

THE KAITEKI COMPANY



KAITEKI REPORT 2013



Profile

Mitsubishi Chemical Holdings Corporation (MCHC) aims to realize *KAITEKI* in three business domains—Performance Products, Health Care, and Industrial Materials.

The MCHC Group comprises four core operating companies: Mitsubishi Chemical Corporation (MCC), Mitsubishi Tanabe Pharma Corporation (MTPC), Mitsubishi Plastics, Inc. (MPI), and Mitsubishi Rayon Co., Ltd. (MRC). MCHC's five business segments within its three domains are Electronics Applications, Designed Materials, Health Care, Chemicals, and Polymers. Through these segments, the Group is providing society with diverse solutions based on the following decision criteria for corporate activities: sustainability (green), health, and comfort.

Group Philosophy

Good Chemistry for Tomorrow
Creating better relationships among people, society, and our planet.

Organization



History

October 2005

MCHC was jointly established as a holding company by Mitsubishi Chemical and Mitsubishi Pharma by means of a stock-for-stock exchange.

October 2007

Mitsubishi Plastics became a wholly-owned subsidiary of MCHC.

Mitsubishi Pharma and Tanabe Seiyaku Co., Ltd., merged and became Mitsubishi Tanabe Pharma.

April 2008

Functional products businesses of Mitsubishi Chemical, Mitsubishi Plastics, Mitsubishi Polyester Film Corporation, Mitsubishi Chemical Functional Products, Inc., and Mitsubishi Chemical MKV Company were amalgamated to become a consolidated new company, Mitsubishi Plastics.

April 2009

The KAITEKI Institute, Inc., was established.

March 2010

Mitsubishi Rayon became a consolidated subsidiary of MCHC.

November 2010

Mitsubishi Chemical Holdings America, Inc., was established.

January 2011

Mitsubishi Chemical Holdings (Beijing) Co., Ltd., was established.

November 2012

Mitsubishi Chemical Holdings Europe GmbH was established.

March 2013

Qualicaps Co., Ltd., became a consolidated subsidiary of MCHC.

Disclaimer

This report contains forward-looking statements based on the Company's current assumptions and beliefs in light of the information currently available to it, and are subject to risks and uncertainties that may be beyond the Company's control. Actual results could differ largely due to numerous factors, including but not limited to the following: Group companies engage in businesses across an extremely wide range of different fields, such as information and electronics, functional chemical products, polymers and processed products, pharmaceuticals, carbon and inorganic products, and petrochemicals, and these businesses are subject to influences such as domestic and global demand, exchange rates, price and procurement volume of crude oil and naphtha, market trends, the speed of technological innovation, National Health Insurance (NHI) price revisions in Japan, product liabilities, lawsuits, and laws and regulations.

Product names, brand names, and service names used in this report are denoted in italics and are trademarks or registered trademarks of the MCHC Group in Japan and/or overseas. Other product names, brand names, and service names may also be protected.

Editorial Policy

MCHC is taking steps to realize *KAITEKI* that signifies a sustainable condition which is comfortable not only for people, but also for society and the Earth.

From 2013, we have decided to combine information about progress and performance in management targeting the achievement of *KAITEKI* and publish the *KAITEKI* Report.

In this publication, we have provided an annual summary of *KAITEKI* Management including results in finance, innovation, and sustainability, and have endeavored to introduce the *KAITEKI* concept in an easy-to-understand manner.

For financial statements and detailed financial information, please see the Financial Section within this report.

Also, detailed information regarding ESG (environmental, social, and corporate governance) has been provided on the MCHC website in the MOS (Management of Sustainability) In-Depth Section.

Period covered by the report:
Fiscal 2012 (April 2012–March 2013)
Some fiscal 2013 information is also included.

For inquiries about this report:
Contact form on MCHC's website
https://www.mitsubishichem-hd.co.jp/english/contact/contact_form.html

KAITEKI REPORT 2013

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Please refer to the following URL for the MOS In-Depth Section
<http://www.mitsubishichem-hd.co.jp/english/csr/index.html>



Main Section



MOS In-Depth Section

3

Three Axes in KAITEKI Management

Humanity faces a lot of environmental and social issues in the 21st century. We promote KAITEKI Management through which we aim to contribute to solving these issues.

KAITEKI Management Initiatives

What is KAITEKI?

KAITEKI signifies a sustainable condition which is comfortable not only for people, but also for society and the Earth. MCHC is proposing the concept of KAITEKI to stakeholders all over the world.

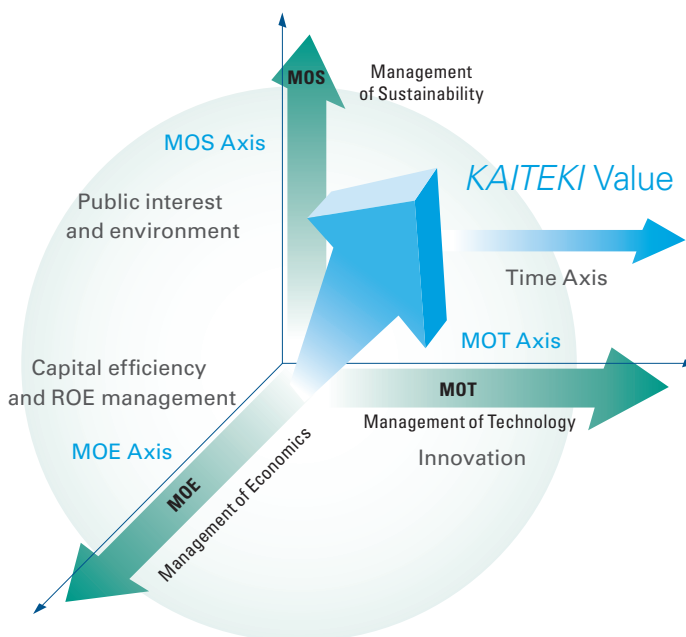
Implementation of KAITEKI Management

These days, companies are requested to take action to resolve global problems such as climate change, resource and energy depletion, shortages of food and water resources, and destruction of ecosystems. In this setting, we need to think about a new management approach that isn't focused on only economic benefit.

MCHC has adopted an approach called "KAITEKI Management" to realize KAITEKI. It is a management approach to enhancing corporate value based on three types of management.

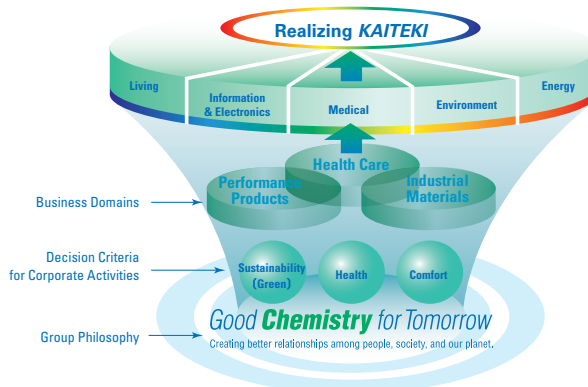
Two of them, Management of Economics (MOE) and Management of Technology (MOT), have been traditionally emphasized. MOE promotes to optimize capital efficiency within our company, and MOT strives to create innovations for society. And the third management approach, Management of Sustainability (MOS), has a new perspective and aims to improve the sustainability of people, society and the Earth.

KAITEKI Management is unique, and we call the value created from the three kinds of management "KAITEKI Value." We believe that enhancing KAITEKI Value will lead to the realization of KAITEKI. We promote this management approach aiming to generate revenue and develop ourselves sustainably while contributing to solving environmental and social issues as a company.



Toward the Realization of KAITEKI

We have set three decision criteria for corporate activities, "Sustainability (Green)" "Health," and "Comfort," based on our Group philosophy "Good Chemistry for Tomorrow." As an integrated chemical company whose business domains include Performance Products, Health Care and Industrial Materials, we will contribute to solving issues in various fields including living, information & electronics, medical care, environment, and energy to realize KAITEKI. And we will take initiatives in promoting the realization of KAITEKI.



Basic Approach to Social Responsibility

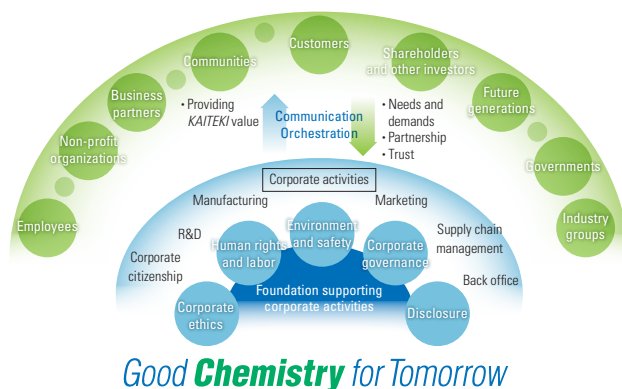
We believe that our corporate social responsibility is to pursue the realization of KAITEKI by meeting the demands of people, society, and the Earth through our corporate activities.

To fulfill our social responsibility as the MCHC Group, following the principles of the MCHC Group Charter of Corporate Behavior, which is a basis of our corporate activity for improving sustainability, we are promoting and strengthening initiatives related to awareness and responsibility, accountability and transparency, legal compliance, valuing stakeholders, respecting human rights, employment and labor, and fair business practices.

In May 2006, we declared our commitment to the United Nations Global Compact, which consists of 10 principles regarding human rights, labour standards, the environment, and anti-corruption, and we're conducting our corporate activities based on these principles. In addition, the basic philosophy of ISO 26000, which was launched in November 2010, is also reflected in our corporate activities as a whole. As well as this, MCHC is building up harmonious relationships with all our stakeholders through dialogues.



