed a manufacturing and marketing approval application in Japan for MP-513 (the generic name is teneligliptin), which it is developing as a Type 2 diabetes treatment.
- Also in August 2011, Mitsubishi Tanabe Pharma filed a manufacturing and marketing approval application in Europe for MCI-196 (the generic name is colestilan), which it is developing to treat hyperphosphatemia.
- In September 2011, Mitsubishi Tanabe Pharma received manufacturing and marketing approval in Japan for *Imusera*, an orally dosed treatment for multiple sclerosis, and *Telavic*, an antiviral for chronic hepatitis C. The company started sales in November 2011.

Segment R&D expenditures for the year were ¥78.6 billion.

Chemicals

We explore basic petrochemicals, chemical derivatives, synthetic fiber materials, and carbon products.
Segment R&D expenditures for the term were ¥5.3 billion.

Polymers

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

- In November 2011, Mitsubishi Rayon and subsidiary Lucite International Group started developing production technologies for methyl methacrylate monomer made from biomass resources.
- In February 2012, Mitsubishi Chemical began upgrading facilities at its Kurosaki Plant to mass-produce isosorbide polymer, a plant-derived plastic.

Segment R&D expenditures for the year were ¥15.1 billion.

Others

The main priority here is engineering. R&D expenditures for the term were ¥500 million.

We additionally invested ¥6.5 billion in basic research that we do not categorize within business segments.

Corporate Governance

MCHC endeavors to enhance corporate value by reinforcing corporate governance and leveraging its internal control systems to boost efficiency and transparency.

Basic Approach to Corporate Governance

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

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

Progress with Corporate Governance Initiatives

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

Corporate Structures

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

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

A. Board of Directors

The Board of Directors makes decisions on important MCHC and Group management matters and oversees the activities of directors. Such decisions are in keeping with Board of Directors' regulations and other rules. In principle, the Board meets once per month. The Articles of Incorporation limit the number of Board members to 10. There were eight members as of June 2012, including three concurrently serving as executive officers. Directors serve for one year to ensure that management is flexible and that director responsibilities and roles are clear.

B. Management Committee

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

C. Statutory Auditors and Board of Auditors

Statutory auditors and the Board of Auditors audit MCHC. In principle, the Board of Auditors meets once monthly. At the end of June 2012, this body had five statutory auditors, of whom three were external. Although it does not maintain standards relating to independence in considering prospective external auditors, MCHC makes a judgment on candidates based on their career histories and other information, appointing those who offer considerable insight and are most likely to conduct fair audits. In addition, these candidates satisfy the independent director criteria of the Tokyo Stock Exchange and the Osaka Securities Exchange. MCHC deems that there are no issues as to the independence of these candidates for external auditor, none of whom has any special interests in MCHC.

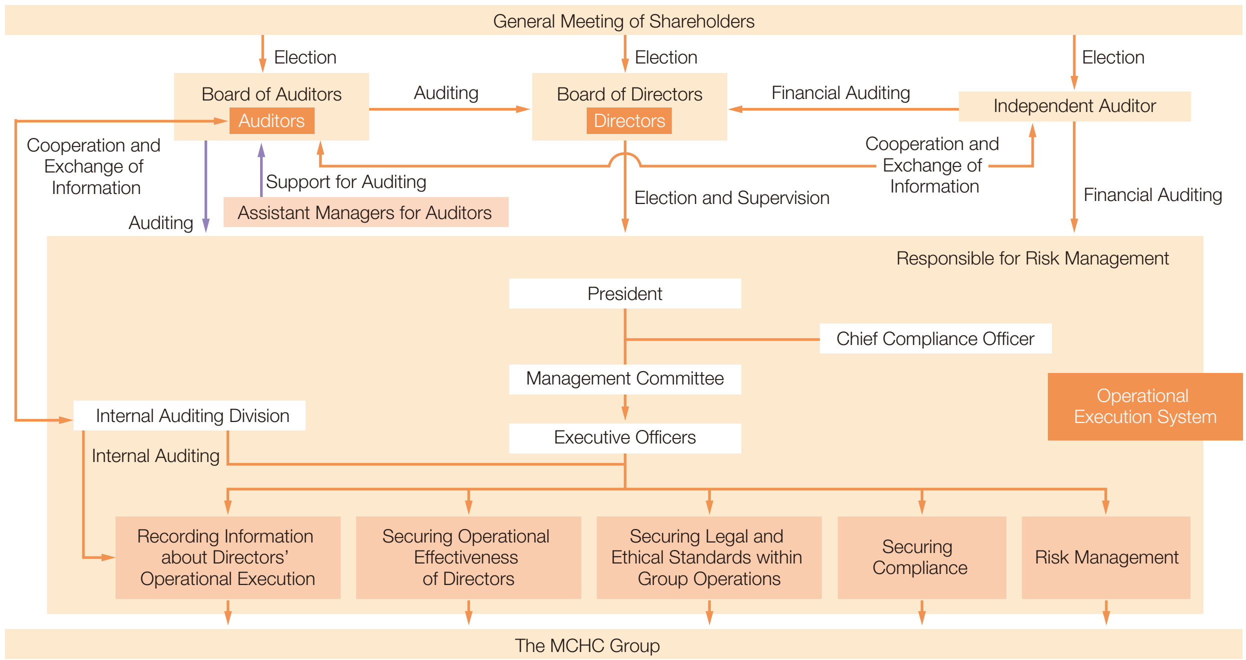
D. Stance on Organizational Structure

Although MCHC does not appoint external directors, the members of its Board of Directors are familiar with the Group's diverse businesses and are chosen from entities with differing corporate cultures to foster diverse opinions that are reflected in management decisions.

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

The MCHC Group Corporate Governance System

As of March 31, 2012



E. Internal and Accounts Audits

a) Internal audits

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

b) Accounts audits

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

Takeover Defenses

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

Remuneration of Directors and Statutory Auditors

As of March 31, 2012

Category	Remuneration	
	Number of people paid	Payments (Millions of yen)
Directors	8	¥228
Statutory auditors	5	¥114
Total	13	¥342

Note: There were seven directors and five statutory auditors at March 31, 2012.

IR Activities

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

Compliance

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

Basic Concept

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

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

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

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

In the PRC and the United States, we established the wholly owned subsidiaries Mitsubishi Chemical Holdings America, Inc. and Mitsubishi Chemical Holdings (Beijing) Co., Ltd., respectively, to set up and reinforce administrative systems, particularly for risk management and compliance, and are endeavoring to maintain and enhance internal controls.

Fiscal 2011 Activities

In August and September 2011, new directors of Group companies took courses in compliance. In December 2011, an external attorney delivered a presentation to Group directors and presidents on compliance considerations for future business development.

Four core operating companies conducted compliance training programs tailored to their requirements. The programs featured group discussions based on case studies.

In 2011, we conducted 20 on-site training seminars at 45 Group companies in Singapore, Indonesia, Thailand, Taiwan, the PRC, and India. The seminars were mainly for managers, with 445 people attending. Training in Asia and the United States covered MCHC's policies, the latest global trends, and the results of perception surveys on compliance. The main theme was ways to prevent corruption.

On-site training seminars in Indonesia

Risk Management

We constantly improve risk management to fulfill our social responsibilities and enhance corporate value.

Basic Approach and Risk Management System

In April 2006, we established a risk management system, which the president oversees as the chief risk management officer, and implemented the Mitsubishi Chemical Holdings Group Risk Management Basic Policy.

The Management Committee discusses important matters relating to Group risk management, including related policies and groupwide measures, with the president deciding on its recommendations.

Our four operating companies maintain risk management systems that reflect the nature of their businesses. Those companies help their subsidiaries to deploy their own systems.

Representatives from MCHC and operating companies gather regularly to share information on common risks, risk management strategies, and other matters.

Fiscal 2011 Activities

We continued to improve and monitor our risk management systems and to identify and assess major Group risks. We highlighted risks requiring groupwide action and eliminated or minimized risk factors, including United Nations Security Council sanctions against Iran, procurement in the PRC, and information security.

We identified, categorized, and addressed other key risks, including those relating to the environment and internal controls at overseas Group companies. A good example in the latter respect was a risk management policy for the PRC that MCHC formulated with Mitsubishi Chemical Holdings (Beijing) Co., Ltd., after that subsidiary's establishment in January 2011.

Following the Great East Japan Earthquake in March 2011, we quickly assessed damage to our four operating companies and helped them to restore facilities. We learned much from that disaster, particularly in terms of confirming employee safety and deploying emergency contact procedures. We therefore began reviewing all our business continuity plans so we can maintain head office capabilities and infrastructural supplies if devastating earthquakes strike Tokyo or the eastern Tokai region.

Note: Pages 47 through 49 present our business risks.

Risk Management System

As of March 31, 2012

MCHC President

MCHC Group Risk Management Basic Policy

Management Committee

Report

Mitsubishi Chemical President	Mitsubishi Tanabe Pharma President	Mitsubishi Plastics President	Mitsubishi Rayon President
Mitsubishi Chemical Group Risk Management Policy	Mitsubishi Tanabe Pharma Group Risk Management Policy	Mitsubishi Plastics Group Risk Management Policy	Mitsubishi Rayon Group Risk Management Regulations
Risk Management Committee	**Risk Management Committee**	**Risk Management Committee**	**Risk Management Committee**

Board of Directors, Corporate Auditors, and Executive Officers

As of June 26, 2012

(Seated from left) *Shigeru Tsuyuki, Yoshimitsu Kobayashi, Shotaro Yoshimura*
(Standing from left) *Hitoshi Ochi, Takumi Ubagai, Michihiro Tsuchiya, Hiroaki Ishizuka, Noriyuki Tajiri*

Members of the Board

Yoshimitsu Kobayashi
Representative Director,
President &
Chief Executive Officer

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

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

Noriyuki Tajiri
Senior Managing Executive Officer

Hiroaki Ishizuka

Michihiro Tsuchiya

Takumi Ubagai

Hitoshi Ochi

Corporate Auditors

Kazuchika Yamaguchi
(Full time)

Akira Nakata
(Full time)

Takashi Nishida*
(Full time)

Rokuro Tsuruta*
(Attorney-at-law)

Toshio Mizushima*
(Certified public accountant)

*Outside Corporate Auditor

Managing Executive Officers

Noriyoshi Ohira
General Manager, Human Resources Office

Masanori Karatsu

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

Executive Officers

Hisao Urata

Masahiro Osada
General Manager, Corporate Management Office

Seiichi Kiso
General Manager, Healthcare Solutions Office

Ryoji Tanaka

Kazuyuki Futamata
General Manager, CEO Office

Masayuki Waga
General Manager, Corporate Strategy Office

Financial Section

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Consolidated Financial Summary

Mitsubishi Chemical Holdings Corporation and Consolidated Subsidiaries
Years ended March 31

	Millions of yen						Thousands of U.S. dollars
	2012	2011	2010	2009	2008	2007	**2012**
For the Year:							
Net sales	**¥3,208,168**	¥3,166,771	¥2,515,079	¥2,909,030	¥2,929,810	¥2,622,820	**$39,124,000**
Operating income	**130,579**	226,493	66,342	8,178	125,046	128,589	**1,592,427**
Income (loss) before income taxes and minority interests in consolidated subsidiaries	**127,474**	169,552	43,311	(44,002)	217,791	137,802	**1,554,561**
Net income (loss)	**35,486**	83,581	12,833	(67,178)	164,064	100,338	**432,756**
Total comprehensive income	**64,199**	86,742	37,513	—	—	—	**782,915**
Capital expenditures	**116,145**	117,806	119,025	139,011	170,051	130,855	**1,416,402**
Depreciation and amortization	**145,695**	148,697	129,574	119,230	102,172	83,270	**1,776,768**
R&D expenditures	**138,545**	130,825	136,863	127,802	112,064	91,177	**1,689,573**
Net cash provided by operating activities	**217,954**	288,853	116,073	76,149	156,173	63,343	**2,657,976**
Net cash used in investing activities	**(63,404)**	(101,064)	(327,006)	(189,233)	(177,985)	(133,434)	**(773,220)**
Net cash provided by (used in) financing activities	**(164,146)**	(149,493)	94,437	179,526	70,871	74,492	**(2,001,780)**
At Year-End:							
Total assets	**3,173,970**	3,294,014	3,355,097	2,740,876	2,765,837	2,318,832	**38,706,951**
Property, plant and equipment	**1,032,738**	1,088,369	1,167,073	834,046	852,806	724,438	**12,594,366**
Short-term and long-term debt	**1,164,128**	1,304,589	1,454,126	1,033,239	822,520	739,673	**14,196,683**
Total net assets	**1,144,954**	1,114,003	1,032,865	940,114	1,095,927	758,752	**13,962,854**
	Yen						U.S. dollars
Per Share:							
Net income (loss)—Basic	**¥24.06**	¥ 58.72	¥ 9.32	¥(48.81)	¥119.51	¥ 73.25	**$0.29**
Net assets	**522.77**	514.30	490.99	486.09	601.45	520.05	**6.38**
Cash dividends	**10.00**	10.00	8.00	12.00	16.00	14.00	**0.12**
Ratios:							
Return on assets (ROA) (%)	**3.9**	5.1	1.4	−1.5	8.5	6.1	—
Return on equity (ROE) (%)	**4.6**	11.6	1.9	−8.9	21.3	14.6	—
Shareholders' equity ratio (%)	**24.2**	23.0	20.0	24.4	29.9	30.7	—

Notes: 1. U.S. dollar amounts are converted from yen, for convenience only, at the rate of ¥82 = U.S.$1.00, the approximate exchange rate prevailing on March 30, 2012.
2. Financial results of Mitsubishi Rayon Co., Ltd., are included only from the fiscal year ended March 31, 2011.
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.
5. Shareholders' equity, when used in the calculation of ROE and shareholders' equity ratio, represents the sum of total shareholders' equity and total accumulated other comprehensive income.

Segment Information

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

The Overview of Reporting Segments is detailed in Note 20 (Segment Information).

	Net Sales*			Segment Earnings		
	Millions of yen		Thousands of U.S. dollars	Millions of yen		Thousands of U.S. dollars
REPORTING SEGMENT	**2012**	2011	**2012**	**2012**	2011	**2012**
Electronics Applications	**¥ 133,774**	¥ 152,425	**$ 1,631,390**	**¥ (5,335)**	¥ 962	**$ (65,061)**
Designed Materials	**661,276**	657,567	**8,064,341**	**24,014**	36,471	**292,854**
Health Care	**502,480**	504,922	**6,127,805**	**76,360**	85,096	**931,220**
Chemicals	**1,007,495**	895,403	**12,286,524**	**14,853**	52,970	**181,134**
Polymers	**697,257**	731,193	**8,503,134**	**25,409**	55,017	**309,866**
Others	**205,886**	225,261	**2,510,805**	**6,120**	4,530	**74,634**
Subtotal	**3,208,168**	3,166,771	**39,124,000**	**141,421**	235,046	**1,724,646**
Corporate costs	**—**	—		**(10,842)**	(8,553)	**(132,220)**
Total	**¥3,208,168**	¥3,166,771	**$39,124,000**	**¥130,579**	¥226,493	**$1,592,427**

* Inter-segment sales and transfers are not included.

	Segment Assets			Depreciation and Amortization		
	Millions of yen		Thousands of U.S. dollars	Millions of yen		Thousands of U.S. dollars
REPORTING SEGMENT	**2012**	2011	**2012**	**2012**	2011	**2012**
Electronics Applications	**¥ 123,432**	¥ 129,348	**$ 1,505,268**	**¥ 7,919**	¥ 9,057	**$ 96,573**
Designed Materials	**720,936**	712,546	**8,791,902**	**46,760**	48,309	**570,244**
Health Care	**852,274**	852,704	**10,393,585**	**17,978**	18,882	**219,244**
Chemicals	**656,021**	655,875	**8,000,256**	**32,947**	31,064	**401,793**
Polymers	**714,638**	744,552	**8,715,098**	**33,538**	34,490	**409,000**
Others	**295,760**	296,018	**3,606,829**	**3,796**	3,916	**46,293**
Subtotal	**3,363,061**	3,391,043	**41,012,939**	**142,938**	145,718	**1,743,146**
Corporate assets and eliminations	**(189,091)**	(97,029)	**(2,305,988)**	**2,757**	2,979	**33,622**
Total	**¥3,173,970**	¥3,294,014	**$38,706,951**	**¥145,695**	¥148,697	**$1,776,768**

	Increase in Tangible and Intangible Fixed Assets*			R&D Expenditures		
	Millions of yen		Thousands of U.S. dollars	Millions of yen		Thousands of U.S. dollars
REPORTING SEGMENT	**2012**	2011	**2012**	**2012**	2011	**2012**
Electronics Applications	**¥ 6,177**	¥ 6,580	**$ 75,329**	**¥ 9,769**	¥ 9,166	**$ 119,134**
Designed Materials	**46,445**	34,468	**566,402**	**22,541**	21,806	**274,890**
Health Care	**11,811**	18,488	**144,037**	**78,668**	73,878	**959,366**
Chemicals	**24,523**	29,323	**299,061**	**5,381**	5,733	**65,622**
Polymers	**19,079**	21,873	**232,671**	**15,104**	13,890	**184,195**
Others	**4,589**	3,207	**55,963**	**508**	907	**6,195**
Subtotal	**112,624**	113,939	**1,373,463**	**131,971**	125,380	**1,609,402**
Corporate R&D and other	**3,521**	3,867	**42,939**	**6,574**	5,445	**80,171**
Total	**¥116,145**	¥117,806	**$1,416,402**	**¥138,545**	¥130,825	**$1,689,573**

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

	Employees	
	Number	
REPORTING SEGMENT	**2012**	2011
Electronics Applications	**3,245**	3,364
Designed Materials	**14,394**	13,907
Health Care	**12,860**	12,946
Chemicals	**5,178**	5,538
Polymers	**7,369**	7,426
Others	**9,988**	9,704
Subtotal	**53,034**	52,885
Corporate R&D and other	**945**	997
Total	**53,979**	53,882

	Net Sales		
	Millions of yen		Thousands of U.S. dollars
GEOGRAPHIC SEGMENT	**2012**	2011	**2012**
Japan	**¥2,352,525**	¥2,436,829	**$28,689,329**
Overseas	**855,643**	729,942	**10,434,671**
Total	**¥3,208,168**	¥3,166,771	**$39,124,000**

	Operating Income		
	Millions of yen		Thousands of U.S. dollars
GEOGRAPHIC SEGMENT	**2012**	2011	**2012**
Japan	**¥ 72,600**	¥153,174	**$ 885,366**
Overseas	**57,979**	73,319	**707,061**
Total	**¥ 130,579**	¥226,493	**$ 1,592,427**

	Millions of yen		Thousands of U.S. dollars
OVERSEAS SALES	**2012**	2011	**2012**
Overseas sales	**¥1,184,421**	¥1,087,558	**$14,444,159**
Overseas sales as a percentage of consolidated net sales	**36.9%**	34.3%	—

Management's Discussion and Analysis

The Consolidated Accounting Period under Review

Performance Overview

In fiscal 2011, ended March 31, 2012, Japan began to recover somewhat from the impact of the Great East Japan Earthquake, with manufacturing picking up owing to progress in rebuilding supply chains and individual consumption turning around. Domestic economic conditions deteriorated in the second half of the year, however, with the yen's ongoing appreciation, slowdowns overseas owing to Europe's sovereign debt crisis, and the impact of floods in Thailand.