April 2013



Basic Approach to Harmonious Relationships with Stakeholders

| | |
|--------------------------|---|
| Customers | We shall develop relationships of trust by communicating with our customers |
| Business Partners | and business partners, and contribute to realizing KAITEKI together. |
| Shareholders | We shall preserve transparency in our corporate activities, disclose information |
| Investors | appropriately to shareholders and investors, and increase their understanding of our corporate activities. |
| Local Communities | We shall show respect for cultures and customs in the regions where we conduct corporate activities, contribute to local communities through our corporate activities, and aim to gain their trust. |
| Employees | We shall respect the dignity and rights of all people, and strive to create decent work and working environments. |

Financial / Non-financial Highlights

Years ended March 31

| Financial data | Millions of yen | | | | | | Thousands of U.S. dollars |
|---|-------------------|------------|------------|------------|------------|------------|---------------------------|
| | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2013 |
| For the Year: | | | | | | | |
| Net sales | ¥3,088,577 | ¥3,208,168 | ¥3,166,771 | ¥2,515,079 | ¥2,909,030 | ¥2,929,810 | \$32,857,202 |
| Operating income | 90,241 | 130,579 | 226,493 | 66,342 | 8,178 | 125,046 | 960,011 |
| Income (loss) before income taxes and minority interests in consolidated subsidiaries | 82,900 | 127,474 | 169,552 | 43,311 | (44,002) | 217,791 | 881,915 |
| Net income (loss) | 18,596 | 35,486 | 83,581 | 12,833 | (67,178) | 164,064 | 197,830 |
| Total comprehensive income | 94,900 | 64,199 | 86,742 | 37,513 | — | — | 1,009,574 |
| Capital expenditures | 132,221 | 116,145 | 117,806 | 119,025 | 139,011 | 170,051 | 1,406,606 |
| Depreciation and amortization | 129,549 | 145,695 | 148,697 | 129,574 | 119,230 | 102,172 | 1,378,181 |
| R&D expenditures | 134,723 | 138,545 | 130,825 | 136,863 | 127,802 | 112,064 | 1,433,223 |
| Net cash provided by operating activities | 206,504 | 217,954 | 288,853 | 116,073 | 76,149 | 156,173 | 2,196,851 |
| Net cash used in investing activities | (169,758) | (63,404) | (101,064) | (327,006) | (189,233) | (177,985) | (1,805,936) |
| Net cash provided by (used in) financing activities | (26,250) | (164,146) | (149,493) | 94,437 | 179,526 | 70,871 | (279,255) |

| | | | | | | | |
|-------------------------------|-------------------|------------|------------|------------|------------|------------|---------------------|
| At Year-End: | | | | | | | |
| Total assets | ¥3,307,758 | ¥3,173,970 | ¥3,294,014 | ¥3,355,097 | ¥2,740,876 | ¥2,765,837 | \$35,188,915 |
| Property, plant and equipment | 1,061,551 | 1,032,738 | 1,088,369 | 1,167,073 | 834,046 | 852,806 | 11,293,096 |
| Short-term and long-term debt | 1,198,799 | 1,164,128 | 1,304,589 | 1,454,126 | 1,033,239 | 822,520 | 12,753,181 |
| Total net assets | 1,203,316 | 1,144,954 | 1,114,003 | 1,032,865 | 940,114 | 1,095,927 | 12,801,234 |

| Per Share: | Yen | | | | | | U.S. dollars |
|----------------|-------------------------|---------------|--------|--------|--------|----------|--------------|
| | Net income (loss)—Basic | ¥12.61 | ¥24.06 | ¥58.72 | ¥9.32 | ¥(48.81) | ¥119.51 |
| Net assets | 553.54 | 522.77 | 514.30 | 490.99 | 486.09 | 601.45 | 5.89 |
| Cash dividends | 12.00 | 10.00 | 10.00 | 8.00 | 12.00 | 16.00 | 0.13 |

| | | | | | | | |
|--------------------------------|-------------|------|------|------|-------|------|---|
| Ratios: | | | | | | | |
| Return on assets (ROA) (%) | 2.6 | 3.9 | 5.1 | 1.4 | (1.5) | 8.5 | — |
| Return on equity (ROE) (%) | 2.3 | 4.6 | 11.6 | 1.9 | (8.9) | 21.3 | — |
| Shareholders' equity ratio (%) | 24.6 | 24.2 | 23.0 | 20.0 | 24.4 | 29.9 | — |

Non-financial data

| | | | | | | | |
|---|----------------|---------|---------|---------|---------|---------|---|
| Environmental Data (Domestic Group Companies Only): | | | | | | | |
| Greenhouse gas emissions (thousand tons of CO ₂ e) | 8,991 | 8,516 | 9,543 | 9,072 | 9,126 | 9,998 | — |
| Energy consumption (TJ) | 127,842 | 129,297 | 143,569 | 142,847 | 145,203 | 155,207 | — |

| | | | | | | | |
|---|---------------|--------|--------|--------|--------|--------|---|
| Social Data: | | | | | | | |
| Number of employees (employees) | 55,131 | 53,979 | 53,882 | 53,907 | 41,480 | 39,305 | — |
| Percentage of female employees (%) (four core operating companies only) | 14 | 14 | 14 | 14 | 14 | 15 | — |
| Lost time injuries frequency rate (per one million hours) (domestic Group companies only) | 0.25 | 0.27 | 0.28 | 0.33 | 0.34 | 0.45 | — |

Notes: 1. In this report, fiscal year refers to the period beginning April 1 and ending March 31. Fiscal 2012 refers to the year ended March 31, 2013.

2. U.S. dollar amounts are converted from yen at the rate of ¥94 = U.S.\$1.00.

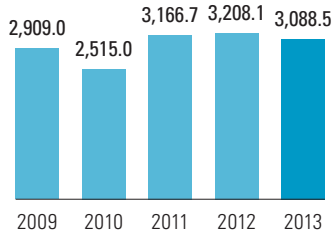
3. ROA is calculated as pre-tax income (income before income taxes and minority interests in consolidated subsidiaries) divided by average total assets.

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

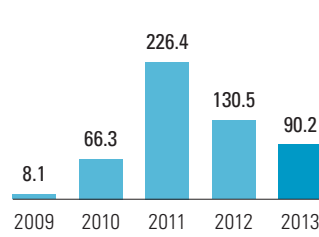
5. Shareholders' equity, when used in the calculation of ROE and shareholders' equity ratio, represents the sum of total shareholders' equity and total accumulated other comprehensive income.

6. When non-recurring depreciation on non-current assets is recorded, the amount is included in depreciation and amortization.

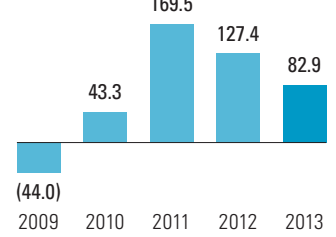
Net Sales
(Billions of yen)



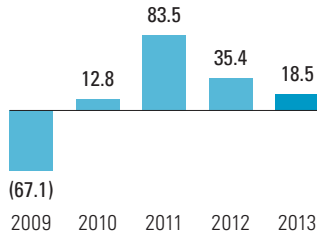
Operating Income
(Billions of yen)



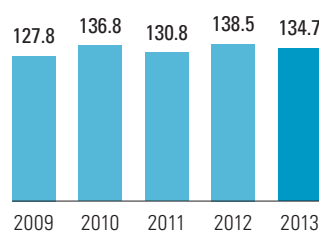
Income (Loss) before Income Taxes
(Billions of yen)



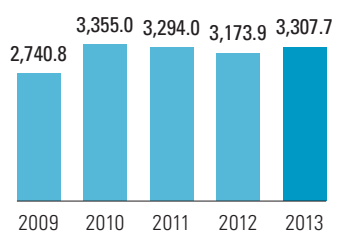
Net Income (Loss)
(Billions of yen)



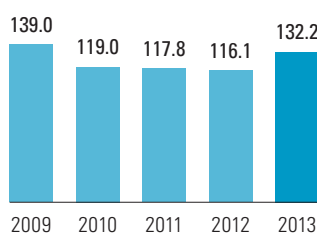
R&D Expenditures
(Billions of yen)



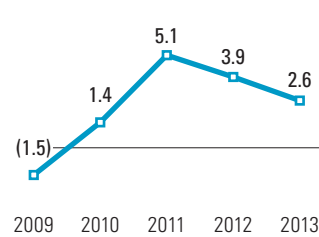
Total Assets
(Billions of yen)



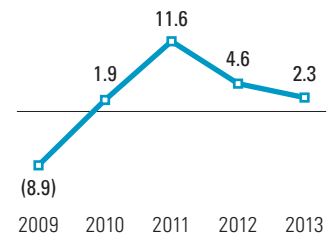
Capital Expenditures
(Billions of yen)



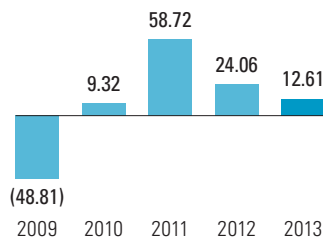
Return on Assets (ROA)
(%)



Return on Equity (ROE)
(%)



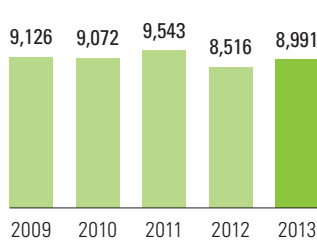
Net Income (Loss) per Share
(Yen)



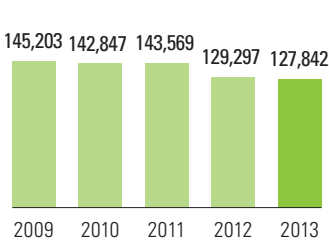
Cash Dividends per Share
(Yen)



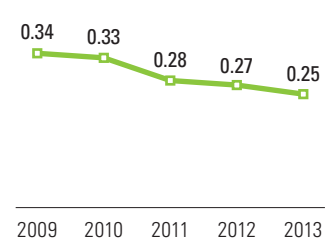
Greenhouse Gas Emissions
(thousand tons of CO₂e)



Energy Consumption
(TJ)



Lost Time Injuries Frequency Rate
(per one million hours)



Message from the President

To Our Stakeholders

We are putting every effort toward maximizing *KAITEKI* Value, which MCHC positions as its corporate value. In our role as the *KAITEKI* Company, we are taking the initiative in realizing *KAITEKI* throughout the world.



President & Chief Executive Officer
Mitsubishi Chemical Holdings Corporation
Yoshimitsu Kobayashi

Fiscal 2012 Results

During fiscal 2012, the Japanese economy showed signs of recovery, against the backdrop of rising demand associated with reconstruction after the Great East Japan Earthquake as well as the positive effects of monetary policy. All in all, however, the economy stopped short of a full-scale recovery, as exports remained stagnant due to the deceleration of the world economy.

With respect to the business environment surrounding the MCHC Group, business conditions for the Performance Products and Industrial Materials domains remained difficult. This was mainly due to the stagnant state of demand from the People's Republic of China (PRC) and other foreign countries caused by the deceleration of the world economy, and the strong yen that persisted throughout the latter half of the third quarter. Meanwhile, the Health Care domain continued to perform favorably in general thanks to robust market demand, although it was affected by the market expansion of generic pharmaceuticals and by the National Health Insurance (NHI) drug price revision implemented in April 2012.

As a result, our consolidated financial results for fiscal 2012 were as follows: Net sales decreased 3.7% compared to the previous fiscal year, to ¥3,088.5 billion. Operating income was down 30.9%, to ¥90.2 billion, and net income decreased 47.6%, to ¥18.5 billion.

The effects of monetary and financial policies are likely to boost domestic demand gradually, and therefore the Japanese economy is expected to show a gradual recovery as well. We anticipate earnings growth in the Group's businesses due to a correction of the strong yen and enhanced cost-reduction efforts, as well as a recovery of demand and sales expansion, mainly in the Performance Products domain. Taking into account the unification of depreciation methods and accounting periods, we are expecting increases in net sales and operating income of ¥143.0 billion and ¥20.0 billion, respectively. As a result, we forecast net sales of ¥3,570.0 billion, operating income of ¥158.0 billion, and net income of ¥51.0 billion.

Step 2 of the *APTSIS 15* Medium-term Management Plan: Achievement Toward Our Goals

We express our fundamental policy under *APTSIS 15*, the Group's medium-term management plan covering fiscal 2011–2015, as "Grow, Innovate, and Leap Ahead by Orchestrating the Group's Strengths." The plan's strategy for enhancing our management practices is based on bolstering the Group's combined power by generating synergies between our four core operating companies, improving our financial position, and continuing the reform of our business structure. Our efforts to expand growth include accelerating the shift

to high-performance/high-value-added businesses, promoting operations that contribute to realizing a sustainable society, developing new medicines to fulfill unmet medical needs, and pursuing global expansion, as well as cultivating Growth Driver Businesses in anticipation of future demand. We are also moving forward with a multilayered approach of strategic investment in alliances and acquisitions, in order to achieve a “leap ahead” in growth in the shortest time necessary.

Based upon these same basic policies and strategies, in fiscal 2012 we engaged in thorough cost reductions, a reexamination of capital expenditures, asset streamlining, business restructuring (such as the decommissioning of Mitsubishi Chemical’s Kashima Plant’s No. 1 naphtha cracker), and strategic investment (such as the acquisition of Qualicaps Co., Ltd.). We also appointed Mission Coordinators to handle a cross-functional Group strategy among the five core businesses (healthcare solutions, polymer processing and information/electronics, water treatment systems and services, carbon fiber and composite materials, and specialty chemicals), through which we can anticipate bringing the combined power of the Group into play. We have focused our strength on providing a structure for integrating the functions of the Group companies.

On the other hand, the fact is that all segments, with the exception of Health Care, posted income substantially below their original targets, owing to the difficult operating environment. Taking this into consideration, in March 2013 we made adjustments to the plan for the three-year period from fiscal 2013 forward, resetting the targets for the plan’s final year. While our business management method was based on product life cycles and business growth potential and profitability, for Step 2 of *APTSIS 15* we implemented three types of Growth Models—Stable Businesses, Growth Driver Businesses, and Volatile Businesses—that take into account profit structure volatility. Each of the Group’s businesses is classified by Growth Model in order to make an optimum resource allocation to the businesses according to the characteristics of each model.

I feel certain that by conducting business in this way, we are sure to achieve our *APTSIS 15* Step 2 goals.

Solid and Stable Dividends

The Group’s basic policy toward shareholder returns is “Enhance shareholder value by improving corporate value.” We are targeting a medium-term payout ratio of at least 30%, with emphasis on stable dividends and maintaining a balance between keeping sufficient internal reserves to fund business development and paying consolidated results-based dividends.

Taking our policy described above under consideration, for fiscal 2012 we paid interim and year-end dividends of ¥6 per share, for a total of ¥12 per share for the year. In the upcoming fiscal year, as well, we plan to pay interim and year-end dividends of ¥6 per share, for an annual dividend of ¥12 per share.

Progress Toward Realizing *KAITEKI*

We are practicing *KAITEKI* Management that includes consideration of the time elements in Management of Economics (MOE), Management of Technology (MOT), and Management of Sustainability (MOS), and we are also making progress toward further growth through the achievement of self-driven results improvement that are not swayed by changes in the economy. We are focusing all of our efforts on our goals of realizing sustainable development of society, affluent and vibrant lives for people, and coexistence with the planet. I would once again like to request the continued support of each of our stakeholders.

President & Chief Executive Officer
Mitsubishi Chemical Holdings Corporation
Yoshimitsu Kobayashi



Interview with the President

The President Discusses *KAITEKI*



As the *KAITEKI* Company, we aim to put into practice management codependent on Mother Earth.

Q Until now, the Group has published an annual report and a CSR report separately, but with this edition it has combined those two reports, resulting in *KAITEKI* Report 2013. Please tell us about the progress and effect of *KAITEKI* Management to which the report's title refers.

A We have defined the basic concepts of *KAITEKI* Management within the company, and in order to maximize *KAITEKI* Value we will henceforth revise the MOS indexes and create MOT indexes, so as to ensure the concept takes root deeply.

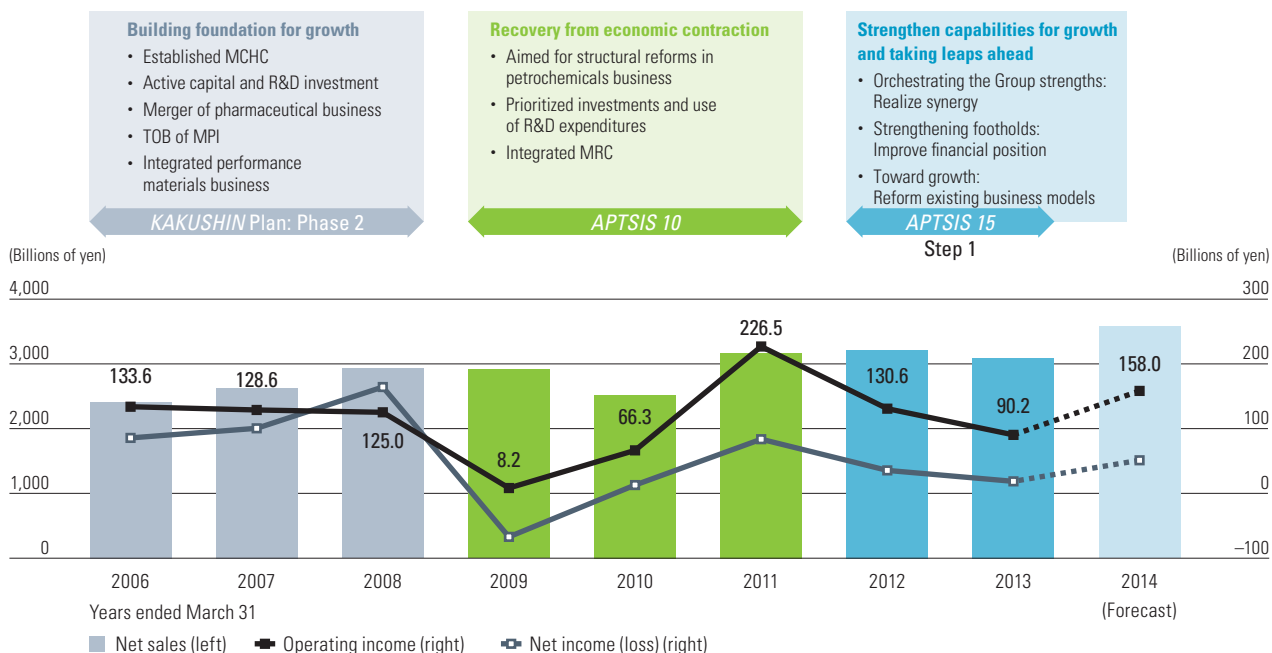
Moreover, in addition to the three axes for management of MOE (Management of Economics), MOT (Management of Technology), and MOS (Management of Sustainability), which is dedicated to improving sustainability in regard to people, society, and the planet), our management approach, which we call "*KAITEKI* Management," is conducted from these perspectives with an additional time factor. *KAITEKI* Report 2013 includes the *KAITEKI* Management perspective in our annual report.

For MOT, in fiscal 2013 we implemented quantitative indexes to manage the progress of our business strategy, R&D strategy, and intellectual property strategy. With regard to MOS, we are already employing indexes that target the maximum score of 300 points by fiscal 2015, so as to gain a quantitative understanding of its benefits. We

achieved a score of 188 for the year under review. Our performance was positive on the Health indexes, but we had some difficulty on the Sustainability (Green) and Comfort indexes, due in part to the effects of a worsening business environment. Having taken into consideration the changes in the economic and business environment during the current medium-term management plan period, we have comprehensively revised the MOS indexes.

I believe we have firmly implanted the basic concept of *KAITEKI* Management within the company, so the next step is for each of our employees to adopt the *KAITEKI* concept into their personal work goals. Through this, I would like to plant the roots of *KAITEKI* Management even deeper within our Group.

Revising Our Medium-Term Management Plan



Q How would you sum up the Group's performance during Step 1 (the first two years) of *APTSIS 15*, which runs from fiscal 2011 through fiscal 2015? Also, can you outline the plans for Step 2, which unfolds over the plan's final three years?

A While we are adhering firmly to the basic policies and strategies of *APTSIS 15*, we have revised targets and business management methods within Step 2 to create a more solid vision of our future.

Step 1 (fiscal 2011 through fiscal 2012) was a period during which we reaped certain benefits through financial condition improvements by reducing interest-bearing debt reduction, and through structural improvements, such as petrochemicals business restructuring and finding synergies through the concerted efforts of the four core operating companies. At the same time, the economic climate remained harsh during the term due to the impact of the recession sparked by the European financial crisis, and the external environment has changed substantially since *APTSIS 15* was announced. Taking into consideration the dramatically changing business environment, in which prediction is difficult, we have revised the goals for fiscal 2015 of *APTSIS 15* management indices. While we will adhere to the basic strategies of *APTSIS 15*, come what may during Step 2 (from fiscal 2013), we have revised our targets and business management methods, and also focused on "selection and concentration" in the distribution of management resources as required to ensure management that is not greatly influenced by changes in the economy.