The aftermath of the Great East Japan Earthquake, the yen's ongoing rise, and plunging demand in the PRC and other overseas markets created adverse conditions for the Performance Products and Industrial Materials domains. In contrast, the Health Care domain enjoyed steady demand despite the quake's impact.

During the term, MCHC did its utmost to swiftly rebuild quake-damaged production sites while orchestrating the Group strengths and restructuring in keeping with *APTSIS 15,* a five-year medium-term management plan launched in the year under review. The Group strengthened high-performance, high-value-added businesses and expanded businesses that contribute to a sustainable society, notably white LEDs and lithium-ion battery materials. Management also slashed costs, reviewed capital expenditures, and reduced assets.

As a result of these factors, net sales increased ¥41.3 billion, or 1.3%, to ¥3,208.1 billion. Operating income was down ¥95.9 billion, or 42.3%, to ¥130.5 billion. Net income was down ¥48.0 billion, or 57.5%, to ¥35.4 billion, owing to partial reversals of deferred tax assets and liabilities pursuant to the promulgation of the 2011 Reform Amendment Tax Law and the Special Restoration Tax Law.

Results of Operations

Net Sales and Operating Income

Net sales increased ¥41.3 billion, or 1.3%, to ¥3,208.1 billion. This increase reflected additional sales that some overseas subsidiaries posted after changing their accounting periods, offsetting lower demand in the Performance Products and Industrial Materials domains.

Operating income was down ¥95.9 billion, or 42.3%, to ¥130.5 billion, as demand plunged in those domains amid a rapid deteriorating business climate in the second half of the year.

The operating margin was 4.0%, down from 7.1% a year earlier.

Other Income and Expenses

Interest income was ¥2.1 billion and dividend income was ¥7.0 billion. Combined, these income sources were ¥1.9 billion higher than in fiscal 2010, largely because of higher dividend income. Interest expense was ¥15.7 billion, ¥400 million lower than a year earlier. Net financial expenses thus declined ¥2.3 billion to ¥6.5 billion.

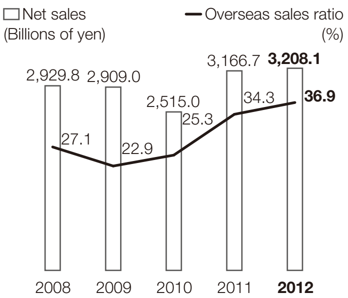
Equity in earnings of affiliates was ¥14.9 billion, down ¥200 million. MCHC posted ¥2.3 billion in gains on foreign exchange, including a gain on cancellation of derivatives. This result compared with ¥2.7 billion in foreign exchange losses a year earlier.

Insurance income was ¥4.8 billion, up ¥4.3 billion, largely because of compensation for damage from the Great East Japan Earthquake.

Other expenses included an impairment loss of ¥10.2 billion and a ¥3.9 billion loss on valuation of investment securities. These factors and a significant decline in losses on the Great East Japan Earthquake, which were ¥22.4 billon in fiscal 2010, resulted in Other, net, of ¥10.3 billion, unchanged from a year earlier.

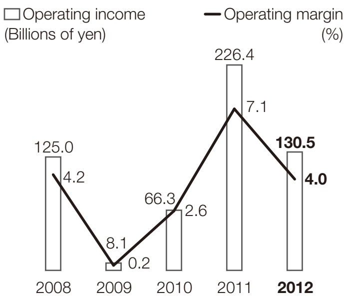
As a result of these factors, income before income taxes and minority interests in consolidated subsidiaries was ¥127.4 billion, down ¥42.0 billion.

Net Sales and Overseas Sales Ratio



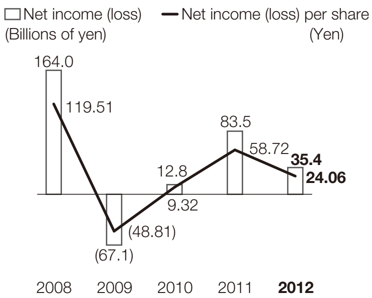
Years ended March 31

Operating Income and Operating Margin



Years ended March 31

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



Years ended March 31

Income Taxes, Minority Interests in Income, and Net Income

Income taxes were ¥53.1 billion, comprising the sum of ¥40.1 billion in current income taxes and net of a ¥13.0 billion upward adjustment for deferred income taxes. The effective tax rate after applying tax-effect accounting was 41.7%, or 1.1 percentage points higher than the statutory tax rate. This was largely due to increased tax expenses from a reversal in deferred tax assets and liabilities following the promulgation of the revised Corporation Tax Act and the Restoration Funding Law, which offset a reduction in tax expenses from equity in earnings of affiliates. See note 17 (Income Taxes) for details.

Minority interests in consolidated subsidiaries were ¥38.8 billion, down ¥100 million.

Net income was thus ¥35.4 billion, down ¥48.0 billion.

Results by Industry Segment

Electronic Applications

Sales of recording media plunged amid lower DVD and external hard disk drive volumes, generally lower prices, and the impact of a higher yen, which offset higher volumes of flash memory devices.

Sales of electronics-related materials were down owing to lower volumes of display materials as a result of sluggish demand for flat panel displays. Sales of imaging supplies declined because of a high yen, which overshadowed consistently solid sales for organic photo conductor drums and toners.

As a result of these factors, segment sales decreased ¥18.6 billion, or 12.2%, to ¥133.8 billion. We posted an operating loss of ¥5.3 billion, from ¥962 million in operating income a year earlier.

Major initiatives

- Mitsubishi Chemical Corporation announced that its subsidiary, Mitsubishi Kagaku Media Co., Ltd., and Verbatim Group launched sample kits of *VELVE,* the world's first color-tunable dimming-type OLED panel, in Europe, North America, Japan, and the Asia Pacific, and a light source module would be launched in July. (April 2011)
- Mitsubishi Chemical Corporation and Pioneer Corporation jointly developed an optimized wet process that results in an efficiency of 52 lm/W at 1,000 cd/m^2 in white emission, and a half-life of 20,000 hours with the initial brightness at 1,000 cd/m^2. These two performance characteristics are, as far as we know, the best in the world. (May 2011)
- Mitsubishi Kagaku Media Co., Ltd., announced the introduction of four LED bulb products to the Japanese market under the Verbatim brand in July. The bulbs allow selection of brightness from three pre-set levels without using a dimmer. (June 2011)
- Verbatim Corporation, a subsidiary of Mitsubishi Kagaku Media Co., Ltd., which was sued for trademark infringement in Brazil, made a special appeal to the Superior Court of Justice in Brasilia, asking for a judgment on the matter. In June 2011, the Superior Court of Justice in Brasilia made the decision to dismiss the trademark-infringement suit and to dismiss a suit from the plaintiff to assess the amount of damages, which were unjustifiably awarded by a lower court. (June 2011)
- Mitsubishi Kagaku Media Co., Ltd., launched Enterprise Grade BD-R 50GB for Archive. (January 2012)
- Mitsubishi Kagaku Media Co., Ltd., launched six models of tubular LED light bulbs under the Verbatim brand in Japan. (February 2012)

Designed Materials

Sales of food ingredients were unchanged, as overseas demand remained favorable, compensating for a decrease in domestic volumes. Notwithstanding declining prices, sales of battery materials rose because of higher volumes, including from replacement demand owing to the Great East Japan Earthquake. Fine chemicals sales were down amid decreased demand. Sales of polymer processing products were unchanged. This was because volumes fell significantly for polyester films and other flat panel display offerings, overshadowing higher engineering plastic product volumes. In composite materials, sales of carbon and alumina fibers and other industrial materials jumped on expanded demand. Sales of inorganic chemicals plunged because of lower volumes in the aftermath of the earthquake and generally sluggish demand in the second half of the year. Fiber sales gained on increased volumes.

Segment sales therefore advanced ¥3.8 billion, or 0.6%, to ¥661.3 billion. Operating income dropped ¥12.5 billion, or 34.2%, to ¥24.0 billion. This was due mainly to sluggish demand for flat panel display-related products.

Major initiatives

- MRC-SGL Precursor Co., Ltd., a joint venture of Mitsubishi Rayon Co., Ltd., and the SGL Group, successfully started commercial production of the PAN-based precursor, at Otake, Japan, one of Mitsubishi Rayon's main manufacturing sites. (MRC-SGL Precursor plans to expand its capacity to 7,000 t/y within three years.) (April 2011)
- Mitsubishi Plastics, Inc., announced an expansion of its production facility for the alumina fiber *MAFTEC* at the Sakaide Plant. (Current capacity: 4,800 t/y; capacity increase: 800 t/y) (April 2011)
- Mitsubishi Rayon Cleansui Co., Ltd., a Mitsubishi Rayon Group company that markets water purification equipment and medical-use water treatment systems, launched sales of *Cleansui* household water purifiers in Australia and New Zealand, through the extensive sales network of Verbatim Corporation, a subsidiary of Mitsubishi Kagaku Media Co., Ltd., that develops, manufactures, and markets recording media products. (May 2011)

- Mitsubishi Chemical Corporation and Stella Chemifa Corporation reached an agreement to start studies on business tie-ups, including the establishment of production facilities for electrolytes, the main raw materials for electrolytes solution used in lithium-ion batteries in Europe and the United States. (June 2011)
- Mitsubishi Rayon Co., Ltd., and its Group company, Nippon Rensui Co., Ltd., concluded a memorandum with Singapore's national water agency, PUB, on the joint development of energy-saving water reclamation technology using the membrane bioreactor method. (July 2011)
- Mitsubishi Rayon Co., Ltd., concluded an agreement with Beijing Origin Water Technology Co., Ltd., to establish a joint venture to manufacture and market hollow fiber membrane for industrial water purification and treatment and to market the membrane bio-reactor (MBR) system in the PRC. (July 2011)
- Mitsubishi Chemical Corporation announced plans to expand a production facility of sugar ester at its Yokkaichi Plant. (Current capacity of total food emulsifiers including sugar ester: 10,800 t/y; capacity increase: 2,000 t/y) (August 2011)
- Mitsubishi Plastics, Inc., resolved to expand a production facility of separators for lithium-ion batteries at its Nagahama Plant. (Current capacity: 12 million m^2; capacity increase: 15 million m^2) (August 2011)
- Mitsubishi Chemical Corporation resolved to establish a subsidiary in the PRC to manufacture and market electrolytes solution for lithium-ion batteries. (Capacity: 10,000 t/y) (September 2011)
- The Nippon Synthetic Chemical Industry Co., Ltd., a subsidiary of Mitsubishi Chemical Corporation, launched *ORGA,* an optical sheet that replaces glass, as a new material to replace reinforced glass on smartphones and others. (November 2011)
- Mitsubishi Chemical Corporation resolved to expand a production facility for lithium-ion battery cathode materials in the PRC. (Current capacity: 4,000 t/y; capacity increase: 4,000 t/y) (December 2011)
- Mitsubishi-Kagaku Foods Corporation, a subsidiary of Mitsubishi Chemical Corporation, announced establishment of a subsidiary in the PRC to produce and market food ingredients using sugar ester. (Capacity: 2,500 t/y) (December 2011)
- Mitsubishi Plastics, Inc., announced that Mitsubishi Plastics has developed high-heat resistant separators for lithium-ion batteries and Mitsubishi Chemical Corporation plans to launch them in fiscal 2012. (December 2011)
- Mitsubishi Plastics, Inc., announced establishment of a new production facility for gas barrier film (capacity: 1,800 million m^2/y). The film has the world's highest water vapor barrier performance and is for front sheets of flexible photovoltaic cells. (January 2012)
- Mitsubishi Plastics, Inc., announced an expansion of a production facility for alumina fiber, *MAFTEC*, at the Sakaide Plant. (Capacity to be increased to 6,000 t/y) (March 2012)

Health Care

Pharmaceuticals sales dropped slightly because of the expanding impact of generics and in the absence of the temporary impact of post-quake demand in late fiscal 2010. Demand was nonetheless favorable for *Remicade,* an anti-TNFα monoclonal antibody, as well as *Maintate,* a treatment for angina pectoris, hypertension, and arrhythmias. Demand was also solid for new offerings, including *TELAVIC,* an antiviral for chronic hepatitis C, and on the strength of royalties from multiple sclerosis treatment. Sales of diagnostic reagents and instruments and clinical testing were unchanged.

Segment sales decreased ¥2.5 billion, or 0.5%, to ¥502.5 billion. Operating income was down ¥8.7 billion, or 10.3 %, to ¥76.4 billion, reflecting higher selling, general and administrative expenses.

Major initiatives

- Mitsubishi Tanabe Pharma Corporation announced that the company obtained approval for additional indication for a selective ß1 antagonist, *Maintate* (generic name: JP bisoprolol fumarate), for chronic heart failure resulting from ischemic heart disease or dilated cardiomyopathy. (May 2011)
- Mitsubishi Tanabe Pharma Corporation announced that it has launched an anti-allergy agent, bepotastine besilate (product name in Japan: *Talion*), in the PRC and Indonesia through its consolidated subsidiaries, Tianjin Tanabe Seiyaku Co., Ltd., and P.T. Tanabe Indonesia, respectively. (May 2011)
- Mitsubishi Tanabe Pharma Corporation and the Japanese Red Cross Society announced that they have reached an agreement to commence discussions about an integration of Benesis Corporation, a subsidiary of Mitsubishi Tanabe Pharma and the Japan Red Cross Society's plasma fractionation operations. (June 2011)
- The Asikaga Plant of Mitsubishi Tanabe Pharma Factory Ltd., a consolidated subsidiary of Mitsubishi Tanabe Pharma Corporation, received a 10-day suspension order for the manufacturing of pharmaceuticals from Tochigi Prefecture because of failure to perform certain quality assurance tests related to the shipping of products. Furthermore, Mitsubishi Tanabe Pharma received a business improvement order from the Minister of Health, Labour and Welfare. (July 2011)
- Mitsubishi Tanabe Pharma Corporation and Mochida Pharmaceutical Co., Ltd., announced that *Lexapro* 10 mg, for which Mochida obtained marketing approval, has been jointly launched. (August 2011)
- Mitsubishi Tanabe Pharma Corporation announced that the company has received approval for a partial change of dosage and usage in the treatment of Crohn's disease for an anti-human TNF-α monoclonal-antibody, *Remicade* for I.V. Infusion 100. (August 2011)
- Mitsubishi Tanabe Pharma Corporation and Janssen Pharmaceutical K.K. jointly launched a human TNF-α monoclonal antibody, *SIMPONI* Subcutaneous Injection 50-mg Syringe, for the treatment of rheumatoid arthritis. It

was jointly developed by Mitsubishi Tanabe Pharma and Janssen Pharmaceutical, and in July, Janssen Pharmaceutical obtained the manufacturing and marketing license. (September 2011)

- Mitsubishi Tanabe Pharma Corporation announced that the company has received approval for the manufacturing and marketing of *TELAVIC* 250 mg Tablet, an antiviral for chronic hepatitis C. (September 2011)
- Mitsubishi Tanabe Pharma Corporation announced that the company obtained manufacturing and marketing approval for *IMUSERA* Capsules 0.5 mg for the indication of prevention of relapse and delay of progression of physical disability in multiple sclerosis. (September 2011)

Chemicals

Production of ethylene, a basic raw material for petrochemicals, decreased 18.6% from a year earlier, to 975,000 metric tons. This was primarily because ethylene facilities at the Kashima Plant of Mitsubishi Chemical Corporation stopped operations in the wake of the Great East Japan Earthquake. Another factor was reduced production in response to plummeting demand in the second half of the term. Sales of basic petrochemicals and chemical derivatives were down dramatically amid far lower volumes following the earthquake and declining second-half demand despite price adjustments to reflect rising raw materials and fuel prices. In synthetic fiber materials, sales of terephthalic acid were up considerably, reflecting an upward market trend from rising raw material prices and the impact of some overseas subsidiaries posting additional sales in keeping with changes in their accounting periods. These gains offset decreased demand in the second half of the year. In carbon products, sales of blast furnace coke jumped on higher sales from increased coking coal prices, which compensated for lower demand.

Segment sales rose ¥112.1 billion, or 12.5%, to ¥1,007.5 billion. Operating income decreased ¥38.2 billion, or 72.0%, to ¥14.8 billion, reflecting a smaller spread between raw materials costs and product prices.

Major initiatives

- Mitsubishi Chemical Corporation announced that the Kashima No. 2 ethylene production facility stopped operations in the wake of the earthquake and restarted on May 20, and the Kashima No. 1 ethylene production facility stopped in the same way and restarted on June 30 after regular maintenance. (May and June 2011)
- Mitsubishi Chemical Corporation entered into an agreement on basic policies to establish a joint venture in South Korea to manufacture and market needle coke with the Posco Group and Mitsubishi Corporation (capacity: approximately 60,000 t/y). Based on this agreement, Mitsubishi Chemical plans to strengthen the stable supply of raw material for its carbon business by receiving raw materials and tar from the Posco Group. (September 2011)
- Mitsubishi Chemical Corporation, Asahi Glass Co., Ltd., ADEKA Corporation, Kaneka Corporation, and Shin-Etsu Chemical Co., Ltd., announced a basic five-company agreement on the operation of Kashima Chlorine & Alkali Co., Ltd., and Kashima Vinyl Chloride Monomer Co., Ltd. The two companies are jointly owned by the five companies making the agreement. Asahi Glass, ADEKA and Kaneka will withdraw their capital from Kashima Denkai and Kashima PVC Monomer. Mitsubishi Chemical and Shin-Etsu Chemical will continue to own shares in both joint-venture companies, and the companies will be operated as subsidiaries of Shin-Etsu Chemical. (December 2011)
- Mitsubishi Chemical Corporation announced plans to terminate one of two production facilities for 1,4-butandiol at its Yokkaichi Plant. (March 2012)

Polymers

Sales of synthetic resins were down because of several factors. They included substantially lower acrylic resin volumes from decreased demand for light guiding panels and decreased demand and weakening markets for methyl methacrylate monomer in the second half of the year. In the aftermath of the Great East Japan Earthquake and falling second-half demand, polyolefin volumes decreased, while volumes and market conditions deteriorated for phenol-polycarbonate chain products.

Segment sales declined ¥34.0 billion, or 4.6%, to ¥697.2 billion. Operating income decreased ¥29.6 billion, or 53.8%, to ¥25.4 billion, partly because of narrower spreads between raw materials costs and product prices.

Major initiatives

- Mitsubishi Chemical Corporation announced establishment of a joint venture with PTT Public Company Limited to accelerate global expansion of *GS Pla,* a biodegradable plastic. (April 2011)
- Mitsubishi Chemical Corporation announced conclusion of an agreement on business partnerships with BioAmber Inc. and Mitsui & Co., Ltd., which has an interest in BioAmber. The partnership is to be concentrated on supplying biomass succinic acid, conducting R&D, and developing production technologies for the biomass biodegradable plastic, *GS Pla.* (April 2011)
- Mitsubishi Chemical Corporation and Genomatica, Inc., concluded an agreement to jointly develop production technologies to produce chemicals such as 1,4-butanediol from biomass resources. (April 2011)
- Mitsubishi Chemical Corporation announced an increase in PVC compound production capacity in Thailand. (Current capacity: 15,000 t/y; capacity increase: 4,000 t/y) (May 2011)
- Mitsubishi Chemical Corporation announced establishment of a new production facility for olefin thermoplastic elastomer and adhesive polymer in the PRC (capacity: 4,500 t/y) and the expansion of a production facility for olefin thermoplastic elastomer and adhesive polymer in North America (Current capacity: 9,200 t/y; capacity increase: 1,900 t/y) (May 2011)

- Mitsubishi Rayon Co., Ltd., and Saudi Basic Industries Corporation (SABIC) announced conclusion of an agreement aiming at the formation of a joint venture company to build and operate two plants—one for methyl methacrylate (MMA; capacity: 250,000 t/y) and the other for polymethylmethacrylate (PMMA; capacity: 40,000 t/y)—at one of SABIC's manufacturing affiliates in Jubail, Saudi Arabia. (May 2011)
- Mitsubishi Rayon Co., Ltd., resolved to launch production of 2-hydroxyethyl methacrylate (2HEMA) (capacity: 11,000t/y) at Daesan MMA Corp. of South Korea, a joint venture set up with Honam Petrochemial Corp. (September 2011)
- Mitsubishi Chemical Corporation announced that Mitsubishi Chemical and A. Shulman, Inc., agreed to dissolve and liquidate their joint venture established by their subsidiaries, THE SUNPRENE CO., which is engaged in the vinyl chloride compound business in North America. THE SUNPRENE's business will be transferred to Mitsubishi Chemical Performance Polymers, Inc., a subsidiary of Mitsubishi Chemical. (November 2011)
- Mitsubishi Rayon Co., Ltd., and its subsidiary group, Lucite International, announced that they are continuing their drive to develop alternative sustainable feedstock sources for the production of methyl methacrylate (MMA), using both existing technologies and developing completely new bio-based routes for methacrylate monomers. (November 2011)

Others

Sales in this segment were down largely because a downturn in logistics services sales owing to the Great East Japan Earthquake offset steady performance in the engineering business. Sales from other businesses declined owing to termination of some purchase and resale business.

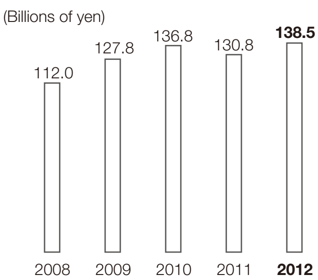
Segment operating income therefore decreased ¥19.3 billion, or 8.6%, to ¥205.8 billion. Operating income increased ¥1.5 billion, or 35.1%, to ¥6.1 billion.

Note:
Segment operating incomes do not include expenses for basic testing, research, and other activities that cannot be allocated to reporting segments. Such expenses were ¥10.7 billion in fiscal 2011.

R&D Expenditures

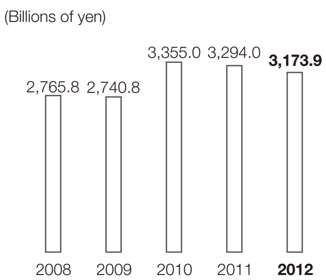
Group companies maintain independent R&D programs and collaborate with each other by sharing technology and market information, and conducting joint research. They are also working closely with businesses outside the Group to refine and develop technologies. In fiscal 2011, consolidated R&D expenditures increased ¥7.7 billion, or 5.9%, to ¥138.5 billion. There were 4,966 R&D employees at the close of the term.

R&D Expenditures



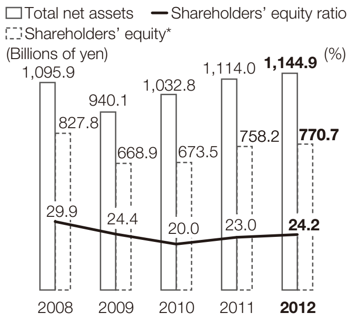
Years ended March 31

Total Assets



As of March 31

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



As of March 31

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

Liquidity and Sources of Funds

Financial Policies

The basic policy of *APTSIS 15*, MCHC's medium-term management plan, is to foster growth, innovation, and leap ahead by orchestrating the Group's strengths. MCHC established operating income, return on assets, the net debt-to-equity ratio, and the overseas sales ratio as basic benchmarks for this initiative. Key goals are to strengthen the Group by enhancing the Group's comprehensive strengths and financial position while restructuring.

MCHC funds working capital and capital expenditures largely by drawing on internal reserves, loans, and bonds. The Group deployed a cash management system to employ Group funds efficiently and cut financial expenses.

Financial Position

Assets

As of March 31, 2012, total assets stood at ¥3,173.9 billion, down ¥120.0 billion. There were several factors in this change. One was that inventories rose ¥31.0 billion, to ¥516.0 billion, owing to higher raw materials and fuel costs. Net property, plant and equipment was ¥1,032.7 billion, down ¥55.6 billion, as capital expenditures were smaller than the depreciation allowance. Holdings of marketable securities were ¥46.3 billion, down ¥38.4 billion, as the Group used surplus funds to reduce interest-bearing debt. Holdings of investment securities dropped ¥16.6 billion to ¥346.8 billion, reflecting market valuation declines. Finally, deferred tax assets (current and fixed assets combined) were down ¥18.4 billion to ¥130.6 billion, owing to a change in the corporate tax rate following tax system reforms.

Liabilities

Total liabilities were ¥2,029.0 billion, down ¥150.9 billion. This change is because interest-bearing debt declined ¥140.4 billion to ¥1,164.1 billion. This offset a ¥32.8 billion rise in trade payables to ¥411.2 billion, which stemmed from the last day of the fiscal year falling on a weekend.

Net Assets

Net assets were ¥1,144.9 billion, up ¥30.9 billion. This was because, on the upside, retained earnings rose ¥22.8 billion to ¥474.7 billion at year-end, as the Company posted ¥35.4 billion in net income, offsetting a decline in cash dividend payments of ¥14.7 billion. On the downside, foreign currency transaction adjustments attributable to the yen's appreciation against other currencies were ¥62.0 billion, up ¥9.6 billion from a year earlier.

The shareholders' equity ratio thus increased 1.2 percentage points to 24.2%.

Cash Flows

Net cash provided by operating activities was ¥217.9 billion, down ¥70.8 billion. This reflected ¥127.4 billion in income before income taxes and minority interests in consolidated subsidiaries, and depreciation and amortization.

Net cash used in investing activities was ¥63.4 billion, down ¥37.6 billion, mainly because of purchases of property, plant and equipment, which outweighed the impact of proceeds from sales and redemption of securities.

Net cash used in financing activities was ¥164.1 billion, up ¥14.6 billion, mainly attributable to the redemption of bonds with subscription rights to shares and the repayment of long-term debt and cash dividends paid.

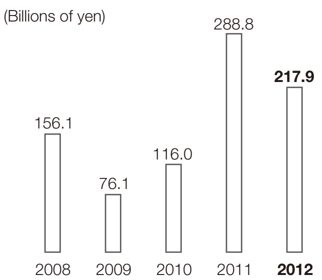
For cash flows from operating and investing activities, MCHC thus posted ¥154.5 billion in free cash flow, down ¥33.2 billion from a year earlier. Cash and cash equivalents at year-end were therefore ¥133.0 billion, down ¥10.6 billion.

Capital Expenditures

Capital expenditures for the fiscal year ended March 31, 2012, were ¥116.1 billion, a decrease of ¥1.7 billion compared with the previous fiscal year. The majority of these expenditures were applied to construction of new or expanded facilities, renewal of existing facilities, and rationalization investments in other existing facilities.

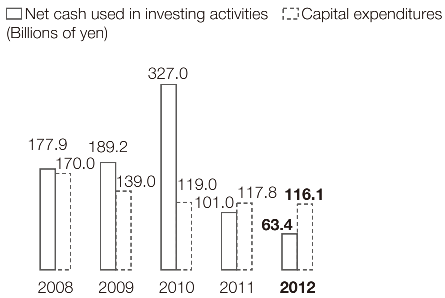
The major new or expanded facilities include a production facility for carbon fiber of MRC Otaka Plant, a coke oven gas desulfurization equipment at MCC Sakaide Plant, and a power equipment at MCC Kurosaki Plant.

Net Cash Provided by Operating Activities



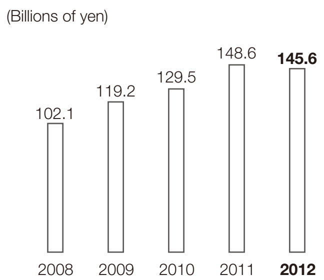
Years ended March 31

Net Cash Used in Investing Activities and Capital Expenditures



Years ended March 31

Depreciation and Amortization



Years ended March 31

Business Risks

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

Changes Affecting Operating Results

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

(a) Performance Products Domain

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

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

(b) Health Care Domain

The results of the pharmaceuticals business are subject to the Company being unable to reach revenue and earnings targets by adequately expanding sales volumes of existing treatments or rationalizing operations in response to lower prices from periodic revisions in national health insurance prices of pharmaceuticals. Results are also subject to government policies in each country to constrain medical expenditures.

In general, lead times for drug research and development are far longer than in other industries, whereas the percentage of drugs receiving approval is not high. It is therefore difficult to produce accurate forecasts for the certainty or timing of commercialization. Results are thus subject to drugs not being commercialized as planned. Even where drugs are commercialized, results are subject to sales volumes being lower because of intensified competition with rival offerings, volumes declining on reports of new side effects when usage of these drugs becomes broad-based, or when approval is withdrawn. Results are subject to supply disruptions on some raw materials for which the Company relies on external sources and can be influenced by an inability to secure adequate supplies of pharmaceuticals. In the clinical testing and diagnostic reagents and instruments, results can be affected by periodic revisions in medical treatment fees and drug price revisions. Results in these businesses are subject to the Company being unable to reach revenue and earnings targets by adequately expanding sales volumes of existing treatments or rationalizing operations in response to lower fees or prices. In the pharmaceutical intermediates and active pharmaceutical ingredients business, results are subject to lower sales volumes of customers' pharmaceuticals following revisions in national health insurance prices or patent expiries on customer products.

(c) Industrial Materials Domain

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

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

(d) Others

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

(e) Overall Operations

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

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

Interest-Bearing Debt

The Group aims to balance its growth and innovation strategies with efforts to enhance its financial position. MCHC's results could be adversely affected in a situation where interest payments on interest-bearing debt rises, such as because interest-bearing debt increases, interest rates rise, or MCHC's credit rating declines owing to fluctuating Group performances. Results could also be adversely affected if it becomes essential to procure funds to upgrade facilities and the Group must obtain financing at unfavorable terms.

Risks Associated with Acquisitions, Mergers, or Restructuring

Results could be adversely affected if mergers, acquisitions, or joint ventures created in Japan or abroad to expand scale or overhaul MCHC's business portfolio fail to deliver anticipated synergies or other benefits, or if the Group's financial burden thereby increases or, if after mergers or acquisitions, the Group encounters new debt or other issues that it did not initially envisage. Other factors that could adversely affect results include reorganizations as part of business selection and concentration initiatives, through which MCHC withdraws from unprofitable businesses or liquidates affiliates.

Deferred Tax Assets

The Group records deferred tax assets for deductible temporary differences on tax loss carryforwards. Deferred tax assets are calculated based on various predictions and assumptions about future taxable income. If results differ from such predictions and assumptions, or if tax rates change in line with changes to the tax system, MCHC would need to recalculate deferred tax assets, which could adversely affect results.

Impairment of Securities

The Group holds marketable securities, mainly as a minority shareholder in customer companies or financial institutions to maintain long-term relationships with them. Major declines in the market values of such securities could adversely affect results.

Impairment of Fixed Assets

The Group applies accounting standards related to fixed asset impairment. The Group could incur impairment losses owing to dramatically deteriorating performances or major declines in property values, which could adversely affect results.

Pension and Severance Plans

The Group calculates retirement benefit obligations and expenses for current and former employees based on actuarial assumptions, investment returns on plan assets, and other factors. A decline in the value of pension assets, fluctuations in the interest rate climate, and changes in retirement benefit obligations and expenses owing to changes in the retirement plan and pension systems could adversely affect results.

Impact of Inventory Valuations

The Group states inventory assets principally at cost based on the moving average method. Declines in the costs of naphtha or raw materials could detract from earnings by affecting relatively expensive inventories at the start of a term, thereby increasing the cost of sales. Earnings would conversely rise if fuel costs rose. Changes in fuel costs could therefore affect results. The Group applies the Accounting Standard for Measurement of Inventories (ASBJ Statement No. 9), so any book value write-down based on lower profitability could adversely affect results.

Changes in Foreign Exchange Rates

The Group endeavors to minimize the short-term impact of fluctuations in foreign currency transactions, primarily for exports and imports, notably by using forward foreign exchange contracts. Changes in exchange rates in the short, medium, and long terms may affect results.

The Group engages in production and sales in Asia, Europe, North America, and other locations overseas. It translates sales, expenses, assets, and other items denominated in foreign currencies in such regions into yen in its consolidated financial statements. Even if the foreign currency valuations of such items remain unchanged, the yen equivalents could change after conversion from other currencies, so foreign exchange rate fluctuations could affect the Group's results and financial position.

Laws and Regulations	The Group's operations are subject to related laws and regulations in Japan and abroad. Such laws and regulations may govern security and safety, the environment and chemical substances, pharmaceutical safety policies, and other areas relating to Group operations. The Group maintains voluntary rules that are stricter than legal provisions while pursuing thorough compliance to satisfy laws and regulations in engaging in business activities. Dramatic changes in laws and regulations or strengthened legislation could further restrict the Group's activities or increase its costs, or the Group could be ordered to halt operations at plants for legal violations, with all these factors influencing results.
Product Liability	The Group manufactures and sells products that conform with ISO 9001, the international standard for quality management systems. The Group endeavors to prevent product liability problems from arising when launching products or improving quality by previously evaluating such liability risks. The Group cannot guarantee, however, that all of its products will be free of defects. It therefore has product liability insurance to cover possible accidents, but cannot guarantee that such insurance is sufficient for all damages. Product defects that could cause major product liability exposure could adversely affect results.
Accidents and Disasters	The Group regularly inspects its plants and otherwise endeavors to prevent facilities accidents. It cannot, however, completely prevent or mitigate accidents at such facilities, nor natural disasters such as earthquakes. Accidents or natural disasters that damage property, cause human suffering or loss of life, or create environmental pollution could lead to massive costs and reduce social trust in the Group, thereby adversely affecting results.
Information Management	The Group strictly manages corporate and personal information in its possession. Problems resulting from leaks of such information could adversely affect results.
Research and Development	The Group deems research and development as pivotal to supporting sustainable corporate growth, and has long undertaken solid R&D. It intends to deploy resources in a planned and sustainably stable manner from long-term perspectives. Results could be adversely affected, however, if the fruits of R&D are far less than anticipated.
Intellectual Property	The Group takes ample precautions to avoid violating the intellectual property of third parties. Nonetheless, injunctions or damages claims by third parties on the basis of patent or other infringements could adversely affect results.
Litigation	The Group maintains various businesses, as mentioned in Changes Affecting Operating Results. In engaging in business, or in reorganizing or restructuring operations, the Group could face litigation from business partners or other third parties relating to intellectual property or the Group's products. It is impossible to predict or assess the results of such lawsuits, which could adversely affect results. Litigation proceedings to which the Group is currently subject are as follows: a. Mitsubishi Tanabe Pharma Corporation and Benesis Corporation were codefendants with the Japanese government in damages lawsuits over blood products tainted with hepatitis C virus. In September 2008, the defendants concluded a basic agreement with nationwide plaintiff groups and their attorneys to resolve this case in response to the Act on Special Measures concerning the Payment of Benefits to Relieve the Victims of Hepatitis C Infected through Specified Fibrinogen Concentrates and Specified Coagulation Factor XI Concentrates. The plaintiffs began dropping litigation against both companies, and in April 2009 the two companies decided to pay costs to the hepatitis C sufferers according to the payment apportionment standards of the above act. b. Consolidated subsidiary Verbatim Corporation (US) was sued for trademark infringement in Brazil. In May 2007, the court in Manaus, in the Brazilian state of Amazonas, ruled in favor of the plaintiff and ordered Verbatim to pay 377 million reals, or ¥16,961 million ($206,841 thousand). Verbatim, believing that no trademark infringement took place, and dissatisfied with the fact that reasons for recognizing the plaintiff's monetary claim were not disclosed, immediately filed an appeal with Brazil's Supreme Court. In February 2008, the Supreme Court ruled in favor of Verbatim and returned the case to the Manaus court for retrial. The case continues in court.