Although our business portfolio management up to now has taken an approach based on product life cycles and business growth potential and profitability, we have introduced a Growth Model that includes profit structure

volatility as an additional evaluation criterion. Basically, under this model we classify businesses as follows: Those with average operating margins above the fluctuation range over the past 10 years are "Stable Businesses," while businesses with operating margins below the fluctuation range over the past 10 years are "Volatile Businesses;" and those that have a broad range of volatility but that should raise the sales growth rate strategically are "Growth Driver Businesses."

→ For details about business classifications by Growth Model, please see pages 14–15.

As a result of efforts conducted under the direction of the Mission Coordinators appointed last April 2012, the actual benefits of the synergies generated through the core companies' concerted efforts are foreseen at Step 2.

→ Please refer to pages 12–13 for information on specific initiatives pursued to achieve synergy.

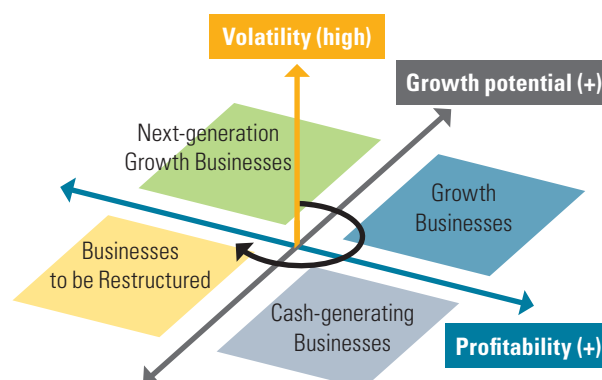
In conjunction with the Step 2 revisions, we have adjusted the operating income target for fiscal 2015 to ¥280 billion, which is about 30% lower than our original target. We consider this to be a more realistic target, given the volatility of external factors such as the direction of the economy and the emphasis of our efforts toward improvement.

Numerical Targets of *APTSIS 15* Step 2

| | | APTSIS 15 original targets for fiscal 2015 | APTSIS 15 Step 2 revised targets for fiscal 2015 |
|-----------------------------------|---|---|---|
| Economic indexes | Operating income | ¥400 billion | ¥280 billion |
| | Growth & innovation strategies | ¥330 billion | ¥260 billion |
| | Leaping ahead (M&A) | ¥70 billion | ¥20 billion |
| | ROA (income before income taxes) | ≥8% | ≥7% |
| | Net D/E ratio | 1.0 | 0.8* |
| | Net D/E ratio (including minority interests in consolidated subsidiaries) | — | 0.5* |
| | Overseas sales ratio | ≥45% | ≥45% |
| CAPEX, investment and loan | CAPEX, investment and loan | ¥1,000 billion* | ¥840 billion* |

*Excluding "Leaping ahead (M&A)"

Addition of Volatility as New Assessment Criterion



Q How will the introduction of the Growth Model affect the distribution of management resources?

A Our resource distribution is focused thoroughly on “selection and concentration.” We will focus resource investment on businesses classified as “stable” under the Growth Model, and will seek to strengthen “Growth Driver Businesses.”

APTSIS 15 originally called for total investment of ¥1 trillion over five years, with ¥750 billion in R&D costs, but in Step 2 these figures were reduced to ¥840 billion and ¥700 billion, respectively. The main viewpoint of the revision is the “selection and concentration” of resource distribution in the business units based on the characteristics of each Growth Model.

This means that management resources will be focused particularly on Stable Businesses, with the goal of aggressively expanding revenue by maintaining and improving competitive advantage, improving the product mix and strengthening productivity, and overseas expansion. We will work to contain the earnings fluctuation range of

Volatile Businesses by controlling investment, executing countermeasures that help spread volatility, and revising the business portfolio to achieve stability. To grow our business, we will promote high growth in line with market expansion, as well as the early application of our R&D results, develop and expand sales into new fields, and make selective input of resources.

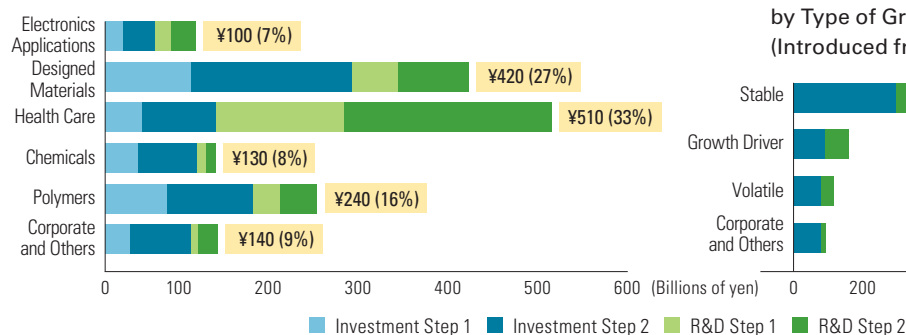
We had also been pursuing a business structure that is not greatly influenced by market fluctuations under our prior business portfolio management. We believe that introducing the Growth Model will make the intentions of management clearer and constitute a more thorough approach.

Capital Expenditures/Investments and R&D Expenditures

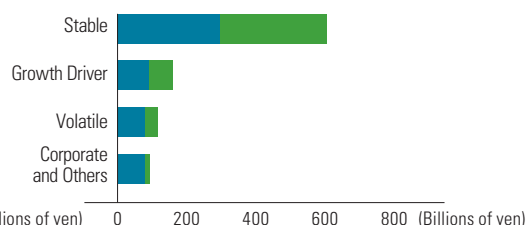
| | Original five-year plan | Revised five-year plan | Expected results of Step 1 | Step 2 |
|---|----------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Investments* (Cash flow basis) | ¥1,000 billion (¥940 billion) | ¥840 billion (¥790 billion) | ¥300 billion (¥290 billion) | ¥540 billion (¥500 billion) |
| R&D expenditures | ¥750 billion | ¥700 billion | ¥270 billion | ¥430 billion |

*Decision-making basis
Not included in “leap ahead” strategy

Allocation of Management Resources by Business Segment



Allocation of Management Resources by Type of Growth Model (Introduced from Step 2)



Q What specific business strategies will you employ to expand Growth Driver Businesses sales?

A As we refine our investment approach, we will focus on new product development and market entry as well as new market creation, to make Growth Driver Businesses profitable as soon as possible.

Growth Driver Businesses accounted for operating losses of ¥25 billion during the term. Although they do not yet contribute to earnings, we anticipate these businesses being about ¥10 billion in surplus in fiscal 2015. This progress depends on how quickly products can be launched and sales can be expanded. Although the rise and expansion of the markets for lithium-ion battery (LiB) materials and carbon fiber composite materials have been slower than expected, they are anticipated to grow markedly, and we must implement the necessary measures quickly enough to keep pace with that growth.

We are developing an even broader lineup of total healthcare solutions as Growth Driver Businesses to meet the needs of an aging society, which in addition to conventional models of disease treatment include the Group’s regenerative medicine and companion diagnostics businesses, artificial carbon dioxide unit bath for medical use, and the MIMAMORI-Gait daily activity analysis system, as well as a range of preventative treatment technologies and services, such as healthcare data services.

Q What are your thoughts on the leap ahead strategy, by which business development is accelerated through alliances and M&As?

A We are investing to strengthen and expand our Stable Businesses and Growth Driver Businesses, and enhance their globalization, with a focus on the Performance Products and Health Care domains.

We are expanding our high-value-added solutions and near-final products businesses globally. In terms of business domains, this applies to Performance Products and Health Care domains, while in terms of Growth Models, this applies to Stable Businesses and Growth Driver Businesses.

During Step 1, in the Performance Products domain we acquired a majority stake in the Nippon Synthetic Chemical Industry Co., Ltd. (NSCI), the proprietary manufacturer of OPL Film (an optical PVOH film) and other products, and acquired TK Industries GmbH (carbon fiber processing technologies), Challenge Co., Ltd. (development of automotive applications), and Aldila, Inc. (production of golf shafts), to expand the carbon fiber and composite materi-

als business value chain. In addition to purchasing Qualicaps Co., Ltd., to complement our Health Care domain, we also engaged in joint marketing efforts for *Tenelia* with Daiichi Sankyo Co., Ltd., to move forward in the diabetes treatment sector in Japan.

From Step 2 onward, we will continue to focus on both domains as we pursue the strategic expansion of Stable Businesses and Growth Driver Businesses. We will also look into creating business, including through acquisition, in new areas where we see great potential for synergy, such as green chemistry (environment, resources, water, agricultural, etc.).

“Leaping Ahead” Strategy

Resource investment approach

- Strengthen and expand stable and growth driver businesses
- Accelerate global development
- Businesses for focus: Performance Products and Health Care

Principal alliances and M&A deals during Step 1

| | |
|------------------------------------|--|
| Performance Products domain | OPL film and others: Acquired majority share interest in NSCI Carbon fiber and composite materials: Acquired TK Industries, Challenge, and concluded a merger agreement with Aldila |
| Health Care domain | Pharmaceutical formulation materials: Acquired Qualicaps Pharmaceuticals: Concluded sales tie-up with Daiichi Sankyo in the domestic diabetes treatment field (<i>Tenelia</i>) |
| Industrial Materials domain | MMA/PMMA: Concluded joint venture agreement with SABIC High performance graphite: Established joint venture with POSCO CHEMTECH |

Q Finally, how do you envision MCHC in 2025, after APTSIS 15?

A The goal of the company and the determination of management is contributing to sustainable society by maximizing *KAITEKI* Value while achieving better returns, which is the objective of our business activities.

By 2025 we intend to reap great benefits in all of the Growth Driver Businesses in which we are currently engaged. The global market will further expand, shifting from the rapid growth we currently see in the PRC and India to an expansion of the African market.

Companies seek to profit by creating value, but that is not the whole story. A company is where each individual as an employee contributes to society, and an integrated chemical company like the MCHC Group provides many opportunities to generate manifold value. By delivering *KAITEKI* Value, which we create for many people in the expanding global market, we are contributing to make our society further sustainable in the 21st century. That is our determination in executing *KAITEKI* Management, and it also constitutes the significance of the Group’s existence. We will continue to strive toward these goals.



Special Feature

Mission Coordinators are creating synergies beyond company boundaries

To promote further cooperation and synergies within the Group, in April 2012 MCHC appointed four core operating companies' presidents as Mission Coordinators. In this special feature, we introduce the Mission Coordinators and their synergy units' basic strategies.