Consolidated Balance Sheets

Mitsubishi Chemical Holdings Corporation and Consolidated Subsidiaries
As of March 31

		Millions of yen		Thousands of U.S. dollars (Note 2)
		2012	2011	**2012**
Assets	**Current assets:**			
	Cash and deposits (Notes 11, 13)	**¥ 114,778**	¥ 130,195	**$ 1,399,732**
	Trade receivables (Note 11)	**593,352**	597,189	**7,236,000**
	Securities (Notes 11, 12)	**46,355**	84,798	**565,305**
	Inventories:			
	Finished goods	**265,799**	240,439	**3,241,451**
	Work in process	**80,531**	79,722	**982,085**
	Raw materials and supplies	**167,127**	161,924	**2,038,134**
	Land held for sale	**2,639**	2,976	**32,183**
	Deferred income taxes—current (Note 17)	**31,710**	39,442	**386,707**
	Prepaid expenses and other current assets	**77,922**	62,455	**950,268**
	Allowance for doubtful accounts	**(2,491)**	(2,482)	**(30,378)**
	Total current assets	**1,377,722**	1,396,658	**16,801,488**
	Property, plant and equipment:			
	Land	**255,034**	261,285	**3,110,171**
	Buildings	**911,518**	912,968	**11,116,073**
	Machinery and equipment	**2,318,574**	2,367,167	**28,275,293**
	Construction in progress	**53,815**	61,013	**656,280**
		3,538,941	3,602,433	**43,157,817**
	Accumulated depreciation	**(2,506,203)**	(2,514,064)	**(30,563,451)**
	Property, plant and equipment, net	**1,032,738**	1,088,369	**12,594,366**
	Investments and other assets:			
	Investment securities (Notes 11, 12)	**349,001**	365,648	**4,256,110**
	Long-term loans receivable	**1,265**	1,639	**15,427**
	Deferred income taxes—noncurrent (Note 17)	**98,901**	109,608	**1,206,110**
	Goodwill	**141,800**	154,844	**1,729,268**
	Other	**174,201**	180,201	**2,124,402**
	Allowance for doubtful accounts	**(1,658)**	(2,953)	**(20,220)**
	Total investments and other assets	**763,510**	808,987	**9,311,098**
	Total assets	**¥3,173,970**	¥3,294,014	**$38,706,951**

The accompanying notes are an integral part of these statements.

		Millions of yen		Thousands of U.S. dollars (Note 2)
		2012	2011	**2012**
Liabilities and Net Assets	**Current liabilities:**			
	Short-term debt (Notes 11, 19)	**¥ 289,574**	¥ 304,717	**$ 3,531,390**
	Current portion of long-term debt (Notes 11, 19)	**106,756**	171,895	**1,301,902**
	Trade payables (Note 11)	**411,289**	378,411	**5,015,720**
	Accrued expenses (Note 1)	**71,799**	72,795	**875,598**
	Accrued income taxes	**15,665**	26,879	**191,037**
	Other current liabilities (Notes 1, 17)	**175,059**	190,876	**2,134,866**
	Total current liabilities	**1,070,142**	1,145,573	**13,050,512**
	Long-term liabilities:			
	Long-term debt (Notes 11, 19)	**767,798**	827,977	**9,363,390**
	Accrued retirement benefits (Note 15)	**124,517**	125,724	**1,518,500**
	Other noncurrent liabilities (Notes 1, 17)	**66,559**	80,737	**811,695**
	Total long-term liabilities	**958,874**	1,034,438	**11,693,585**
	Net assets:			
	Shareholders' equity:			
	Common stock:			
	Authorized—6,000,000 thousand shares:			
	Issued and outstanding—1,506,288 thousand shares at March 31, 2012 and 2011	**50,000**	50,000	**609,756**
	Additional paid-in capital	**317,628**	317,582	**3,873,512**
	Retained earnings	**474,771**	451,934	**5,789,890**
	Less, treasury stock at cost—31,989 thousand shares at March 31, 2012 and 31,970 thousand shares at March 31, 2011	**(10,797)**	(10,758)	**(131,671)**
	Total shareholders' equity	**831,602**	808,758	**10,141,488**
	Accumulated other comprehensive income:			
	Net unrealized holding gain on other securities	**4,574**	5,216	**55,780**
	Loss on deferred hedges	**(139)**	(738)	**(1,695)**
	Land revaluation surplus	**1,581**	1,426	**19,280**
	Foreign currency translation adjustments	**(62,007)**	(52,378)	**(756,183)**
	Unfunded retirement benefit obligation with respect to a foreign subsidiary	**(4,882)**	(4,037)	**(59,537)**
	Total accumulated other comprehensive income	**(60,873)**	(50,511)	**(742,354)**
	Warrants (Notes 9, 16)	**662**	696	**8,073**
	Minority interests in consolidated subsidiaries	**373,563**	355,060	**4,555,646**
	Total net assets	**1,144,954**	1,114,003	**13,962,854**
	Total liabilities and net assets	**¥3,173,970**	¥3,294,014	**$38,706,951**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Operation

Mitsubishi Chemical Holdings Corporation and Consolidated Subsidiaries
Years ended March 31

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2012	2011	**2012**
Net sales	**¥3,208,168**	¥3,166,771	**$39,124,000**
Cost of sales	**2,507,952**	2,379,647	**30,584,780**
Gross profit	**700,216**	787,124	**8,539,220**
Selling, general and administrative expenses (Note 7)	**569,637**	560,631	**6,946,793**
Operating income	**130,579**	226,493	**1,592,427**
Other income (expenses):			
Interest and dividend income	**9,194**	7,234	**112,122**
Equity in earnings of affiliates	**14,934**	15,139	**182,122**
Foreign exchange gains (losses), net	**2,391**	(5,013)	**29,159**
Interest expense	**(15,765)**	(16,179)	**(192,256)**
Gain on cancellation of derivatives	**—**	2,379	**—**
Gain on forgiveness of debts (Note 4)	**5,665**	—	**69,085**
Insurance income (Note 5)	**4,895**	500	**59,695**
Gain on sales of investment securities, net	**3,310**	751	**40,366**
Reversal of provision for loss on disaster	**3,059**	—	**37,305**
Impairment loss (Note 3)	**(10,221)**	(3,681)	**(124,646)**
Adjustment for salaries for employees on secondment	**(8,286)**	(3,409)	**(101,049)**
Loss on valuation of investment securities	**(4,146)**	(10,767)	**(50,561)**
Provision for prospective loss on removal of fixed assets	**(2,631)**	(6,068)	**(32,085)**
Loss on sales and retirement of noncurrent assets, net	**(2,579)**	(5,545)	**(31,451)**
Losses on the Great East Japan Earthquake (Note 5)	**(2,331)**	(22,451)	**(28,427)**
Gain on business transfer	**—**	1,077	**—**
Other, net	**(594)**	(10,908)	**(7,244)**
Income before income taxes and minority interests in consolidated subsidiaries	**127,474**	169,552	**1,554,561**
Income taxes (Note 17):			
Current	**40,123**	47,837	**489,305**
Deferred	**13,008**	(870)	**158,634**
	53,131	46,967	**647,939**
Income before minority interests	**74,343**	122,585	**906,622**
Minority interests in consolidated subsidiaries	**(38,857)**	(39,004)	**(473,866)**
Net income	**¥ 35,486**	¥ 83,581	**$ 432,756**

	Yen		U.S. dollars
Per share (Note 18):	**2012**	2011	**2012**
Net income—Basic	**¥24.06**	¥58.72	**$0.29**
—Diluted	**22.67**	54.17	**0.28**
Cash dividends	**10.00**	10.00	**0.12**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Comprehensive Income

Mitsubishi Chemical Holdings Corporation and Consolidated Subsidiaries
Years ended March 31

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2012	2011	**2012**
Income before minority interests	**¥ 74,343**	¥122,585	**$ 906,622**
Other comprehensive income (loss):			
Net unrealized holding gain (loss) on other securities	**668**	(6,520)	**8,146**
Gain (loss) on deferred hedges	**1,187**	(937)	**14,476**
Foreign currency translation adjustments	**(10,267)**	(25,008)	**(125,207)**
Unfunded retirement benefit obligation with respect to a foreign subsidiary	**(845)**	(819)	**(10,305)**
Other comprehensive income (loss) for affiliates accounted for using equity method	**(887)**	(2,559)	**(10,817)**
Other comprehensive income (loss), net (Note 8)	**(10,144)**	(35,843)	**(123,707)**
Total comprehensive income	**¥ 64,199**	¥ 86,742	**$ 782,915**
Total comprehensive income attributable to:			
Shareholders of the parent	**¥ 25,340**	¥ 51,601	**$ 309,024**
Minority interests	**38,859**	35,141	**473,890**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Net Assets

Mitsubishi Chemical Holdings Corporation and Consolidated Subsidiaries

Years ended March 31

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2012	2011	2012
Number of outstanding shares of common stock (thousands)			
Balance at beginning of year	**1,506,288**	1,506,288	**—**
Balance at end of year	**1,506,288**	1,506,288	**—**
Shareholders' equity:			
Common stock			
Balance at beginning of year	**¥ 50,000**	¥ 50,000	**$ 609,756**
Balance at end of year	**¥ 50,000**	¥ 50,000	**$ 602,756**
Additional paid-in capital			
Balance at beginning of year	**¥317,582**	¥303,279	**$ 3,872,951**
Disposal of treasury stock	**46**	14,303	**561**
Balance at end of year	**¥317,628**	¥317,582	**$ 3,873,512**
Retained earnings			
Balance at beginning of year	**¥451,934**	¥379,354	**$ 5,511,390**
Cash dividends	**(14,760)**	(12,374)	**(180,000)**
Net income	**35,486**	83,581	**432,756**
Increase due to merger of non-consolidated subsidiaries by a consolidated subsidiary	**22**	—	**268**
Increase due to merger of non-consolidated subsidiaries by an equity method affiliate	**42**	126	**512**
Change in scope of consolidation	**1,206**	39	**14,707**
Change in scope of equity method	**841**	(30)	**10,256**
Increase due to change in currencies of overseas consolidated subsidiaries	**—**	1,238	**—**
Balance at end of year	**¥474,771**	¥451,934	**$ 5,789,890**
Treasury stock at cost			
Balance at beginning of year	**¥ (10,758)**	¥ (38,768)	**$ (131,195)**
Purchase of treasury stock	**(75)**	(182)	**(915)**
Disposal of treasury stock	**36**	28,192	**439**
Balance at end of year	**¥ (10,797)**	¥ (10,758)	**$ (131,671)**
Total shareholders' equity			
Balance at beginning of year	**¥808,758**	¥693,865	**$ 9,862,902**
Cash dividends	**(14,760)**	(12,374)	**(180,000)**
Net income	**35,486**	83,581	**432,756**
Purchase of treasury stock	**(75)**	(182)	**(915)**
Disposal of treasury stock	**82**	42,495	**1,000**
Increase due to merger of non-consolidated subsidiaries by a consolidated subsidiary	**22**	—	**268**
Increase due to merger of non-consolidated subsidiaries by an equity method affiliate	**42**	126	**512**
Change in scope of consolidation	**1,206**	39	**14,707**
Change in scope of equity method	**841**	(30)	**10,256**
Increase due to change in currencies of overseas consolidated subsidiaries	**—**	1,238	**—**
Balance at end of year	**¥831,602**	¥808,758	**$10,141,488**

The accompanying notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2012	2011	**2012**
Accumulated other comprehensive income:			
Net unrealized holding gain on other securities			
Balance at beginning of year	**¥ 5,216**	¥ 11,756	**$ 63,610**
Net change in items other than those in shareholders' equity	**(642)**	(6,540)	**(7,829)**
Balance at end of year	**¥ 4,574**	¥ 5,216	**$ 55,780**
Loss on deferred hedges			
Balance at beginning of year	**¥ (738)**	¥ (132)	**$ (9,000)**
Net change in items other than those in shareholders' equity	**599**	(606)	**7,305**
Balance at end of year	**¥ (139)**	¥ (738)	**$ (1,695)**
Land revaluation surplus			
Balance at beginning of year	**¥ 1,426**	¥ 1,426	**$ 17,390**
Net change in items other than those in shareholders' equity	**155**	—	**1,890**
Balance at end of year	**¥ 1,581**	¥ 1,426	**$ 19,280**
Foreign currency translation adjustments			
Balance at beginning of year	**¥ (52,378)**	¥ (30,123)	**$ (638,756)**
Increase due to change in currencies of overseas consolidated subsidiaries	**—**	1,791	**—**
Net change in items other than those in shareholders' equity	**(9,629)**	(24,046)	**(117,427)**
Balance at end of year	**¥ (62,007)**	¥ (52,378)	**$ (756,183)**
Unfunded retirement benefit obligation with respect to a foreign subsidiary			
Balance at beginning of year	**¥ (4,037)**	¥ (3,218)	**$ (49,232)**
Net change in items other than those in shareholders' equity	**(845)**	(819)	**(10,305)**
Balance at end of year	**¥ (4,882)**	¥ (4,037)	**$ (59,537)**
Total accumulated other comprehensive income			
Balance at beginning of year	**¥ (50,511)**	¥ (20,291)	**$ (615,988)**
Increase due to change in currencies of overseas consolidated subsidiaries	**—**	1,791	**—**
Net change in items other than those in shareholders' equity	**(10,362)**	(32,011)	**(126,366)**
Balance at end of year	**¥ (60,873)**	¥ (50,511)	**$ (742,354)**
Warrants			
Balance at beginning of year	**¥ 696**	¥ 653	**$ 8,488**
Net change in items other than those in shareholders' equity	**(33)**	42	**(402)**
Balance at end of year	**¥ 662**	¥ 696	**$ 8,073**
Minority interests in consolidated subsidiaries			
Balance at beginning of year	**¥ 355,060**	¥ 358,638	**$ 4,330,000**
Increase due to change in currencies of overseas consolidated subsidiaries	**—**	1,560	**—**
Net change in items other than those in shareholders' equity	**18,503**	(5,138)	**225,646**
Balance at end of year	**¥ 373,563**	¥ 355,060	**$ 4,555,646**
Total net assets			
Balance at beginning of year	**¥1,114,003**	¥1,032,865	**$13,585,402**
Cash dividends	**(14,760)**	(12,374)	**(180,000)**
Net income	**35,486**	83,581	**432,756**
Purchase of treasury stock	**(75)**	(182)	**(915)**
Disposal of treasury stock	**82**	42,495	**1,000**
Increase due to merger of non-consolidated subsidiaries by a consolidated subsidiary	**22**	—	**268**
Increase due to merger of non-consolidated subsidiaries by an equity method affiliate	**42**	126	**512**
Change in scope of consolidation	**1,206**	39	**14,707**
Change in scope of equity method	**841**	(30)	**10,256**
Increase due to change in currencies of overseas consolidated subsidiaries	**—**	4,589	**—**
Net change in items other than those in shareholders' equity	**8,108**	(37,106)	**98,878**
Balance at end of year	**¥1,144,954**	¥1,114,003	**$13,962,854**

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)
	2012	2011	**2012**
Cash flows from operating activities:			
Income before income taxes and minority interests in consolidated subsidiaries	**¥ 127,474**	¥ 169,552	**$ 1,554,561**
Adjustments for:			
Depreciation and amortization	**145,695**	146,264	**1,776,768**
Amortization of goodwill	**12,284**	12,141	**149,805**
Interest expense	**15,765**	16,179	**192,256**
Interest and dividend income	**(9,194)**	(7,234)	**(112,122)**
Equity in earnings of affiliates	**(14,934)**	(15,139)	**(182,122)**
Foreign exchange (gains) losses	**(1,332)**	3,800	**(16,244)**
Gain on cancellation of derivatives	**—**	(2,379)	**—**
Impairment loss (Note 3)	**10,221**	3,681	**124,646**
Loss on valuation of investment securities	**4,146**	10,767	**50,561**
Provision for prospective loss on removal of fixed assets	**2,631**	6,068	**32,085**
Loss on sales and retirement of noncurrent assets, net	**2,579**	5,545	**31,451**
Losses on the Great East Japan Earthquake (Note 5)	**2,331**	22,451	**28,427**
Gain on forgiveness of debts (Note 4)	**(5,665)**	—	**(69,085)**
Gain on sales of investment securities, net	**(3,310)**	(751)	**(40,366)**
Reversal of provision for loss on disaster	**(3,059)**	—	**(37,305)**
Gain on business transfer	**—**	(1,077)	**—**
(Increase) decrease in trade receivables	**3,528**	(14,411)	**43,024**
Increase in inventories	**(33,487)**	(17,448)	**(408,378)**
Increase (decrease) in trade payables	**36,544**	22,065	**445,659**
Decrease in provision for retirement benefits	**5,125**	(18,240)	**62,500**
Other, net	**(26,673)**	(8,565)	**(325,280)**
Subtotal	**270,669**	333,269	**3,300,841**
Interest and dividend income received	**19,642**	11,610	**239,537**
Interest expenses paid	**(16,548)**	(16,001)	**(201,805)**
Income taxes paid	**(55,809)**	(40,025)	**(680,598)**
Net cash provided by operating activities	**217,954**	288,853	**2,657,976**
Cash flows from investing activities:			
Payment for time deposits	**(3,291)**	(19,262)	**(40,134)**
Proceeds from repayment of time deposits	**12,398**	17,994	**151,195**
Purchase of short-term investment securities	**(34,898)**	(74,834)	**(425,585)**
Proceeds from sales and redemption of securities	**78,065**	100,610	**952,012**
Purchase of property, plant and equipment	**(113,155)**	(111,965)	**(1,379,939)**
Proceeds from sales of property, plant and equipment	**6,499**	6,530	**79,256**
Purchase of intangible assets	**(2,817)**	(3,467)	**(34,354)**
Purchase of investment securities	**(7,172)**	(32,582)	**(87,463)**
Proceeds from sales and redemption of investment securities	**11,933**	12,485	**145,524**
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	**224**	—	**2,732**
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	**1,369**	—	**16,695**
Payment for sales of investments in subsidiaries resulting in change in scope of consolidation	**—**	(117)	**—**
Decrease in loans receivable, net	**(881)**	7,316	**(10,744)**
Purchase of long-term prepaid expenses	**(12,267)**	(3,014)	**(149,598)**
Other, net	**589**	(758)	**7,183**
Net cash used in investing activities	**(63,404)**	(101,064)	**(773,220)**

The accompanying notes are an integral part of these statements.

Cash flows from financing activities:			
Decrease in short-term debt, net	**(8,981)**	(133,770)	**(109,524)**
Proceeds from issuance of long-term debt	**58,476**	133,355	**713,122**
Repayment of long-term debt	**(180,615)**	(125,941)	**(2,202,622)**
Cash dividends paid	**(14,760)**	(12,374)	**(180,000)**
Cash dividends paid to minority shareholders	**(17,653)**	(12,129)	**(215,280)**
Purchase of treasury stock	**(71)**	(182)	**(866)**
Proceeds from sales of treasury stock	**13**	1,619	**159**
Other, net	**(555)**	(71)	**(6,768)**
Net cash provided by (used in) financing activities	**(164,146)**	(149,493)	**(2,001,780)**
Effect of exchange rate changes on cash and cash equivalents	**(1,863)**	(7,946)	**(22,720)**
Net increase (decrease) in cash and cash equivalents	**(11,459)**	30,350	**(139,744)**
Cash and cash equivalents at beginning of the year	**143,747**	112,591	**1,753,012**
Increase in cash and cash equivalents resulting from change in scope of consolidation	**767**	806	**9,354**
Cash and cash equivalents at end of period (Note 13)	**¥ 133,055**	¥ 143,747	**$ 1,622,622**

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

Mitsubishi Chemical Holdings Corporation and Consolidated Subsidiaries
March 31, 2011

Note 1

Significant Accounting Policies

(a) Basis of Presentation

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

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

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

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

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

(c) Securities

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

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

(d) Derivative Transactions

Derivative transactions are measured at fair value.

(e) Inventories

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

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

(f) Property, Plant and Equipment
Property, plant and equipment is stated at cost. Depreciation of property, plant and equipment of MCHC and its consolidated subsidiaries in Japan in the chemicals and polymers segments (excluding Mitsubishi Rayon, which became a consolidated subsidiary on March 30, 2010, and its subsidiaries) is principally calculated using the straight-line method. Other depreciation is principally calculated using the declining-balance method. Depreciation of property, plant and equipment of overseas consolidated subsidiaries is principally calculated using the straight-line method over their estimated useful lives.

Principal estimated useful lives of the assets are as follows:

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

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

(g) 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.

(h) Accrued Bonuses to Employees
To provide for payments of bonuses to its employees, bonuses and related social insurance premium are accrued and recorded at the amount expected to be paid. The corresponding balances of ¥37,160 million ($453,171 thousand) and ¥38,867 million are included in “Accrued expenses” in the accompanying consolidated balance sheets as of March 31, 2012 and 2011, respectively.

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

1. Reserve for Health Management Allowances for HIV Compensation
Balances of ¥1,461 million ($17,817 thousand) and ¥1,513 million are included in “Other noncurrent liabilities” in the accompanying consolidated balance sheets as of March 31, 2012 and 2011, respectively.

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

2. Reserve for HCV Litigation
Balances of ¥2,520 million ($30,732 thousand) and ¥4,627 million are included in “Other noncurrent liabilities” in the accompanying consolidated balance sheets as of March 31, 2012 and 2011, respectively.

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

3. Reserve for Health Management Allowances for Sub-acute Myelo-Optical Neuropathy (SMON) Compensation
Balances of ¥3,622 million ($44,171 thousand) and ¥3,835 million are included in “Other noncurrent liabilities” in the accompanying consolidated balance sheets as of March 31, 2012 and 2011, respectively.

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

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

(j) Reserve for Periodic Repairs
Several consolidated subsidiaries provide for costs of periodic repairs of production facilities in plants and oil tanks. The corresponding balances of ¥6,242 million ($76,122 thousand) and ¥7,507 million are included in “Other current liabilities” and “Other noncurrent liabilities” in the accompanying consolidated balance sheets as of March 31, 2012 and 2011, respectively.

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

The Company prepares to pay employee retirement benefits by recording the amounts it expects to incur as of the end of the fiscal year based on projected retirement benefit obligations and pension assets.

The Company amortizes prior service cost by using the straight-line method over a certain period (in principle, five years) that is shorter than the remaining average service period from the date incurred.

The Company expenses unrecognized actuarial gains or losses beginning in the year following that in which they are incurred by using the straight-line method over a certain period (in principle, five years) that is shorter than the remaining average service period from the date incurred. Differences from accounting policy transitions are charged over an average of 15 years, in principle.

(l) Directors’ Retirement Benefits
Accrued lump-sum retirement benefits for directors, executive officers and corporate auditors are determined based on internal regulations. The corresponding balances of ¥1,273 million ($15,524 thousand) and ¥1,286 million are included in “Other noncurrent liabilities” in the accompanying consolidated balance sheets as of March 31, 2012 and 2011, respectively.

(m) Reserve for Costs Associated with Liquidation of Subsidiaries and Affiliates
Several consolidated subsidiaries provide for estimated costs derived from liquidation of its subsidiaries and affiliates. The corresponding balances of ¥3,916 million ($47,756 thousand) and ¥6,432 million are included in “Other noncurrent liabilities” in the accompanying consolidated balance sheets as of March 31, 2012 and 2011, respectively.

(n) Reserve for Prospective Loss on Removal of Fixed Assets
Several consolidated subsidiaries provide for prospective loss on removal of fixed assets. The corresponding balances of ¥10,185 million ($124,207 thousand) and ¥11,973 million are included in “Other current liabilities” and “Other noncurrent liabilities” in the accompanying consolidated balance sheets as of March 31, 2012 and 2011, respectively.

(o) Provision for Losses on Disaster
Balances of ¥2,335 million ($28,476 thousand) and ¥15,564 million are included in “Other current liabilities” in the accompanying consolidated balance sheets as of March 31, 2012 and 2011, respectively, as a provision, to cover the estimated costs deemed necessary in restoring fixed and other assets damaged in the Great East Japan Earthquake of March 11, 2011.

(p) Provision for Environmental Measures
Balances of ¥871 million ($10,622 thousand) and ¥1,562 million are included in “Other current liabilities” and “Other noncurrent liabilities” in the accompanying consolidated

balance sheets as of March 31, 2012 and 2011, respectively, as a provision, to cover estimated future losses from environmental measures work.

(q) 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.

(r) 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.

(s) Principal Hedge Accounting Methods

1. Hedge accounting method

The Company defers recognition of gains or losses related to fair or appraised value hedges. For receivables and payables denominated in foreign currencies, such as those with foreign exchange contracts, deferral hedging is used where satisfying deferral hedging criteria, while specific matching is used for interest rate swaps and caps meeting specific matching criteria.

2. Hedging instruments and targets

The Company uses foreign exchange contracts and currency swaps to reduce exposure to foreign exchange risks arising from transactions denominated in foreign currencies, notably imports and exports, financing, and funds management. The Company similarly uses interest rate swaps to lower exposure to interest rate fluctuations in financing and funds management transactions. The Company also uses interest rate caps to decrease exposure to interest rate fluctuations in financing transactions and uses commodity futures contracts to hedge against the risks of fluctuations in the purchase costs of raw materials.

3. Hedging policy

The Company maintains a policy of limiting the use of derivative transactions to actual demand and does not engage in such transactions for speculative purposes. The Company minimizes credit risk stemming from breaches of contract of counterparties by restricting its use of derivative transactions to financial institutions with high credit ratings.

4. Method of assessing hedge effectiveness

The Company has confirmed that the hedging instruments and targets used in executing derivative transactions nearly match crucial requirements, and it can offset the effects of market fluctuations on and after implementing hedges.

The Company decides on whether to engage in planned transactions after assessing whether or not such transactions are extremely feasible.

(t) Amortization of Goodwill and Negative Goodwill

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

(u) 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.

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

(w) 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.

(x) 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.

Additional Information

Adoption of Accounting Standard for Accounting Changes and Error Corrections
In light of accounting changes and corrections of past errors after the beginning of the fiscal year, the Company adopted Accounting Standard for Accounting Changes and Error Corrections (ASBJ Statement No.24, December 4, 2009) and the Guidance on Accounting Standard for Accounting Changes and Error Corrections (ASBJ Guidance No.24, December 4, 2009).

Several Overseas Subsidiaries' Year-ends Switched from December 31 to March 31
During this fiscal year under review, MCC PTA Asia Pacific Private Company Limited, MCC PTA India Corp. Private Limited, P.T. Mitsubishi Chemical Indonesia, and four other consolidated subsidiaries switched their year-ends from December 31 to March 31. The Company thus produced consolidated financial statements based on the financial statements for those companies for the 12 months ended December 31, 2011, and three months through March 31, 2012.

The year-ends of Ningbo Mitsubishi Chemical Co., Ltd., and equity method affiliate Samnam Petrochemical Co., Ltd., are December 31, but from this fiscal year the Company started producing financial statements presenting provisional settlements for those companies as of March 31.

Note 2

U.S. Dollar Amounts

MCHC and its domestic consolidated subsidiaries maintain their accounting records in Japanese yen. The U.S. dollar amounts are included solely for convenience and have been translated, as a matter of arithmetical computation only, at the rate of ¥82 to U.S.$1.00, the approximate exchange rate prevailing on the Tokyo foreign exchange market at March 30, 2012. This translation should not be construed as a representation that yen amounts actually represent, or have been, or could be, converted into U.S. dollars at this, or any other rate.

Note 3

Impairment Losses

In principle, the MCHC Group maintains groupings of assets in terms of operational, manufacturing process, and regional relevance based on business units. The Company recognizes impairment losses for idle assets by individual asset. In the year under review, the Company posted ¥10,221 million ($124,646 thousand) in impairment losses as part of extraordinary losses. The main assets for which impairment losses were recognized are as follows.

Purpose	Site	Category	Impairment loss	
			Millions of yen	Thousands of U.S. dollars
Pharmaceuticals business management and sales	Mitsubishi Tanabe Pharma Corporation, Sanbancho Building (Chiyoda Ward, Tokyo)	Land and buildings	¥2,923	$35,646
Plastic product manufacturing facility	DIA Molding Co., Ltd. (Nagahama, Shiga Prefecture, etc.)	Buildings and machinery and equipment	¥1,976	$24,098

Composition of Impairment Losses

Sanbancho Building
¥2,923 million ($35,646 thousand) (¥2,442 million ($29,780 thousand) for land and ¥481 million ($5,866 thousand) for buildings)

Plastic product manufacturing facility
¥1,976 million ($24,098 thousand) (¥1,236 million ($15,073 thousand) for buildings and ¥740 million ($9,024 thousand) for machinery and equipment)

The Company expects the Sanbancho Building to become an idle asset in line with a planned relocation of its Tokyo Branch, so it reduced the book value of that property to a recoverable amount. The recoverable amount is the net selling price, the estimate being calculated rationally by factoring in the posted price. The Company reduced the book value of the plastic product manufacturing facility to a recoverable amount because of a low likelihood that results would recovery after plummeting in response to a plunge in domestic demand. The recoverable amount is based mainly on the usage value. The discount rate on the less profitable facilities is not presented because future cash flows before discounting are negative.

Note 4

Gain on forgiveness of debts

The gain on forgiveness of debts is for loans from minority shareholders in line with the liquidation of V-Tech Corporation, which was a consolidated subsidiary.

Note 5

Losses on the Great East Japan Earthquake

The principal loss components for the fiscal year ended March 31, 2011 were a ¥15,564 million provision for disaster losses (of which ¥14,388 million was mainly for restoration costs), ¥3,486 million for fixed expenses during downtimes owing to the earthquake, and a ¥1,712 million losses on damaged inventories.

The main losses for the year ended March 31, 2012, were for fixed expenses during downtimes owing to the earthquake and insurance payments (decrease in losses).

In addition to the insurance payments stated above, insurance payments for damage from the Great East Japan Earthquake are included in insurance income.

Note 6

Contingent Liabilities

At March 31, 2012, MCHC and its consolidated subsidiaries were contingently liable for trade notes discounted of ¥393 million ($4,793 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	**¥9,409**	**$114,744**	**¥9,324**	**$113,707**
Stand-by guarantees	**205**	**2,500**	**205**	**2,500**
Others	**—**	**—**	**—**	**—**

Trademark Infringement Lawsuit

The consolidated subsidiary Verbatim Corporation (US) was sued for trademark infringement in Brazil. In May 2007, a court in Manaus, in the Brazilian state of Amazonas, ruled in favor of the plaintiff and ordered Verbatim Corporation to pay 377 million reals, or ¥16,961 million ($206,841 thousand). Verbatim Corporation, believing that no trademark infringement took place, and dissatisfied with the fact that reasons for recognizing the plaintiff's monetary claim were not disclosed, immediately filed an appeal with Brazil's Supreme Court. In February 2008, the Supreme Court ruled in favor of Verbatim Corporation and returned the case to the Manaus court for retrial.

Dissatisfied with another ruling made in favor of the plaintiff in the retrial, Verbatim Corporation (US) filed a special appeal with a Federal High Court in Brasilia for a retrial. In June 2011, that court dismissed the trademark infringement suit and the damages payment ordered by the lower court in the initial ruling. The Company cannot state with complete confidence that the plaintiff will not file an objection or submit a formal claim.

Note 7

Selling, General and Administrative Expenses

For the years ended March 31, 2012 and 2011, the following items were recorded in the consolidated statements of income:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2012	March 31, 2011	**March 31, 2012**
Transportation costs	**¥ 80,933**	¥ 86,089	**$ 986,988**
Labor costs	**126,422**	127,624	**1,541,732**
Research and development	**138,545**	130,825	**1,689,573**

Notes: 1. Labor costs include a provision for bonuses of ¥13,759 million ($167,793 thousand) and ¥14,001 million for the years ended March 31, 2012 and 2011, respectively.

2. "Research and development" includes expenditures on personnel, and depreciation and amortization of research facilities.