The role of the Mission Coordinator

As well as performing regular management duties in their companies, Mission Coordinators formulate Groupwide strategic plans for business areas where rapid synergies can be achieved. They also share their plans with the four core operating companies, as well as guide and advise business operations.



Specialty Chemicals

■ Basic Strategy

Classify specialty chemicals business into three major fields: coating & additives, electronic materials, and living & health, and work to strengthen each field's business portfolio.

■ Mission Coordinator

Hiroaki Ishizuka
President and CEO of
Mitsubishi Chemical
Corporation

■ Progress

1 Focusing efforts on reform of coating & additives

In fiscal 2012, we reformed the coating & additives field as a matter of highest priority. Through acquisition of a majority interest in The Nippon Synthetic Chemical Industry Co., Ltd. (NSCI), in December 2012, we strengthened synergies between Mitsubishi Chemical and the Nippon Synthetic Chemical Industry.

2 Accelerating reform of living & health

In April 2013, we integrated Mitsubishi Rayon's polysaccharide business—Mitsubishi Rayon Polysaccharide Co., Ltd.—into Mitsubishi Chemical's Food Ingredients Department. Through this restructuring we are accelerating our full-scale synergies strategy.

3 Pursuing the "leaping ahead" strategy

We began strategic investment through alliances and M&A activities, drastically reinforcing each field's business portfolio.

Expand the scale and widen the range of product group lineups and orchestrate Group strengths

Electronic Materials (inorganic and organic)

MCC MPI

Circuit materials, semiconductor materials, sealants, resists, electronic chemicals

Living & Health

MCC MRC

Mitsubishi Kagaku Foods Corp.

Ion-exchange resins, food ingredients, analytical instruments

Coating & Additives

NSCI Nippon Kasei Co., Ltd. Chuo Rika Kogyo Corp.

MCC API Corp. MRC

Specialty polymers, chemicals, epoxy resins, functional coating materials, adhesive materials and various types of emulsions, germicides and antioxidant materials

Healthcare Solutions

■ Basic Strategy

Offer a diversity of solutions from sick care to healthcare by drawing on MCHC Group synergies.

■ Mission Coordinator

Michihiro Tsuchiya
President and CEO
of Mitsubishi Tanabe
Pharma Corporation

■ Progress

1 Making a firm entry into the pharmaceutical capsule market

In March 2013, we acquired 100% ownership of Qualicaps Co., Ltd., which holds a more than 20% share in the global pharmaceutical capsule market.

2 Providing B to C total solutions

In April 2013, we started the "Jibun Karada Club," a convenient service where customers can draw their own blood samples at neighborhood drugstores and send them off to receive information on their health condition.

3 Pushing forward development of plant-derived vaccines

We are conducting joint research into the development of new vaccines by introducing genes into tobacco leaves with the Canadian company, Medicago Inc. We aim to make this commercially viable by fiscal 2015.

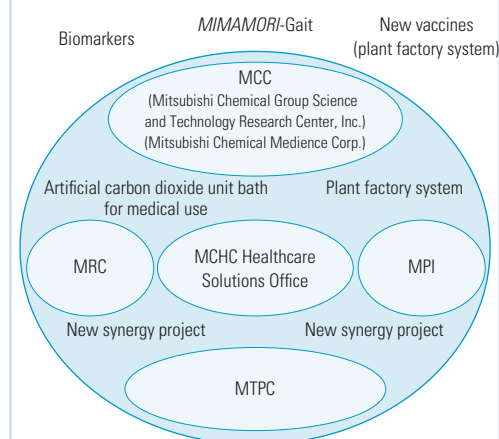
4 Working to develop artificial carbon dioxide unit bath for medical use

We are accelerating the use of high-concentration carbon dioxide unit bath for medical use, with the aim of increasing the popularization of hot spring healthcare.

5 Beginning commercialization surveys regarding regenerative medicine

We aim to begin projects in this field by fiscal 2015.

Offer healthcare solutions that leverage MCHC Group synergies



Polymer Processing / Information & Electronics

■ Basic Strategy

Create maximum synergies, accelerate functional development, and achieve high revenues in fields in which polymer processing occupies a key role through the joint use of materials and the integration of the Group's technologies and commercial distribution.

■ Mission Coordinator

Takumi Ubagai
President and CEO of
Mitsubishi Plastics, Inc.

■ Progress

① Transferring consolidated subsidiary

In April 2013, we transferred Yuka Denshi Co., Ltd., from Mitsubishi Chemical to Mitsubishi Plastics, aiming to radically strengthen our molded products business.

② Developing applications for biodegradable plastic PBS

We launched sales of test piece molds which make mortar compressive strength tests on construction sites more efficient. The new product is much more convenient and cheaper than conventional tin molds.

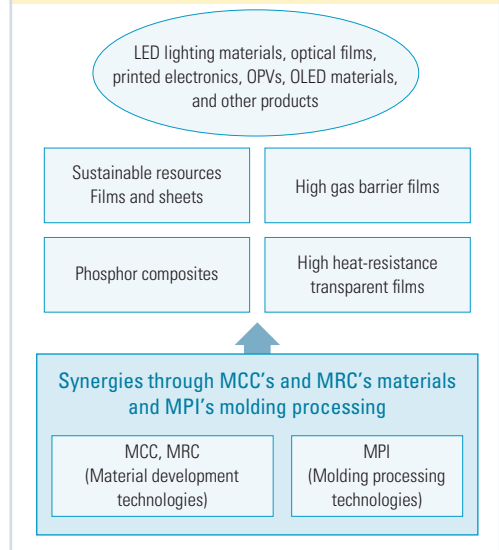
③ Developing applications for DURABIO

We are making progress in developing uses in films and sheets for the bio-based engineering plastic, *DURABIO*, which boasts high transparency and optical properties.

④ Developing LED lighting materials

We advanced development of new materials using the remote phosphor composite method in order to reduce the unevenness of LED's characteristic brightness and color.

Offer solutions based on the development of high-performance products



Carbon Fiber and Composite Materials

■ Basic Strategy

Deepen synergies between Group companies which own polyacrylonitrile (PAN)- and pitch-based carbon fibers, and establish highly competitive value chains targeting a variety of industrial fields, including aviation, automotive, and general industry.

■ Mission Coordinator

Hitoshi Ochi
President and CEO of
Mitsubishi Rayon Co., Ltd.

■ Progress

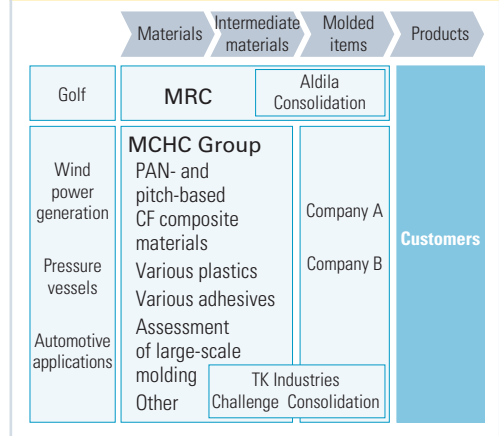
① Beginning the carbon fiber composite materials project

In September 2012, we began our carbon fiber composite materials project with the aim of adding unique value as an entity with both PAN- and pitch-based carbon fiber materials. While synthesizing the Group's materials technologies, we are continuing to develop applications which leverage our existing market channels.

② Building a consistent product chain through the "leaping ahead" strategy

We progressively acquired the companies Aldila, Inc., TK Industries GmbH, and Challenge Co. Ltd. Centered on Mitsubishi Rayon, we are building a complete product chain including intermediate materials and molded product processes.

Establish highly competitive value chains in target industrial fields



Water Treatment Systems and Services

■ Basic Strategy

Accelerate commercialization of solution packages through the integration of the MCHC Group's water treatment technologies and step up overseas expansion by creating new water treatment businesses.

■ Mission Coordinator

Hitoshi Ochi
President and CEO of
Mitsubishi Rayon Co., Ltd.

■ Progress

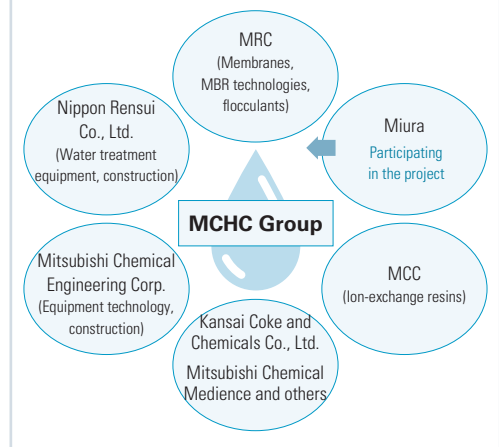
① Beginning a project aiming for the creation of new water treatment businesses

In January 2013, we began a special project aiming for the creation of new businesses in areas such as water recycling, operation and maintenance, and water sales. We are accelerating the creation of new businesses in Japan in the fields of chemicals, food, and medicine.

② Pursuing synergies with Miura

In March 2013, we added Miura Co., Ltd., as a member of the above project. We are working to achieve early commercialization by orchestrating Miura's strengths, which include maintenance systems and water analysis technologies, as a leading domestic manufacturer of small boilers for industrial purposes and the MCHC Group's strengths, which include membranes, membrane bioreactors (MBRs), and flocculants.

Integrate the MCHC Group water treatment technologies to provide full packaged water solutions



3

Three Business Domains

The MCHC Group provides a wide array of solutions in three business domains: Performance Products, Health Care, and Industrial Materials.

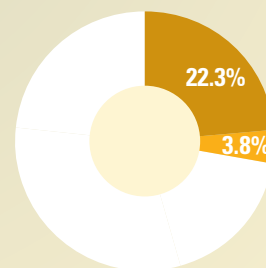
At a Glance—Portfolio by Growth Model

In fiscal 2013, which represents Step 2 in our *APTSIS 15* medium-term management plan, we have introduced growth models that categorize businesses according to the degree of fluctuation in their profitability. Focusing on the average and range of fluctuation in our operating income over the past 10 years, we have divided the Group's operations into three broad business domains and are planning appropriate management and business strategies for each.

Performance Products Domain

In the Electronics Applications segment, we provide a wide range of high-value-added products, including recording media and electronics-related products. In addition, based on solid technological capabilities, the Designed Materials segment offers a range of products including food ingredients, films, polymer processing products, carbon fiber and composite materials, and inorganic chemical products.