Note 8

Supplementary Information for Consolidated Statements of Comprehensive Income

Year ended March 31, 2012	Millions of yen	Thousands of U.S. dollars
Net unrealized holding gain (loss) on other securities:		
Amount arising during the period	**¥ 46**	**$ 561**
Reclassification adjustment	**336**	**4,098**
Before tax effect	**382**	**4,659**
Tax effect	**286**	**3,488**
Net unrealized holding gain (loss) on other securities	**¥668**	**$8,146**
Gain (loss) on deferred hedges:		
Amount arising during the period	**¥ 143**	**$ 1,744**
Reclassification adjustment	**1,747**	**21,305**
Amount of acquisition cost adjustment	**(211)**	**(2,573)**
Before tax effect	**1,679**	**20,476**
Tax effect	**(492)**	**(6,000)**
Gain (loss) on deferred hedges	**¥1,187**	**$14,476**

Foreign currency translation adjustments:		
Amount arising during the period	**¥ (10,464)**	**$ (127,610)**
Reclassification adjustment	**197**	**2,402**
Before tax effect	**(10,267)**	**(125,207)**
Tax effect	**—**	**—**
Foreign currency translation adjustments	**¥ (10,267)**	**$ (125,207)**
Unfunded retirement benefit obligation with respect to a foreign subsidiary:		
Amount arising during the period	**¥ (1,861)**	**$ (22,695)**
Reclassification adjustment	**—**	**—**
Before tax effect	**(1,861)**	**(22,695)**
Tax effect	**1,016**	**12,390**
Unfunded retirement benefit obligation with respect to a foreign subsidiary	**¥ (845)**	**$ (10,305)**
Other comprehensive income (loss) for affiliates accounted for using equity method:		
Amount arising during the period	**¥ (1,054)**	**$ (12,854)**
Reclassification adjustment	**167**	**2,037**
Other comprehensive income (loss) for affiliates accounted for using equity method:	**¥ (887)**	**$ (10,817)**
Other comprehensive income (loss), net	**¥(10,144)**	**$ (123,707)**

Note 9

Supplementary Information for Consolidated Statements of Changes in Net Assets

(a) Type and Number of Outstanding Shares

	Year ended March 31, 2012			
	Number of shares (Thousands)			
	Balance at beginning of year	Increase in shares during the year	Decrease in shares during the year	Balance at end of year
Type of shares				
Issued stock:				
Common stock	1,506,288	—	—	1,506,288
Total	1,506,288	—	—	1,506,288
Treasury stock:				
Common stock[1, 2]	31,970	150	131	31,989
Total	31,970	150	131	31,989

1. A 150 thousand increase in the number of shares of common stock held in treasury was as follows:
   Purchases of fractional shares of less than one unit 139 thousand
   Changes in equity 11 thousand
2. A 131 thousand decrease in the number of shares of common stock held in treasury was as follows:
   Sales of fractional shares of less than one unit 25 thousand
   Withdrawal related to the exercise of stock options 106 thousand

(b) Warrants

			Number of outstanding shares (Thousands)				
	Description	Type of outstanding shares	Balance at beginning of year	Increase (Decrease)	Balance at end of year	Millions of yen	Thousands of U.S. dollars
MCHC	Warrants as stock options			—		¥662	$8,073
Consolidated subsidiaries	—			—		—	—
Total				—		¥662	$8,073

(c) Dividends

(1) Dividends paid to shareholders

Date of approval	Resolution approved by	Type of shares	Amount (Millions of yen)	Amount (Thousands of U.S. dollars)	Amount per share (Yen)	Amount per share (U.S. dollars)	Entitlement date	Effective date
June 24, 2011	Annual general meeting of shareholders	Common stock	¥7,380	$90,000	¥5	$0.06	March 31, 2011	June 27, 2011
November 1, 2011	Board of Directors	Common stock	¥7,380	$90,000	¥5	$0.06	September 30, 2011	December 2, 2011

(2) Dividends whose entitlement date was in the year ended March 31, 2012, and whose effective date will be in the subsequent fiscal year

Date of approval	Resolution approved by	Type of shares	Amount (Millions of yen)	Amount (Thousands of U.S. dollars)	Paid from	Amount per share (Yen)	Amount per share (U.S. dollars)	Entitlement date	Effective date
June 26, 2012	Annual general meeting of shareholders	Common stock	¥7,380	$90,000	Retained earnings	¥5	$0.06	March 31, 2012	June 27, 2012

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

Note 10

Lease Transactions

At March 31, 2012 and 2011, as lessee, finance leases other than those deemed to transfer the ownership of the leased assets to the lessees were accounted for as follows:

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

	Millions of yen		Thousands of U.S. dollars
	March 31, 2012	March 31, 2011	**March 31, 2012**
Machinery and equipment:			
Acquisition costs	**¥3,768**	¥10,097	**$ 45,951**
Accumulated depreciation	**3,262**	8,320	**39,780**
Accumulated impairment loss	**—**	—	**—**
Balance at year-end	**¥ 506**	¥ 1,777	**$ 6,171**

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

Future minimum lease payments for the remaining lease periods

	Millions of yen		Thousands of U.S. dollars
	March 31, 2012	March 31, 2011	**March 31, 2012**
Due within one year	**¥345**	¥1,180	**$4,207**
Due after one year	**163**	615	**1,988**
	¥508	¥1,795	**$6,195**
Impairment loss on leased assets	**¥ 4**	¥ —	**$ 49**

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

	Millions of yen		Thousands of U.S. dollars
	March 31, 2012	March 31, 2011	**March 31, 2012**
Paid lease fees	**¥1,261**	¥2,263	**$15,378**
Amortization expense amount	**4**	10	**49**
Depreciation expense amount	**¥1,257**	¥2,253	**$15,329**
Impairment loss on leased assets	**¥ —**	¥ —	**$ —**

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

At March 31, 2012 and 2011, as lessee, noncancellable operating lease obligations were accounted for as follows:

Future minimum lease payments for the remaining lease periods

	Millions of yen		Thousands of U.S. dollars
	March 31, 2012	March 31, 2011	**March 31, 2012**
Due within one year	**¥ 6,416**	¥ 4,621	**$ 78,244**
Due after one year	**22,372**	9,214	**272,829**
	¥28,788	¥13,835	**$351,073**

At March 31, 2012 and 2011, finance leases other than those deemed to transfer the ownership of the leased assets to the lessees were accounted for as follows:

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

	Millions of yen		Thousands of U.S. dollars
	March 31, 2012	March 31, 2011	**March 31, 2012**
Buildings			
Acquisition costs	**¥921**	¥921	**$11,232**
Accumulated depreciation	**355**	330	**4,329**
Accumulated impairment loss	**—**	—	**—**
Balance at year-end	**¥566**	¥591	**$ 6,902**

	Millions of yen		Thousands of U.S. dollars
	March 31, 2012	March 31, 2011	**March 31, 2012**
Machinery, equipment and vehicles			
Acquisition costs	**¥415**	¥665	**$5,061**
Accumulated depreciation	**292**	467	**3,561**
Accumulated impairment loss	**—**	—	**—**
Balance at year-end	**¥123**	¥198	**$1,500**

Future minimum sublease income for the remaining lease periods

	Millions of yen		Thousands of U.S. dollars
	March 31, 2012	March 31, 2011	**March 31, 2012**
Due within one year	**¥ 98**	¥151	**$1,195**
Due after one year	**505**	610	**6,159**
	¥603	¥761	**$7,354**

Sublease income, amortization expense, depreciation expense and impairment loss

	Millions of yen		Thousands of U.S. dollars
	March 31, 2012	March 31, 2011	**March 31, 2012**
Sublease income	**¥111**	¥150	**$1,354**
Amortization expense amount		—	**—**
Depreciation expense amount	**70**	110	**854**
Impairment loss on leased assets	**¥ —**	¥ —	**$ —**

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

At March 31, 2012 and 2011, noncancellable operating lease receivables were accounted for as follows:

Future minimum sublease income for the remaining lease periods

	Millions of yen		Thousands of U.S. dollars
	March 31, 2012	March 31, 2011	**March 31, 2012**
Due within one year	**¥ 73**	¥ 82	**$ 890**
Due after one year	**420**	475	**5,122**
	¥493	¥557	**$6,012**

Note 11

Financial Instruments

Overview

(1) Policy for Financial Instruments

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

(2) Financial Instruments and Risks

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

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

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

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

(3) Financial Instrument Risk Management Structure

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

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

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

The maximum credit risk amount at March 31, 2012, is the balance sheet value of financial assets exposed to such risks.

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

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

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

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

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

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

Estimated Fair Value of Financial Instruments

The carrying value of financial instruments in the consolidated balance sheets as of March 31, 2012, and estimated fair value are shown in the following table. The table below excludes instruments whose fair value is extremely difficult to determine.

	Millions of yen		
March 31, 2012	Carrying value	Fair value	Difference
Cash and deposits	¥ 114,778	¥ 114,778	¥ —
Trade receivables	593,352	593,352	—
Marketable and investment securities:			
Held-to-maturity debt securities	18,716	17,167	(1,549)
Shares of affiliates	42,809	38,695	(4,114)
Other marketable securities	223,440	223,440	—
Total assets	¥ 993,095	¥ 987,432	¥ (5,663)
Trade payables	¥ 411,289	¥ 411,289	¥ —
Short-term debt	331,330	331,330	—
Commercial paper	40,000	40,000	—
Bonds due in one year or less	25,000	25,000	—
Corporate bonds	160,000	166,377	6,377
Bonds with subscription rights to shares	70,000	68,963	(1,037)
Long-term debt*	537,798	548,613	10,815
Total liabilities	¥1,575,417	¥1,591,572	¥16,155
Derivatives transactions:			
Hedge accounting not applied	¥ 138	¥ 138	¥ —
Hedge accounting applied	(88)	(88)	—
Total derivatives transactions	¥ 50	¥ 50	¥ —

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

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

March 31, 2011	Millions of yen Carrying value	 Fair value	 Difference
Cash and deposits	¥ 130,195	¥ 130,195	¥ —
Trade receivables	597,189	597,189	—
Marketable and investment securities:			
Held-to-maturity debt securities	24,837	22,728	(2,109)
Shares of affiliates	40,238	45,905	5,667
Other marketable securities	269,333	269,333	—
Total assets	¥1,061,792	¥1,065,350	¥ 3,558
Trade payables	¥ 378,411	¥ 378,411	¥ —
Short-term debt	326,564	326,564	—
Commercial paper	50,000	50,000	—
Bonds due in one year or less	30,000	30,000	—
Bonds with subscription rights to shares due in one year or less	70,048	70,048	—
Corporate bonds	155,000	161,195	6,195
Bonds with subscription rights to shares	70,000	68,359	(1,641)
Long-term debt*	602,977	610,993	8,016
Total liabilities	¥1,683,000	¥1,695,570	¥(12,570)
Derivatives transactions:			
Hedge accounting not applied	¥ 1,869	¥ 1,869	¥ —
Hedge accounting applied	(1,884)	(1,884)	—
Total derivatives transactions	¥ (15)	¥ (15)	¥ —

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

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

March 31, 2012	Thousands of U.S. dollars Carrying value	 Fair value	 Difference
Cash and deposits	$ 1,399,732	$ 1,399,732	$ —
Trade receivables	7,236,000	7,236,000	—
Marketable and investment securities:			
Held-to-maturity debt securities	228,244	209,354	(18,890)
Shares of affiliates	522,061	471,890	(50,171)
Other marketable securities	2,724,878	2,724,878	—
Total assets	$12,110,915	$12,041,854	$(69,061)
Trade payables	$ 5,015,720	$ 5,015,720	$ —
Short-term debt	4,040,610	4,040,610	—
Commercial paper	487,805	487,805	—
Bonds due in one year or less	304,878	304,878	—
Corporate bonds	1,951,220	2,028,988	77,768
Bonds with subscription rights to shares	853,659	841,012	(12,646)
Long-term debt	6,558,512	6,690,402	131,890
Total liabilities	$19,212,402	$19,409,415	$197,012
Derivatives transactions:			
Hedge accounting not applied	$ 1,683	$ 1,683	$ —
Hedge accounting applied	(1,073)	(1,073)	—
Total derivatives transactions	$ (610)	$ (610)	$ —

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

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

Assets

Cash and deposits

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

Trade receivables

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

Marketable and investment securities

The fair value of stocks is based on quoted market prices, while the fair value of debt securities is based on quoted market prices or the prices provided by the financial institutions with which MCHC conducts transactions. Book value is used for negotiable certificates of deposit and commercial paper, as it approximates market value because of the short settlements of these instruments. For information on securities classified by holding purpose, please refer to Note 12, Securities.

Liabilities

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

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

Corporate bonds and bonds with subscription rights to shares

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

Long-term debt

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

Long-term debt is subject to special procedures for interest rate swaps (see Note 14, Derivative Financial Instruments and Hedge Accounting) and the total principal and interest for these swaps are discounted using rationally estimated interest rates for similar new debt.

Derivative Transactions

Please refer to Note 14, Derivative Financial Instruments and Hedge Accounting.

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

	Millions of yen		Thousands of U.S. dollars
	March 31, 2012	March 31, 2011	**March 31, 2012**
Unlisted shares	**¥103,254**	¥108,922	**$1,259,195**
Unlisted bonds	**3,000**	3,000	**36,585**
Investment securities	**2,003**	1,940	**24,427**

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

3. Projected Redemptions of Monetary Claims and Marketable Securities Due after March 31, 2012

	Millions of yen			
March 31, 2012	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	¥114,778	¥ —	¥ —	¥ —
Trade receivables	593,352	—	—	—
Marketable and investment securities				
Held-to-maturity debt securities				
(1) Government bonds	10	—	1,897	—
(2) Others	2,777	3,500	500	10,000
Other securities with maturities				
(1) Government bonds	9,000	52,300	—	—
(2) Others	—	36,982	46,387	—
Total	¥719,917	¥92,782	¥48,784	¥10,000

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

March 31, 2012	Thousands of U.S. dollars Due in one year or less	 Due after one year through five years	 Due after five years through ten years	 Due after ten years
Cash and deposits	$1,399,732	$ —	$ —	$ —
Trade receivables	7,236,000	—	—	—
Marketable and investment securities				
Held-to-maturity debt securities				
(1) Government bonds	122	—	23,134	—
(2) Others	33,866	42,683	6,098	121,951
Other securities with maturities				
(1) Government bonds	109,756	637,805	—	—
(2) Others	—	451,000	565,695	—
Total	$8,779,476	$1,131,488	$594,927	$ 121,951

4. See Note 19 for Scheduled Repayments of Corporate Bonds, Long-Term Debt and Other Interest-Bearing Debt after the Close of the Term.

Note 12

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, 2012 and 2011, are summarized as follows:

March 31, 2012	Millions of yen Carrying value	 Gross unrealized gains	 Gross unrealized losses	 Estimated fair value
Held-to-maturity debt securities:				
Government bonds	**¥ 1,931**	**¥363**	**¥ —**	**¥ 2,294**
Corporate bonds	**—**	**—**	**—**	**—**
Other debt securities	**16,785**	**1**	**(1,913)**	**14,873**
	¥18,716	**¥364**	**¥(1,913)**	**¥17,167**

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

	Thousands of U.S. dollars			
March 31, 2012	Carrying value	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Held-to-maturity debt securities:				
Government bonds	**$ 23,549**	**$4,427**	**$ —**	**$ 27,976**
Corporate bonds	**—**	**—**	**—**	**—**
Other debt securities	**204,695**	**12**	**(23,329)**	**181,378**
	$228,244	**$4,439**	**$(23,329)**	**$209,354**

Other securities with quoted market prices are measured at fair value. Differences between fair value and acquisition costs are recorded as a component of net assets. The differences at March 31, 2012 and 2011, are summarized as follows:

	Millions of yen				
				(Breakdown)	
March 31, 2012	Acquisition costs	Fair value	Net differences	Gross gains	Gross losses
Other securities:					
Equity securities	**¥ 99,246**	**¥123,762**	**¥24,516**	**¥45,557**	**¥(21,041)**
Government bonds	**98,651**	**99,144**	**493**	**493**	**—**
Corporate bonds	**—**	**—**	**—**	**—**	**—**
Other debt securities	**550**	**534**	**(16)**	**—**	**(16)**
	¥198,447	**¥223,440**	**¥24,993**	**¥46,050**	**¥(21,057)**

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

	Thousands of U.S. dollars				
				(Breakdown)	
March 31, 2012	Acquisition costs	Fair value	Net differences	Gross gains	Gross losses
Other securities:					
Equity securities	**$1,210,317**	**$1,509,293**	**$298,976**	**$555,573**	**$(256,598)**
Government bonds	**1,203,061**	**1,209,073**	**6,012**	**6,012**	**—**
Corporate bonds	**—**	**—**	**—**	**—**	**—**
Other debt securities	**6,707**	**6,512**	**(195)**	**—**	**(195)**
	$2,420,085	**$2,724,878**	**$304,793**	**$561,585**	**$(256,793)**

Sales of other securities for the fiscal year ended March 31, 2012, are shown below:

	Millions of yen		
	Sales	Gains	Losses
Year ended March 31, 2012	**¥3,203**	**¥1,745**	**¥33**

	Thousands of U.S. dollars		
	Sales	Gains	Losses
Year ended March 31, 2012	**$39,061**	**$21,280**	**$402**

MCHC recognized ¥3,949 million as impairment loss on equity securities in other securities for the fiscal year ended March 31, 2012.

Investment securities of unconsolidated subsidiaries and affiliates at March 31, 2012, are shown below:

	Millions of yen	Thousands of U.S. dollars
At March 31, 2012	**¥120,999**	**$1,475,598**

Note 13

Supplementary Cash Flow Information

Cash and cash equivalents as of March 31, 2012 and 2011, are reconciled to the accounts reported in the consolidated balance sheets as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2012	March 31, 2011	**March 31, 2012**
Cash and deposits	**¥114,778**	¥130,195	**$1,399,732**
Time deposits with maturities of more than three months	**(2,919)**	(11,945)	**(35,598)**
Cash equivalents included in securities[1]	**21,196**	25,497	**258,488**
Cash and cash equivalents	**¥133,055**	¥143,747	**$1,622,622**

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

Note 14

Derivative Financial Instruments and Hedge Accounting

Derivative Transactions

1. Unhedged Derivative Transactions

(1) Currency-related transactions

	Millions of yen			
Year ended March 31, 2012	Notional value	Maturing after one year	Fair value	Appraised gains/losses
Off-market transactions				
Forward exchange agreements				
Put				
Euros	¥ 186	¥ —	¥ 5	¥ 5
Currency swaps				
Receive U.S dollars, pay Euro	5,442	4,898	225	225
Receive U.S. dollars, pay Thai baht	3,744	2,808	(91)	(91)

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

	Thousands of U.S. dollars			
Year ended March 31, 2012	Notional value	Maturing after one year	Fair value	Appraised gains/losses
Off-market transactions				
Forward exchange agreements				
Put				
Euros	$ 2,268	$ —	$ 61	$ 61
Currency swaps				
Receive U.S dollars, pay Euro	66,366	59,732	2,744	2,744
Receive U.S. dollars, pay Thai baht	45,659	34,244	(1,110)	(1,110)

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

2. Hedged Derivative Transactions

(1) Currency-related transactions

Year ended March 31, 2012	Main hedging targets	Millions of yen Notional amounts	 Maturing after one year	 Fair value
Hedge accounting method				
Principle-based accounting				
Forward exchange agreements				
Put				
U.S. dollars	Accounts receivable trade	**¥ 196**	**¥ —**	**¥ (5)**
British pounds	Accounts receivable trade	**35**	**—**	**(1)**
Call				
U.S. dollars	Accounts payable trade, etc.	**29,994**	**13,775**	**114**
British pounds	Accounts payable trade, etc.	**553**	**—**	**14**
Malaysian ringgit	Accounts payable trade, etc.	**3,562**	**1,070**	**51**
Currency swaps				
Receive yen, pay U.S. dollars	Long-term debt	**4,714**	**4,714**	**130**
Hedge accounting method				
Forward exchange deferral accounting				
Forward exchange contracts				
Put				
U.S. dollars	Accounts receivable trade	**34,238**	**—**	
Euros	Accounts receivable trade	**10,041**	**—**	
Call				
U.S. dollars	Accounts payable trade	**96**	**13**	

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

Year ended March 31, 2012	Main hedging targets	Thousands of U.S. dollars Notional amounts	Maturing after one year	Fair value
Hedge accounting method				
Principle-based accounting				
Forward exchange agreements				
Put				
U.S. dollars	Accounts receivable trade	**$2,390**	**$ —**	**$ (61)**
British pounds	Accounts receivable trade	**427**	**—**	**(12)**
Call				
U.S. dollars	Accounts payable trade, etc.	**365,780**	**167,988**	**1,390**
British pounds	Accounts payable trade, etc.	**6,744**	**—**	**171**
Malaysian ringgit	Accounts payable trade, etc.	**43,439**	**13,049**	**622**
Currency swaps				
Receive yen, pay U.S. dollars	Long-term debt	**57,488**	**57,488**	**1,585**
Hedge accounting method				
Forward exchange deferral accounting				
Forward exchange contracts				
Put				
U.S. dollars	Accounts receivable trade	**417,537**	**—**	
Euros	Accounts receivable trade	**122,451**	**—**	
Call				
U.S. dollars	Accounts payable trade	**1,171**	**159**	

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

2. MCHC accounts for forward exchange deferrals by together accounting for hedged long-term debt and trade receivables and payables, and thus presents fair values that include the fair values of those instruments.

(2) Interest-related transactions

Year ended March 31, 2012	Main hedging targets	Millions of yen Notional amounts	Maturing after one year	Fair value
Hedge accounting method				
Principle-based accounting				
Interest rate swaps				
Pay fixed rate, receive floating rate	Long-term debt	¥ 33,399	¥ 31,620	¥(395)
Special accounting procedures for interest rate swaps				
Interest rate swaps				
Pay fixed rate, receive floating rate	Long-term debt	205,018	162,344	

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

Year ended March 31, 2012	Main hedging targets	Thousands of U.S. dollars Notional amounts	Maturing after one year	Fair value
Hedge accounting method				
Principle-based accounting				
Interest rate swaps				
Pay fixed rate, receive floating rate	Long-term debt	$ 407,305	$ 385,610	$(4,817)
Special accounting procedures for interest rate swaps				
Interest rate swaps				
Pay fixed rate, receive floating rate	Long-term debt	2,500,220	1,979,805	

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

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

(3) Commodity-related Transactions

Year ended March 31, 2012	Main hedging targets	Millions of yen Notional amounts	Maturing after one year	Fair value
Hedge accounting method				
Principle-based accounting				
Forward transactions for aluminum ingots				
Put	Aluminum ingot trading	¥178	¥—	¥4

Year ended March 31, 2012	Main hedging targets	Thousands of U.S. dollars Notional amounts	Maturing after one year	Fair value
Hedge accounting method				
Principle-based accounting				
Forward transactions for aluminum ingots				
Put	Aluminum ingot trading	$2,171	$—	$49

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

Note 15

Pension and Severance Plans

At March 31, 2012 and 2011, a breakdown of the amounts recognized in the accompanying consolidated balance sheets was as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2012	March 31, 2011	**March 31, 2012**
Projected benefit obligation at end of year	**¥(561,006)**	¥(545,969)	**$(6,841,537)**
Fair value of plan assets at end of year	**417,212**	417,455	**5,087,951**
Funded status	**(143,794)**	(128,514)	**(1,753,585)**
Unrecognized transition amount under post-employment benefit accounting	**2,392**	3,188	**29,171**
Unrecognized actuarial loss	**64,366**	65,312	**784,951**
Unrecognized prior service cost	**10,592**	450	**129,171**
Net amount recognized	**(66,444)**	(59,564)	**(810,293)**
Prepaid pension expense	**58,073**	66,160	**708,207**
Accrued retirement benefits	**(124,517)**	(125,724)	**(1,518,500)**

The components of net pension and severance cost for the years ended March 31, 2012 and 2011, were as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2012	March 31, 2011	**March 31, 2012**
Service cost	**¥14,748**	¥13,803	**$179,854**
Interest cost	**13,474**	13,691	**164,317**
Expected return on plan assets	**(9,961)**	(10,541)	**(121,476)**
Amortization of transition amount under post-employment benefit accounting	**794**	815	**9,683**
Recognized actuarial loss (gain)	**19,554**	8,820	**238,463**
Amortization of prior service cost	**2,652**	685	**32,341**
Defined contribution plan cost	**4,886**	4,093	**59,585**
Net periodic pension cost	**¥46,147**	¥31,366	**$562,768**

Notes: 1. Actuarial loss (gain) is recognized using the straight-line method over a period of mainly five years from the fiscal year following the year in which the loss (gain) arises.
2. Prior service cost is amortized using the straight-line method over a period of mainly five years from the relevant fiscal year.
3. Transition amount under post-employment benefits accounting is amortized using the straight-line method over a period of mainly 15 years from the year ended March 31, 2001.
4. Additional benefits for employees' early retirement amounting to ¥1,043 million was recorded in addition to the amount of net periodic pension cost for the year ended March 31, 2011.
5. Main assumptions used for the years ended March 31, 2012 and 2011, were discount rates of 2.0% or 1.8% and 2.0%, respectively and an expected return on plan assets of 2.5% or 2.0% in both years.

Note 16

Stock-Based Compensation Plan

Information on stock-based compensation plans at March 31, 2012, is shown below:

	2011 plan	2011 plan
Grantees	2 directors of MCHC	1 executive officer of MCHC
		1 retiring director of MCHC
Type of stock	Common stock	Common stock
Date of grant	September 14, 2011	September 14, 2011
Number of shares granted	48,000	27,000
Exercise price (yen)	1	1
Exercisable period	from September 15, 2011 to September 14, 2031	from September 15, 2011 to September 14, 2031

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

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

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

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

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

Note 17

Income Taxes

At March 31, 2012 and 2011, significant components of deferred tax assets and liabilities were as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2012	March 31, 2011	**March 31, 2012**
Deferred tax assets:			
Tax loss carryforwards	**¥ 152,099**	¥137,653	**$ 1,854,866**
Employees' retirement benefits	**34,441**	32,781	**420,012**
Accrued bonuses to employees	**13,544**	14,712	**165,171**
Write-downs of investment securities	**9,671**	11,623	**117,939**
Impairment loss on fixed assets	**7,642**	7,814	**93,195**
Depreciation	**7,551**	9,523	**92,085**
Loss on liquidation of subsidiaries and affiliates	**6,492**	6,695	**79,171**
Unrealized profit on sale of fixed assets	**4,835**	5,733	**58,963**
Other	**54,620**	74,117	**666,098**
Gross deferred tax assets	**¥ 290,895**	¥300,651	**$ 3,547,500**
Valuation allowance	**(103,230)**	(92,704)	**(1,258,902)**
Total deferred tax assets	**¥ 187,665**	¥207,947	**$ 2,288,598**
Deferred tax liabilities:			
Valuation of assets	**¥ (36,713)**	¥ (42,768)	**(447,720)**
Accelerated tax depreciation	**(22,041)**	(22,521)	**(268,793)**
Valuation gain on investment securities	**(11,245)**	(12,133)	**(137,134)**
Tax deductible reserve	**(3,349)**	(4,067)	**(40,841)**
Other	**(2,480)**	(3,705)	**(30,244)**
Total deferred tax liabilities	**¥ (75,828)**	¥ (85,194)	**$ (924,732)**
Net deferred tax assets	**¥ 111,837**	¥122,753	**$ 1,363,866**

At March 31, 2012 and 2011, deferred tax assets and liabilities included in the consolidated balance sheets are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2012	March 31, 2011	**March 31, 2012**
Deferred income taxes—current	**¥ 31,710**	¥ 39,442	**$ 386,707**
Deferred income taxes—noncurrent	**98,901**	109,608	**1,206,110**
Other current liabilities	**(1)**	(283)	**(12)**
Other noncurrent liabilities	**(18,773)**	(26,014)	**(228,939)**

A reconciliation of the statutory tax rates to the effective tax rates for the years ended March 31, 2012 and 2011, was as follows:

	March 31, 2012	March 31, 2011
Statutory tax rate	**40.6%**	40.6%
Increase (decrease) in taxes resulting from:		
Decrease in deferred tax assets at year-end owing to tax system changes	**11.7**	—
Amortization of goodwill	**3.7**	2.7
Permanent differences	**3.0**	2.5
Valuation allowance	**2.5**	(5.5)
Difference of statutory tax rate in overseas subsidiaries	**(7.4)**	(6.9)
Tax credits for research and development costs	**(4.9)**	(3.3)
Equity in earnings of unconsolidated subsidiaries and affiliates	**(4.7)**	(3.6)
Decrease in valuation allowance for cumulative losses of consolidated subsidiaries	**(2.0)**	(0.5)
Other	**(0.8)**	1.7
Effective tax rate	**41.7%**	27.7%

Effect of Change in Corporate Tax Rate

The Law to Revise the Income Tax, etc., in Order to Construct a Tax System Addressing Changes in the Socio-Economic Structure (Law No. 114, 2011) and the Act on Special Measures to Secure Financial Resources for Restoration from the Great East Japan Earthquake were promulgated on December 2, 2011. The corporate tax rate changed from the fiscal year starting on April 1, 2012. In keeping with this change, the Company has calculated deferred tax assets and liabilities for the fiscal year under review using a statutory tax rate based on the tax rate after revision for the fiscal years in which temporary differences are expected to be eliminated. From the fiscal year that started on April 1, 2012, the loss carry-over system limited the proportion of the carryover of income before deductions to 80%. As a result of these factors, compared with under the previous method, deferred tax assets (net of deferred tax liabilities) at the end of the year under review decreased ¥14,476 million ($176,537 thousand), while deferred income taxes rose ¥14,904 million ($181,756 thousand).

Note 18

Per Share Information

	Yen	U.S. dollars
	March 31, 2012	**March 31, 2012**
Net assets	**¥522.77**	**$6.38**
Net income—Basic	**24.06**	**0.29**
—Diluted	**22.67**	**0.28**

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

	Millions of yen	Thousands of U.S. dollars
Net income per share	**March 31, 2012**	**March 31, 2012**
Net income	**¥ 35,486**	**$432,756**
Net income applicable to common shares	**35,486**	**432,756**
Average number of common shares during period (thousands of shares)	**1,474,287**	**—**
Adjustment of net income:	**(29)**	**(354)**
Interest income (after deducting tax)	**(29)**	**(354)**
Increase in number of common shares: (thousands of shares)	**89,601**	**—**
Bonds with subscription rights to shares	**88,470**	**—**
Warrants	**1,131**	**—**

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

	Millions of yen	Thousands of U.S. dollars
Net assets per share	**March 31, 2012**	**March 31, 2012**
Total net assets	**¥1,144,954**	**$13,962,854**
Amounts deducted from total net assets:	**374,225**	**4,563,720**
Warrants	**662**	**8,073**
Minority interests in consolidated subsidiaries	**373,563**	**4,555,646**
Net assets applicable to common shares	**770,729**	**9,399,134**
Number of common shares at the end of the fiscal year used in calculation of net assets per share (thousands of shares)	**1,474,298**	**—**

Note 19

Short-Term Debt and Long-Term Debt

At March 31, 2012 and 2011, short-term debt of MCHC and its consolidated subsidiaries consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2012	March 31, 2011	**March 31, 2012**
Short-term loans principally from banks and other financial institutions at average interest rate of: 0.684% at March 31, 2012, and 0.684% at March 31, 2011	**¥249,574**	¥ 254,717	**$3,043,585**
Commercial paper	**40,000**	50,000	**487,805**
	¥289,574	¥ 304,717	**$3,531,390**

At March 31, 2012 and 2011, long-term debt of MCHC and its consolidated subsidiaries consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2012	March 31, 2011	**March 31, 2012**
Debt issued by MCHC:			
Bonds with subscription rights to shares due 2011	**—**	70,048	**—**
Bonds with subscription rights to shares due 2013	**70,000**	70,000	**853,659**
0.499% notes due 2016	**20,000**	—	**243,902**
1.204% notes due 2021	**10,000**	—	**121,951**
Debt issued by MCC:			
1.46% notes due 2011	**¥ —**	¥ 10,000	**$ —**
1.51% notes due 2011	**—**	10,000	**—**
1.80% notes due 2013	**15,000**	15,000	**182,927**
1.16% notes due 2013	**10,000**	10,000	**121,951**
1.90% notes due 2014	**10,000**	10,000	**121,951**
2.02% notes due 2014	**10,000**	10,000	**121,951**
1.20% notes due 2014	**15,000**	15,000	**182,927**
2.01% notes due 2016	**20,000**	20,000	**243,902**
2.05% notes due 2016	**10,000**	10,000	**121,951**
2.03% notes due 2018	**20,000**	20,000	**243,902**
2.02% notes due 2019	**10,000**	10,000	**121,951**
Debt issued by consolidated subsidiaries other than MCC, due 2012–2019 at interest rates ranging from 1.07% to 1.94% at March 31, 2012, and 2011, respectively.	**35,000**	45,000	**426,829**
Loans, principally from banks and insurance companies due 2011 to 2025:			
Collateralized	**13,576**	13,077	**165,561**
Non-collateralized	**605,978**	661,747	**7,389,976**
	¥874,554	¥999,872	**$10,665,293**
Less current portion	**(106,756)**	(171,895)	**(1,301,902)**
	¥767,798	¥827,977	**$ 9,363,390**

Note: The average interest rates of loans were as follows:
March 31, 2012
Current portion 1.360%
Less current portion 1.529%

At March 31, 2012, assets pledged as collateral and debt secured by such assets were as follows:

	Millions of yen	Thousands of U.S. dollars
	March 31, 2012	**March 31, 2012**
Collateral assets	**¥137,756**	**$1,679,951**
Secured debt	**¥ 18,156**	**$ 221,415**

Secured assets as of March 31, 2012 and 2011, are shown below:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2012	March 31, 2011	**March 31, 2012**
Buildings	**¥ 27,784**	¥ 29,382	**$ 338,829**
Land	**20,751**	21,703	**253,061**
Machinery and equipment	**89,221**	96,559	**$1,088,061**
Total	**¥137,756**	¥147,644	**$1,679,951**

Secured liabilities as of March 31, 2012 and 2011, are shown below:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2012	March 31, 2011	**March 31, 2012**
Short-term debt	**¥ 6,187**	¥ 5,023	**$ 75,451**
Long-term debt	**11,850**	12,277	**144,512**
Trade payables	**119**	136	**1,451**
Total	**¥18,156**	¥ 17,436	**$221,415**

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

	Millions of yen	Thousands of U.S. dollars
	March 31, 2012	**March 31, 2012**
2014	**¥225,734**	**$2,752,854**
2015	**163,095**	**1,988,963**
2016	**101,595**	**1,238,963**
2017	**101,594**	**1,238,951**
2018 and thereafter	**175,780**	**2,143,659**
	¥767,798	**$9,363,390**

Note 20

Segment Information 1. Overview of Reporting Segments

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

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

The main products in each reporting segment are as follows.

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

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

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

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

	Net Sales*			Inter-segment Sales and Transfers		
	Millions of yen		Thousands of U.S. dollars	Millions of yen		Thousands of U.S. dollars
REPORTING SEGMENT	**March 31, 2012**	March 31, 2011	**March 31, 2012**	**March 31, 2012**	March 31, 2011	**March 31, 2012**
Electronics Applications	**¥ 133,774**	¥ 152,425	**$ 1,631,390**	**¥ 4,170**	¥ 3,965	**$ 50,854**
Designed Materials	**661,276**	657,567	**8,064,341**	**25,715**	24,598	**313,598**
Health Care	**502,480**	504,922	**6,127,805**	**2,099**	1,969	**25,598**
Chemicals	**1,007,495**	895,403	**12,286,524**	**141,995**	157,567	**1,731,646**
Polymers	**697,257**	731,193	**8,503,134**	**77,287**	81,912	**942,524**
Others	**205,886**	225,261	**2,510,805**	**144,444**	144,333	**1,761,512**
Subtotal	**3,208,168**	3,166,771	**39,124,000**	**395,710**	414,344	**4,825,732**
Adjustments	**—**	—	**—**	**(395,710)**	(414,344)	**(4,825,732)**
Total	**¥3,208,168**	¥3,166,771	**$39,124,000**	**¥ —**	¥ —	**$ —**

* Inter-segment sales and transfers are not included.