Percentages of sales in fiscal 2012

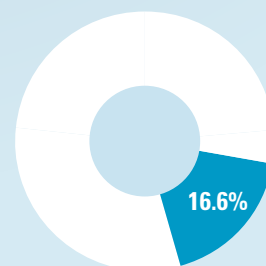


- Designed Materials
- Electronics Applications

Health Care Domain

We are working to create value as a diversified chemicals manufacturer through our mainstay pharmaceuticals as well as diagnostic reagents and instruments, clinical testing, and support for new pharmaceutical development. We are also developing fuller and more wide-ranging healthcare solutions to meet the needs of an aging society, going beyond the focus of only treating sickness to include healthcare services.

Percentages of sales in fiscal 2012

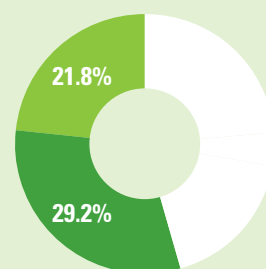


- Health Care

Industrial Materials Domain

The Industrial Materials domain comprises the Chemicals segment, which handles diverse basic chemical products and carbon products, and the Polymers segment, which provides synthetic resin able to meet advanced needs. Aggressively leveraging our proprietary development and manufacturing technologies as well as marketing and the collective strength of our product chain for raw materials and derivatives, we are providing global support for sustainable development.

Percentages of sales in fiscal 2012



- Chemicals
- Polymers

Note: In addition to the five reporting segments above, the other business segment, which mainly comprises engineering, transportation, and warehousing operations, accounts for 6% of net sales.

| Stable Businesses | Growth Driver Businesses | Volatile Businesses |
|--|--|--|
| <p>These are businesses that are relatively unaffected by changes in the market and are expected to provide stable income in the medium-to-long term. We are bolstering profitability by focusing management resources, maintaining and increasing our competitive edge, boosting productivity, and expanding operations overseas.</p> | <p>These are businesses where the Group is targeting strategic sales growth. We are aiming to gain an effective share in new markets with our thorough knowledge of the business, effective investment, accelerated R&D, and development and sales expansion in the new fields.</p> | <p>These are businesses in which significant volatility due to external factors is unavoidable. We are striving to limit fluctuations and ensure stable profitability by thorough cost-cutting, countermeasures against spread volatility, and readjustment of portfolios.</p> |
| <ul style="list-style-type: none"> ■ Polyester film ■ Optical PVOH film and others ● Food ingredients ● Specialty chemicals ■ Engineering plastic products ● High-performance films | <ul style="list-style-type: none"> ■ White LED lighting and materials ■ Organic photovoltaic modules and materials <small>For additional details, please see Performance Products on p. 17.</small> ■ Carbon fiber and composite materials ■ Water treatment systems and services ■ Lithium-ion battery materials ■ Organic photo-semiconductors ■ Advanced performance products (AQSOA and others) ■ Agribusiness solutions | <ul style="list-style-type: none"> ● Electronic and industrial films ● Fibers ◆ Performance molding products |
| <ul style="list-style-type: none"> ■ Pharmaceuticals ● Diagnostics and support for new pharmaceutical development | <ul style="list-style-type: none"> ■ Healthcare solutions | |
| <ul style="list-style-type: none"> ● Coke ■ High-performance graphite ■ Performance polymers ■ Methyl methacrylate and polymethyl methacrylate | <ul style="list-style-type: none"> ■ Sustainable resources <small>For additional details, please see Industrial Materials on p. 21.</small> | <ul style="list-style-type: none"> ◆ Terephthalic acid ● Carbon black and rubber ◆ Phenol and polycarbonate chain ◆ Polyolefines ◆ Basic petrochemicals |

Previous business portfolio management ■ Growth businesses ■ Next-generation growth businesses ● Cash-generating businesses ◆ Businesses to be restructured
(Only representative businesses have been included.)

Performance Products Domain

Main Products

Electronics Applications

- Recording media
- Imaging materials
- Display materials
- White LED lighting and materials

Designed Materials

- Polyester film
- Optical PVOH film and others
- Engineering plastic products
- Specialty chemicals
- High-performance films
- Food ingredients
- Carbon fibers and composite materials
- Lithium-ion battery materials
- Water treatment systems and services
- Fibers
- Inorganic chemicals



Business Lines

The Performance Products domain comprises the Electronics Applications segment and the Designed Materials segment. In these segments, we advance businesses based on unique, highly competitive products in global markets as well as products and technologies that have the leading shares of niche markets. With realizing more advanced performance, heightening added value, and customization as its key focuses, the MCHC Group combines multiple technological capabilities as it works with customers to create diverse solutions and manufacture environment-friendly products that it supplies globally.

The Electronics Applications segment capitalizes on technology for designing and processing materials and creating materials for devices to provide high-value-added products in a wide array of areas, including information and communication technology and electronics. The Designed Materials segment provides an extensive lineup of polymer processing products, film products, and carbon materials as well as products based on technological capabilities accumulated over many years in the areas of the environment, energy, designed materials for food ingredients, processing technology and combined technology for polymers, and carbon chemistry.

In the Performance Products domain, which requires products with higher quality and functionality, we depend on specific regions or suppliers for raw materials. As a result, being unable to source raw materials in a timely manner can affect business results. Going forward, however, we intend to strengthen efforts to ensure the timely development and marketing of products that reflect demand and meet the need for more advanced functionality in markets worldwide.

APTSIS 15 Step 2

Basic Business Strategies

Stable Businesses

- Expand high-performance and high-value-added businesses
- Accelerate global expansion

Growth Driver Businesses

- Nurture and develop next-generation growth businesses with an eye to the future
- Expand green businesses

Volatile Businesses

- Strengthen competitiveness through cost cutting

Fiscal 2012 Business Summary

Electronics Applications Segment

Recording media net sales decreased significantly due to the contraction of the DVD market and lower sales volumes for external hard disk drives. As for information and electronics-related materials, net sales were steady overall as sales volumes of display materials and phosphors for LEDs increased. Meanwhile, net sales of imaging supplies declined substantially, reflecting lower sales volumes of such business equipment-use printing supplies as organic photo conductor (OPC) drums and toners.

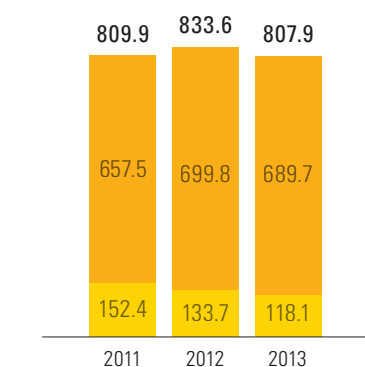
As a result, the segment's net sales decreased ¥15.5 billion year on year, to ¥118.1 billion. However, operating loss improved ¥0.2 billion year on year, to ¥5.0 billion.

Furthermore, Mitsubishi Kagaku Media Co., Ltd., launched tuning/dimming-type organic light emitting diode (OLED) lighting panels with enhanced luminance and power efficiency in October 2012.

Designed Materials Segment

Net sales for designed materials for food ingredients trended steadily overall. As for battery materials, net sales decreased sharply due to lower sales volume, accompanying the end of substitute demand stemming from the Great East Japan Earthquake, and lower sales prices. Meanwhile, fine chemicals saw net sales grow thanks to steady sales of automobile coating materials and the inclusion of Chuo Rika Kogyo Corporation as a consolidated subsidiary in December 2011. Net sales for polymer processing products were approximately unchanged year on year, as sluggish overseas demand for non-optical polyester film sheets and engineering plastics and the sale of the piping materials business in December 2012 offset a marked increase in the sales volume of film sheets for flat panel displays (FPDs) and brisk sales of film sheets for

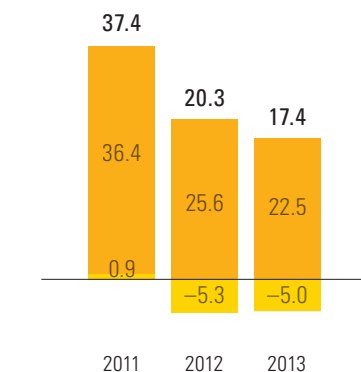
Net Sales
(Billions of yen)



Years ended March 31

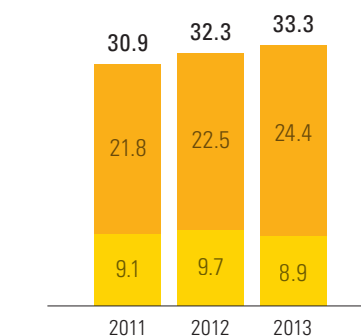
- Designed Materials
- Electronics Applications

Operating Income (Loss)
(Billions of yen)



Years ended March 31

R&D Expenditures
(Billions of yen)



Years ended March 31

touch panels. Among composite materials, while net sales for alumina fiber were generally solid, net sales for carbon fiber were down, which reflected slumping demand and falling market prices. Despite lackluster demand, net sales for inorganic chemicals were approximately unchanged year on year due to the absence of the previous fiscal year's drop in sales volume as a result of the Great East Japan Earthquake. Net sales for fibers declined due to lower sales volume.

As a result, the segment recorded year-on-year decreases of ¥10.1 billion in net sales, to ¥689.7 billion, and ¥3.1 billion in operating income, to ¥22.5 billion.

Furthermore, Mitsubishi Plastics transferred its piping materials business to Sekisui Chemical Co., Ltd., in December 2012. In the same month, Mitsubishi Rayon decided to acquire Aldila, Inc., of the United States, which manufactures and sells carbon fiber prepreg and carbon fiber golf club shafts.

Organic Photovoltaic Modules and Materials

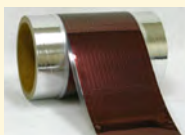
We believe that in order to bequeath coming generations with a sound environment and a prosperous future, changing over from existing energy consumption that burdens the environment to sustainable new energy cycles that use nature's bounty is essential. Aiming to provide solutions that will help society solve problems and achieve this transformation, the MCHC Group is developing a broad spectrum of materials for energy creation, energy storage, and energy saving.



Example of an application for amorphous silicon thin-film PV modules
JR Meguro Green Building
(Shinagawa-ku, Tokyo)
Client: JR East Building Co., Ltd.

Viewpoint: MOS

The organic photovoltaic (OPV) modules Mitsubishi Chemical is currently developing are thin sheets that can be bent or rounded into various shapes. Consequently, these OPV modules can be attached in diverse ways, including vertical walls and vehicle bodies. Due to this ability to be installed in places unsuitable for existing modules, our OPV modules make effective use of inexhaustible solar energy to generate power, helping create local production and consumption energy cycles that do not burden the environment and reduce CO₂ emissions.