	Segment Earnings			Segment Assets		
	Millions of yen		Thousands of U.S. dollars	Millions of yen		Thousands of U.S. dollars
REPORTING SEGMENT	**March 31, 2012**	March 31, 2011	**March 31, 2012**	**March 31, 2012**	March 31, 2011	**March 31, 2012**
Electronics Applications	**¥ (5,335)**	¥ 962	**$ (65,061)**	**¥ 123,432**	¥ 129,348	**$ 1,505,268**
Designed Materials	**24,014**	36,471	**292,854**	**720,936**	712,546	**8,791,902**
Health Care	**76,360**	85,096	**931,220**	**852,274**	852,704	**10,393,585**
Chemicals	**14,853**	52,970	**181,134**	**656,021**	655,875	**8,000,256**
Polymers	**25,409**	55,017	**309,866**	**714,638**	744,552	**8,715,098**
Others	**6,120**	4,530	**74,634**	**295,760**	296,018	**3,606,829**
Subtotal	**141,421**	235,046	**1,724,646**	**3,363,061**	3,391,043	**41,012,939**
Adjustments	**(10,842)**	(8,553)	**(132,220)**	**(189,091)**	(97,029)	**(2,305,988)**
Total	**¥130,579**	¥ 226,493	**$1,592,427**	**¥3,173,970**	¥3,294,014	**$38,706,951**

	Depreciation and Amortization			Amortization of Goodwill		
	Millions of yen		Thousands of U.S. dollars	Millions of yen		Thousands of U.S. dollars
REPORTING SEGMENT	**March 31, 2012**	March 31, 2011	**March 31, 2012**	**March 31, 2012**	March 31, 2011	**March 31, 2012**
Electronics Applications	**¥ 7,919**	¥ 9,057	**$ 96,573**	**¥ 243**	¥ 263	**$ 2,963**
Designed Materials	**46,760**	48,309	**570,244**	**3,524**	3,408	**42,976**
Health Care	**17,978**	18,882	**219,244**	**5,845**	5,662	**71,280**
Chemicals	**32,947**	31,064	**401,793**	**(4)**	(4)	**(49)**
Polymers	**33,538**	34,490	**409,000**	**2,438**	2,581	**29,732**
Others	**3,796**	3,916	**46,293**	**238**	231	**2,902**
Subtotal	**142,938**	145,718	**1,743,146**	**12,284**	12,141	**149,805**
Adjustments	**2,757**	2,979	**33,622**	**—**	—	**—**
Total	**¥145,695**	¥148,697	**$ 1,776,768**	**¥12,284**	¥12,141	**$ 149,805**

	Investment in Equity Method Affiliates			Increase in Tangible and Intangible Fixed Assets*		
	Millions of yen		Thousands of U.S. dollars	Millions of yen		Thousands of U.S. dollars
REPORTING SEGMENT	**March 31, 2012**	March 31, 2011	**March 31, 2012**	**March 31, 2012**	March 31, 2011	**March 31, 2012**
Electronics Applications	**¥ —**	¥ —	**$ —**	**¥ 6,177**	¥ 6,580	**$ 75,329**
Designed Materials	**16,309**	18,054	**198,890**	**46,445**	34,468	**566,402**
Health Care	**1,374**	1,425	**16,756**	**11,811**	18,488	**144,037**
Chemicals	**28,899**	26,521	**352,427**	**24,523**	29,323	**299,061**
Polymers	**29,293**	26,327	**357,232**	**19,079**	21,873	**232,671**
Others	**42,721**	40,339	**520,988**	**4,589**	3,207	**55,963**
Subtotal	**118,596**	112,666	**1,446,293**	**112,624**	113,939	**1,373,463**
Adjustments	**—**	—	**—**	**3,521**	3,867	**42,939**
Total	**¥118,596**	¥112,666	**$1,446,293**	**¥116,145**	¥117,806	**$1,416,402**

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

Notes:
1. The Others category is a business segment excluded from reporting segments and mainly encompasses engineering, transportation, and warehousing operations.
2. Adjustments are as follows:
   (1) The ¥10,842 million ($132,220 thousand) adjustment for segment earnings or losses includes ¥10,732 million ($130,878 thousand) in corporate costs not allocated to each reporting segment and ¥110 million ($1,341 thousand) in inter-segment eliminations. Corporate costs include expenditures on basic testing, research, and other activities not allocated to reporting segments.
   (2) The segment asset adjustment of ¥189,091 million ($2,305,988 thousand) includes corporate assets of ¥183,556 million ($2,238,488 thousand) not allocated to reporting segments and inter-segment eliminations of ¥372,647 million ($4,544,476 thousand).
   (3) Adjustments to depreciation and amortization of ¥2,757 million ($33,622 thousand) are corporate costs that are not allocated to reporting segments.
   (4) Adjustments to increase in tangible and intangible fixed assets of ¥3,521 million ($42,939 thousand) are corporate assets that are not allocated to reporting segments.
3. Total segment earnings and adjustments match operating income in the consolidated financial statements.

4. Related Information

Geographic Information

(1) Sales

	Millions of yen			
	Japan	PRC	Other	Total
Year ended March 31, 2012	**¥2,023,747**	**¥356,303**	**¥828,118**	**¥3,208,168**

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

	Thousands of U.S. dollars			
	Japan	PRC	Other	Total
Year ended March 31, 2012	**$24,679,841**	**$4,345,159**	**$10,099,000**	**$39,124,000**

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

(2) Tangible Fixed Assets

	Millions of yen		
	Japan	Other	Total
Year ended March 31, 2012	**¥773,300**	**¥259,438**	**¥1,032,738**

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

	Thousands of U.S. dollars		
	Japan	Other	Total
Year ended March 31, 2012	**$9,430,488**	**$3,163,878**	**$12,594,366**

5. Information on Impairment Loss by Reporting Segment

Year ended March 31, 2012	Impairment Loss		
REPORTING SEGMENT	Millions of yen		Thousands of U.S. dollars
	March 31, 2012	March 31, 2011	**March 31, 2012**
Electronics Applications	**¥ 429**	¥ 945	**$ 5,232**
Designed Materials	**3,312**	1,669	**40,390**
Health Care	**3,344**	660	**40,780**
Chemicals	**2,318**	109	**28,268**
Polymers	**454**	287	**5,537**
Others	**364**	11	**4,439**
Corporate and Eliminations	**—**	—	**—**
Total	**¥10,221**	¥ 3,681	**$124,646**

1. Others were mainly engineering operations.

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

Year ended March 31, 2012	Balance at year-end		
REPORTING SEGMENT	Millions of yen		Thousands of U.S. dollars
	March 31, 2012	March 31, 2011	**March 31, 2012**
Electronics Applications	**¥ 459**	¥ 729	**$ 5,598**
Designed Materials	**37,213**	40,984	**453,817**
Health Care	**59,826**	65,603	**729,585**
Chemicals	**41**	37	**500**
Polymers	**44,283**	47,282	**540,037**
Others[1]	**(22)**	209	**(268)**
Corporate and Eliminations	**—**	—	**—**
Total	**¥141,800**	¥154,844	**$1,729,268**

1. Others were mainly data processing service operations.

Independent Auditor's Report

The Board of Directors
Mitsubishi Chemical Holdings Corporation

We have audited the accompanying consolidated financial statements of Mitsubishi Chemical Holdings Corporation and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2012, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Mitsubishi Chemical Holdings Corporation and consolidated subsidiaries at March 31, 2012, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 2.

Ernst & Young ShinNihon LLC

June 26, 2012

Tokyo, Japan

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Corporate Data

As of March 31, 2012

Mitsubishi Chemical Holdings Group

● Consolidated subsidiaries
● Affiliates accounted for by the equity method

Major Subsidiaries—Direct Investees

	Major Products or Lines of Business	Capital	Equity Participation (%)
● Mitsubishi Chemical Corporation	Manufacture and marketing of chemicals products	¥50.0 billion	100.0%
● Mitsubishi Tanabe Pharma Corporation	Manufacture and marketing of pharmaceuticals	¥50.0 billion	56.3%
● Mitsubishi Plastics, Inc.	Manufacture and marketing of polymer processing products	¥21.5 billion	100.0%
● Mitsubishi Rayon Co., Ltd.	Manufacture and marketing of chemicals products	¥53.2 billion	100.0%
● The KAITEKI Institute, Inc.	Research and investigation into future societal trends	¥10.0 million	100.0%

Major Subsidiaries and Affiliates—Indirect Investees

Performance Products Domain

Electronics Applications Segment

	Major Products or Lines of Business	Capital	Equity Participation (%)
● Verbatim Americas, LLC	Marketing of recording media and computer peripheral equipment	U.S.$100	100.0%
● Verbatim Limited (U.K.)	Marketing of recording media and computer peripheral equipment	€3 million	100.0%

Designed Materials Segment

	Major Products or Lines of Business	Capital	Equity Participation (%)
● The Nippon Synthetic Chemical Industry Co., Ltd.	Manufacture and marketing of polymer processing products	¥17.9 billion	46.6%
● Nippon Kasei Chemical Co., Ltd.	Manufacture and marketing of inorganic chemicals products	¥6.5 billion	52.8%
● Quadrant AG (Switzerland)	Processing and marketing of engineering plastic products	CHF27.5 million	100.0%
● Mitsubishi Polyester Film, Inc. (U.S.A.)	Manufacture and marketing of polyester film	U.S.$100	100.0%
● Mitsubishi Polyester Film GmbH (Germany)	Manufacture and marketing of polyester film	€160,000	100.0%
● Kodama Chemical Industry Co., Ltd.	Manufacturing and marketing of plastic products	¥3.0 billion	21.0%

Health Care Domain

Health Care Segment

	Major Products or Lines of Business	Capital	Equity Participation (%)
● API Corporation	Manufacture and marketing of active pharmaceuticals ingredients and intermediates	¥4.0 billion	100.0%
● Mitsubishi Chemical Medience Corporation	Clinical testing and medical support services; marketing of in vitro diagnostic agents	¥3.0 billion	99.4%

Industrial Materials Domain

Chemicals Segment

	Major Products or Lines of Business	Capital	Equity Participation (%)
● Kansai Coke and Chemicals Co., Ltd.	Manufacture and marketing of coke	¥6.0 billion	51.0%
● Dia-Nitrix Company Ltd.	Manufacture and marketing of acrylonitrile and acrylamide	¥2.0 billion	100.0%
● MCC PTA India Corp. Private Limited	Manufacture and marketing of terephthalic acid	Rs7,392 million	65.9%
● Ningbo Mitsubishi Chemical Co., Ltd.	Manufacture and marketing of terephthalic acid	RMB1,005 million	90.0%
● P.T. Mitsubishi Chemical Indonesia	Manufacture and marketing of terephthalic acid	U.S.$146 million	100.0%
● MCC PTA Asia Pacific Private Company Ltd.	Marketing of terephthalic acid	U.S.$20 million	100.0%
● Kawasaki Kasei Chemicals Ltd.	Manufacture and marketing of chemicals derivatives	¥6.2 billion	39.2%
● Kashima-Kita Electric Power Corporation	Generation and supply of electric power	¥6.0 billion	41.2%

Polymers Segment

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

Others

Others

	Major Products or Lines of Business	Capital	Equity Participation (%)
● Mitsubishi Chemical Logistics Corporation	Logistics and warehousing services	¥1.5 billion	100.0%
● Mitsubishi Chemical Engineering Corporation	Engineering and construction services	¥1.4 billion	100.0%
● Taiyo Nippon Sanso Corporation	Manufacture and marketing of industrial gas	¥27.0 billion	15.4%
● Nitto Kako Co., Ltd.	Manufacture and marketing of rubber and plastics products	¥1.9 billion	37.2%

Directory

Mitsubishi Chemical Holdings Corporation

Domestic	Address	TEL
Head Office	1-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8251, Japan	[+81] 3-6748-7200
Overseas		
Mitsubishi Chemical Holdings America, Inc.	655 Third Avenue, 15th Floor, New York, NY 10017, USA	[+1] 212-672-9400
Mitsubishi Chemical Holdings (Beijing) Co., Ltd.	Room 710, Beijing Fortune Building, Dong San Huan Bei Lu 5, Chao Yang District, Beijing 100004, PRC	[+86] 10-6590-8621

Mitsubishi Chemical Corporation

Domestic	Address	TEL
Head Office	1-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8251, Japan	[+81] 3-6748-7300
Overseas		
Mitsubishi Chemical Europe GmbH	Willstaetterstr. 30, Duesseldorf 40549, Germany	[+49] 211-520541-0
Mitsubishi Chemical Hong Kong Ltd.	Unit 2513, 25th Floor, Miramar Tower, 132 Nathan Road, Tsimshatsui, Kowloon, Hong Kong	[+852] 2522-7031
Mitsubishi Chemical Singapore Pte Ltd	60 Anson Road, #10-01, Mapletree Anson, Singapore 079914	[+65] 6226-3707
Mitsubishi Chemical (Thailand) Co., Ltd.	18th Floor, Regent House Building, 183 Rajdamri Road, Bangkok 10330, Thailand	[+66] 2255-2821
Mitsubishi Chemical India Private Ltd.	Office No. 8 & 9, Ground Floor, Tower 'B', Unitech Cyber Park, Sector 39, Gurgaon 122001, Haryana, India	[+91] 124-469-9800
Mitsubishi Chemical China Commerce Limited	Room 902, The Center, No. 989 Chang Le Road, Shanghai 200031, PRC	[+86] 21-5407-6161

Mitsubishi Tanabe Pharma Corporation

Domestic	Address	TEL
Head Office	6-18, Kitahama 2-chome, Chuo-ku, Osaka 541-8505, Japan	[+81] 6-6205-5085
Tokyo Head Office	17-10, Nihonbashi-Koamicho, Chuo-ku, Tokyo 103-8405, Japan	[+81] 3-6748-7700
Overseas		
Shanghai Office	Room 1505B, Westgate Mall 1038 West, Nanjing Road, Shanghai 200041, PRC	[+86] 21-5228-9316

Mitsubishi Plastics, Inc.

Domestic	Address	TEL
Head Office	1-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8252, Japan	[+81] 3-6748-7400
Overseas		
Taiwan Representative Office	8F-A, No. 57, Tien Shiang Road, Taipei, Taiwan	[+886] 2-2586-7371

Mitsubishi Rayon Co., Ltd.

Domestic	Address	TEL
Head Office	1-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8253, Japan	[+81] 3-6748-7500
Overseas		
Mitsubishi Rayon America Inc.	655 Third Avenue, 15th Floor, New York, NY 10017, USA	[+1] 212-223-3043
MRC Hong Kong Co. Ltd.	Suites 1610–11, 16/F, North Tower, World Finance Centre, Harbour City, Kowloon, Hong Kong	[+85] 2-2368-0121
Mitsubishi Rayon (Shanghai) Co., Ltd.	Room 1601 Aetna Tower, #107 Zunyi Road, Shanghai 200051, PRC	[+86] 21-6237-5868

Corporate Information

As of March 31, 2012

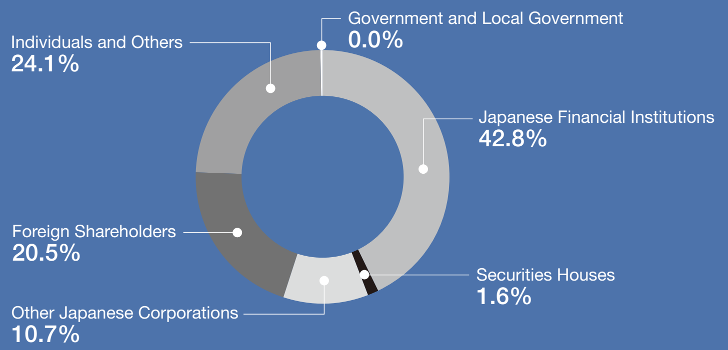
Mitsubishi Chemical Holdings Corporation

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:	197,946
General Meeting of Shareholders:	The general meeting of shareholders was held on June 26, 2012.
Stock Listings:	Tokyo Stock Exchange Osaka Securities Exchange
Transfer Agent:	Mitsubishi UFJ Trust and Banking Corporation 4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8212

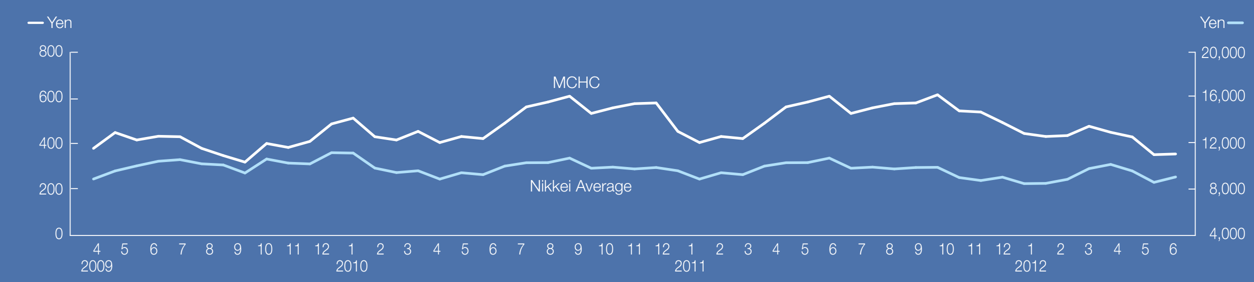
Major Shareholders

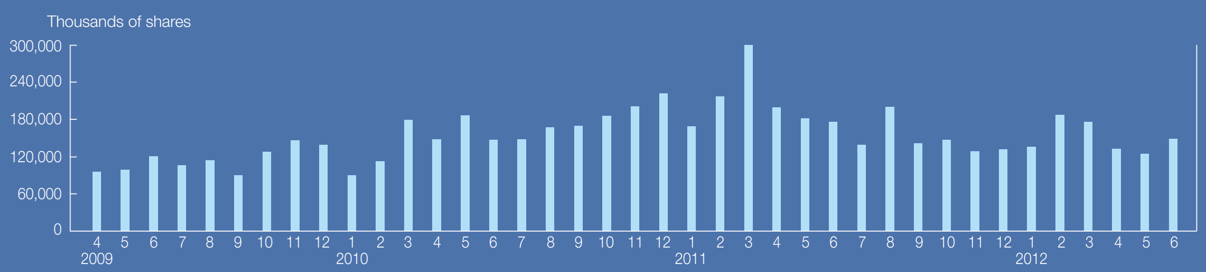
Name	Number of Shares (Thousands)	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	73,192	4.9
Japan Trustee Services Bank, Ltd. (Trust account)	65,634	4.4
Meiji Yasuda Life Insurance Company	64,388	4.3
Takeda Pharmaceutical Company Limited	51,730	3.5
Nippon Life Insurance Company	49,429	3.3
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	41,105	2.7
Tokio Marine & Nichido Fire Insurance Co., Ltd.	34,184	2.3
SSBT OD05 Omnibus Account (Treaty clients)	29,943	2.0
Japan Trustee Services Bank, Ltd. (Trust account 9)	23,913	1.6
National Mutual Insurance Federation of Agricultural Cooperatives	21,633	1.4

Stock Held by Investor Type



Stock Price Movement and Trading Volume





Mitsubishi Chemical Holdings Corporation

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