Organic photovoltaic modules
Roll-to-roll module prototype

Viewpoint: MOT

As of 2012, the OPV modules we are currently developing achieve a conversion efficiency of 11.7%—a world-leading level for organic thin-film single cells. Moreover, we are exploiting core technologies for organic synthesis and material design to combine OPV modules with barrier films and other high-performance materials to create products that are even more efficient, durable, and economic. At the same time, we are developing processing technologies, such as roll-to-roll printing, incorporating OPV devices that capitalize on the properties of OPV materials.

Viewpoint: MOE

While developing OPV modules as next-generation photovoltaic (PV) with numerous potential applications, the MCHC Group is creating new applications for thin-film PV modules. For example, we are pioneering markets for amorphous silicon thin-film PV modules that can be integrated with a variety of building materials, trucks, and automobiles and installed in such locations as vertical walls or truck roofs. Also, Mitsubishi Plastic is marketing high gas barrier film that continues to perform well even over long periods.

With our sights set on starting up commercial manufacturing of OPV products, we are targeting sales of ¥15 billion for OPV modules and materials in fiscal 2015.

Health Care Domain

Main Products and Services

- *Remicade*
- *Ceredist*
- *Talion*
- *Maintate*
- *Radicut*
- *Anplag*
- Vaccines
- Generic pharmaceuticals
- Diagnostics and support for new pharmaceutical development
- Pharmaceutical ingredients and active pharmaceutical intermediates
- Capsules and pharmaceutical related equipment



Business Lines

Capitalizing on the Group's comprehensive capabilities and network, the Health Care domain develops businesses for pharmaceuticals, pharmaceutical ingredients and pharmaceutical intermediates, diagnostic reagents and instruments, clinical testing, capsules for pharmaceuticals, and pharmaceutical processing equipment. Furthermore, we are taking on the challenge of combining the Group's technology to create businesses dedicated to personalized medicine.

In healthcare businesses, we are not only strengthening our development pipeline for pharmaceuticals on a global scale but are also pursuing ambitious initiatives to respond to unmet medical needs by using biomarkers and other leading-edge technology.

Mindful that these businesses affect people's lives and health, we are advancing health care businesses that contribute to patients' quality of life (QOL) with a view to enable more people to live contentedly.

The pharmaceuticals business is likely to face challenging business conditions due to such factors as regular National Health Insurance (NHI) price revisions based on a government policy aimed at curbing medical treatment costs in Japan. In response, we intend to strengthen R&D further to develop new pharmaceuticals and market mainstay products overseas, thereby establishing positions in markets worldwide.

APTSIS 15 Step 2 Basic Business Strategies

Stable Businesses

Substantially increase product value by nurturing the development of priority products and new pharmaceuticals

Expand the list of new products that respond to unmet medical needs and have received global approval

Stabilize earnings from stable businesses

Growth Driver Businesses

Create new businesses by offering solutions to unmet medical needs in a broad range of healthcare fields

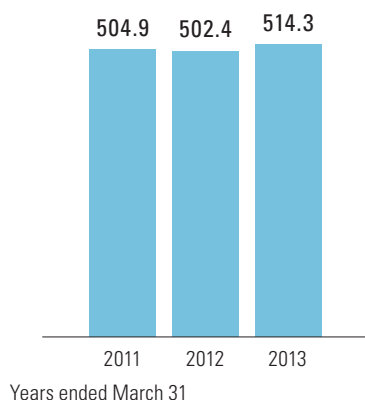
Fiscal 2012 Business Summary

Pharmaceutical net sales rose because higher net sales for *Remicade*, an anti-TNF α monoclonal antibody; contributions from such new products as *Simponi*, a treatment agent for rheumatoid arthritis (RA), and *Tetrabik*, a DPT-IPV vaccine; and increased royalty revenues from a therapeutic agent used to treat multiple sclerosis (MS) more than compensated for the NHI price revisions in April 2012 and the increased effect of generic pharmaceuticals. However, net sales for diagnostic reagents and instruments and clinical testing declined due to lower sales in the pharmaceutical development support businesses.

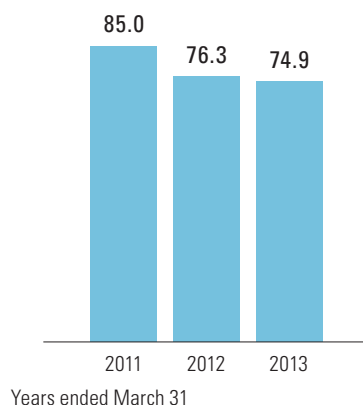
As a result, the segment's net sales increased by ¥11.8 billion year on year, to ¥514.3 billion, but operating income declined ¥1.4 billion year on year, to ¥74.9 billion, reflecting the effect of NHI price revisions and lower revenues from pharmaceutical development support businesses.

In addition, in October 2012 Mitsubishi Tanabe Pharma launched *Tetrabik*, a DPT-IPV vaccine that prevents acute poliomyelitis, pertussis, diphtheria, and tetanus, for which BIKEN (The Research Foundation for Microbial Diseases of Osaka University) has obtained manufacturing and marketing approval.

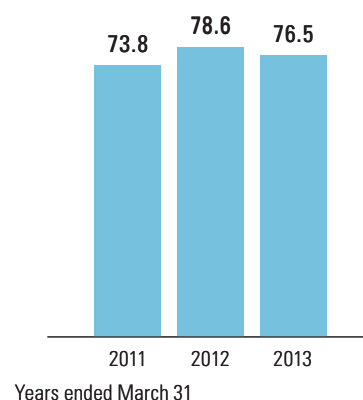
Net Sales
(Billions of yen)



Operating Income
(Billions of yen)



R&D Expenditures
(Billions of yen)



Delivering Solutions to Unmet Medical Needs

While advances in medicine and pharmaceuticals have established treatments for previously incurable diseases, such as rheumatoid arthritis (RA), there are diseases for which treatments remain unsatisfactory and advances in treatment based on new pharmaceuticals are hoped for. Mindful of this, in the ethical pharmaceuticals area of the Health Care domain, we aim to launch “inspiring pharmaceuticals” that meet to unmet medical needs in global markets.



Imusera

Viewpoint: MOS

Multiple sclerosis (MS) is an autoimmune disorder of unknown cause. Previously, the only pharmaceuticals for MS were interferon injections. The resulting side effects, such as reddening, induration, and other injection site reactions, caused patients significant physical and emotional stress.

In 2011, Mitsubishi Tanabe Pharma Corporation launched an MS treatment, *Imusera*, with a novel mechanism of action. Because it is taken once a day orally, *Imusera* has greatly mitigated the burden placed on patients and improved their quality of life (QOL) significantly.

Viewpoint: MOT

As a sphingosine-1-phosphate (S1P) receptor functional antagonist, *Imusera* has an innovative mechanism of action. Moreover, it is the world’s first oral pharmaceutical for MS. Testifying to the favorable reception of this innovation, the new pharmaceutical has received the Pharmaceutical Society of Japan Award for Drug Research and Development in March 2012, the Inoue Harushige Award from the Japan Science and Technology Agency in July 2012, and an invention award from the Japan Institute of Invention and Innovation in June 2013.

Viewpoint: MOE

We rapidly provided *Imusera* to patients worldwide as a new pharmaceutical by leveraging strategic alliances at an early research phase to license-out it overseas we had discovered. Overseas, Novartis Pharma AG sells this product under the product name, *Gilenya*. Although only two years after launch, *Gilenya* has already become a blockbuster—meaning it generates annual sales of at least US\$1 billion. Consequently, it has made a major contribution to the Company’s royalty revenues.

Industrial Materials Domain

Main Products

Chemicals

- Basic petrochemicals
- Terephthalic acid
- Ethylene oxide/glycols and ethanol
- Acrylonitrile
- Coke
- High-performance graphite

Polymers

- Polypropylene
- Polyethylene
- Phenol and polycarbonate chain
- Performance polymers
- Methyl methacrylate and polymethyl methacrylate



Business Lines

The Industrial Materials domain has two segments. The Chemicals segment comprises such basic chemicals as basic petrochemicals and materials for synthetic fibers, including ethylene and propylene derived from naphtha, and coke and other carbon products. While the Polymers segment includes polyolefins and performance polymers and acrylic and its raw material methyl methacrylate (MMA) monomer. Through this domain, we provide high-value-added products and technologies with advanced functionality to an extremely wide range of areas, including electronics, automotive manufacturing, construction materials, and industrial applications.

In the Chemicals segment, our basic chemical businesses have established a diverse product chain, including a wide range of solvents and plastic products. This chain is based on our olefin center, which has heightened competitiveness by constructing an optimal manufacturing system.

Furthermore, in the Polymers segment we have particular expertise in basic technology for polymer design and processing. Therefore, we exploit the superiority of our original polymer solutions to develop businesses.

The Industrial Materials domain is subject to the effect of changes in raw material prices, the balance of supply and demand for raw materials and naphtha, and exchange rate fluctuations. Furthermore, changes in demand from business customers can affect products that are reliant on specific business customers, thereby affecting the domain's business results.

Going forward, with emphasis on self-help, we will strengthen organizations to make them less susceptible to market fluctuation. At the same time, we intend to step up the pace of globalization by optimizing regional manufacturing to reflect demand. In addition, plans call for expanding businesses that offer high-value-added

APTSIS 15 Step 2 Basic Business Strategies

Stable Businesses

- Expand global operations and shift to high-performance products
- Expand high-performance, high-value-added businesses

Growth Driver Businesses

- Deliver new materials that contribute to the environment and the "sustainable carbon society"

Volatile Businesses

- Stabilize earnings and reinforce business structure

products with advanced performance and creating new raw materials and industrial materials that benefit the global environment.

Fiscal 2012 Business Summary

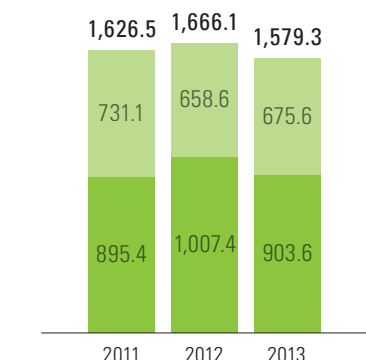
Chemicals Segment

Production volume of ethylene as a basic raw material for petrochemical products was up 16.3% year on year, to 1.13 million tons, reflecting the resumption of operations at an ethylene plant at Mitsubishi Chemical's Kashima Plant, which were halted in the previous fiscal year due to the Great East Japan Earthquake, and periodic maintenance on a smaller scale than those of the previous fiscal year. These factors more than offset a downward adjustment in production due to lower demand. Net sales for basic petrochemicals and chemical derivatives rose year on year due to the absence of the previous fiscal year's drop in sales volume as a result of the Great East Japan Earthquake, which counteracted slumping demand. Terephthalic acid, a raw material for synthetic fiber, saw net sales decrease significantly due to falling market prices, resulting from a softening of the supply-demand balance as supply capacity increased, and overseas subsidiaries' recording of net sales for 15 months in the previous fiscal year as a result of a change in accounting period. Among carbon products, net sales for coke were down substantially due to lower sales prices accompanying a decrease in the price of coking coal.

As a result, the segment's net sales declined ¥103.8 billion year on year, to ¥903.6 billion. The segment recognized an operating loss of ¥0.2 billion (down ¥15.0 billion year on year), which was primarily attributable to a significant narrowing of the difference between raw material prices and product prices for terephthalic acid.

Furthermore, as part of structural reform of the basic petrochemicals business, in June 2012 at its Kashima

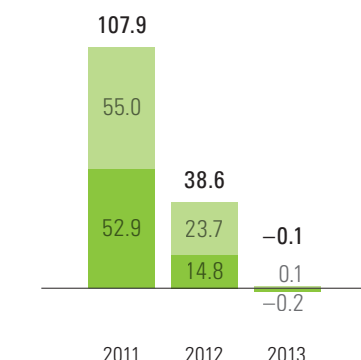
Net Sales
(Billions of yen)



Years ended March 31

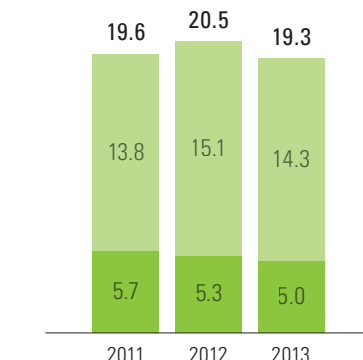
■ Polymers
■ Chemicals

Operating Income (Loss)
(Billions of yen)



Years ended March 31

R&D Expenditures
(Billions of yen)



Years ended March 31

Plant, Mitsubishi Chemical decided to shut down the No. 1 ethylene production facility and the No.1 benzene production facility and ramp up production at the No. 2 ethylene production facility.

Polymers Segment

In synthetic resins, net sales were approximately unchanged year on year, as the absence of the previous fiscal year's steep decline in the sales volume of phenol-polycarbonate chain and polyolefin due to the Great East Japan Earthquake compensated for a fall in market prices that stemmed from a softening of the supply-demand balance amid slumping demand.

As a result, this segment posted a ¥17.0 billion year-on-year rise in net sales, to ¥675.6 billion. However, operating

income declined ¥23.6 billion year on year, to ¥0.1 billion, because a significant overall contraction of the difference between raw material prices and product prices counteracted steady sales to the automotive industry by the performance resin business.

In addition, in June 2012 Mitsubishi Chemical decided to shut down one of Japan Polyethylene Corporation's high-density polyethylene production lines and one of Japan Polypropylene Corporation's polypropylene production lines at the respective plants of its subsidiaries in Kawasaki. Also, in February 2013 Mitsubishi Chemical decided to acquire the thermoplastic elastomer and vinyl chloride compound operations of Tessenderlo Group with a view to strengthen the performance resin business.

Sustainable Resources

Using limited resources effectively, without exhausting them, so that we can pass them on to future generations is one of the tasks we must address in the current era. Aiming to contribute to the realization of a sustainable carbon society, we will draw on our extensive expertise in chemistry to diversify chemical raw materials.

Viewpoint: MOS

While plastic plays an important role in industrial development and society's convenience and comfort, depletion of fossil resources—the raw material for plastic—and environmental burden are causing concern.

We see making plastic raw materials sustainable and more biodegradable as providing a solution for one of society's problems. Accordingly, we are commercializing a variety of differentiated leading-edge plastics.



Example of an application for ECOLOJU



Example of an application for PBS

Viewpoint: MOT

Boasting a leading position in the global market for MMA, Mitsubishi Rayon is researching and developing a new method for producing sustainable MMA from biomass. In another initiative, MCHC is developing practical applications for an artificial photosynthesis system that produces basic chemicals by using the raw materials hydrogen—generated using photovoltaic energy and a photocatalyst to electrolyze water—and CO₂, which has increased due to human activities. This is an extremely promising solution that could help realize the sustainable carbon society we advocate.

Viewpoint: MOE

Mitsubishi Plastics sells plastics that use plant-derived polylactic acid as a raw material under the product names ECOLOJU and PLABIO. Used to make packaging materials and various plastic cards, these plastics have earned a favorable reputation among customers with high environmental awareness. Meanwhile, Mitsubishi Chemical's biodegradable polybutylene succinate (PBS) is increasingly being adopted for single-use plates and garbage bags. Furthermore, we are growing sales of a new engineering plastic called DURABIO that uses plants as a raw material.

Through all of our sustainable resources businesses, we aim to generate sales of ¥10 billion in fiscal 2015.

3

Three Growth Models

We have introduced the Growth Driver Businesses that categorize businesses according to the stability of their profit structures. For each category, we are preparing and advancing optimal management and business strategies.

Stable Businesses

Performance Products Domain

Polyester Film

Net sales in fiscal 2012

¥85.7 billion

Net sales target for fiscal 2015

¥100.0 billion



No. 1 global share for PET film for liquid crystal displays (LCDs)

We hold the largest share of the global market for PET film for use as a material in flat panel displays (FPDs). To respond to expanding demand in the PRC, we established a new production facility in that country and brought it fully on line at the end of July 2013. We will accelerate global development with superior quality polyester film.

Optical PVOH Film and Others

Net sales in fiscal 2012

¥91.9 billion*

Net sales target for fiscal 2015

¥130.0 billion*



Increasing sales of polyvinyl alcohol (PVOH) film, indispensable for the expanding FPD market

Optical PVOH film, *OPL Film*, is a material for polarizing film that is indispensable for displaying images on LCDs. Demand for this film has continued to expand in the LCD panel market. We will proceed with rapid development efforts, such as achieving thinner dimensions and uniformity, to respond to market needs.

* Consolidated net sales of the Nippon Synthetic Chemical Industry Co., Ltd.

High-performance Films

Net sales in fiscal 2012

¥75.7 billion

Net sales target for fiscal 2015

¥80.0 billion



Suggesting a variety of applications including food packaging

In our business of high-performance films for food packaging, we provide the market with a stable supply of multilayer co-extruded film, heat-shrinkable film, silicon oxide (SiO_x) vacuum coated high gas barrier film, wrap film for professional use, PET bottles, and other products.

Food Ingredients

Net sales in fiscal 2012

¥12.9 billion

Net sales target for fiscal 2015

¥20.0 billion



Offering a range of products based on natural materials

We will strengthen our capabilities in fermentation, oleochemical and extraction 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.

(These pages show representative businesses and products.)

Specialty Chemicals

Net sales in fiscal 2012

¥73.0 billion

Net sales target for fiscal 2015

¥110.0 billion



Maximizing Group synergies and expanding our business scale

We seek to maximize synergies from specialty chemicals companies within the Group, develop new products to launch into growth markets, and expand overseas. We will expand the business with a focus on environment-friendly waterborne emulsions, solvent coating materials for automobiles and motorcycles, hard coats for LCDs, and adhesives for smartphones and tablet computers.

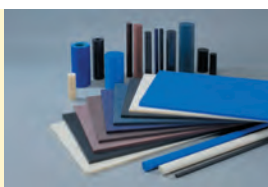
Engineering Plastics

Net sales in fiscal 2012

¥63.0 billion

Net sales target for fiscal 2015

¥80.0 billion



Accelerating expansion in Asia as the world's top manufacturer

As the world's top manufacturer of engineering plastics for cutting, we will further strengthen our production systems in Japan and the PRC as an initiative for development in Asia, in addition to production sites in Europe and North America.

Health Care Domain

Pharmaceuticals

Net sales in fiscal 2012

¥419.1 billion

Net sales target for fiscal 2015

¥500.0 billion



Aiming for sustainable growth with priority and new products toward fiscal 2015

We aim to increase product value substantially through nurturing the development of priority products including *Remicade* and new pharmaceuticals such as *Simponi* and *Tenelia* (life cycle management, etc.). We will also expand the list of new products that respond to unmet medical needs and have received global approvals.

Diagnostics and Support for New Pharmaceutical Development

Net sales in fiscal 2012

¥76.4 billion

Net sales target for fiscal 2015

¥90.0 billion



Building a solid foundation in Japan and promoting global operations

With regard to clinical testing and clinical trials, we will further strengthen our foundation in Japan through measures such as increasing the number of test items, establishing a new sales system, and providing new solutions. With regard to the businesses of diagnostics and support for new pharmaceutical development, which have been globalized, we will promote global operations such as accelerating global sales of *PATHFAST* (an in-vitro diagnostic device) and establishing a system for conducting contract research under the international joint clinical trial system.

Industrial Materials Domain

Coke

Net sales in fiscal 2012

¥170.0 billion

Net sales target for fiscal 2015

¥175.0 billion



World-leading coke production capacity

Coke is an essential material for blast furnace steel mills. Coke that is suitable for different uses is produced by blending several kinds of coal, which is then charged into a coke oven and carbonized (coking) at high temperature. We produce coke with one of the largest coke ovens in the world at Sakaide. This coke is used by steel mills throughout Japan as well as overseas.

High-performance Graphite

Net sales in fiscal 2012

¥14.1 billion

Net sales target for fiscal 2015

¥15.0 billion



Take advantage of superior quality to expand sales

Our needle coke is used as a primary material for high grade electrodes used in electric steel furnaces. In response to rising demand, we established a production and sales joint venture in South Korea with POSCO CHEMTECH Co., Ltd., in November 2012.

Performance Polymers

Net sales in fiscal 2012

¥40.2 billion

Net sales target for fiscal 2015

¥50.0 billion



Accelerating global operations to expand the business

In the performance polymers business, we offer thermoplastic elastomers, adhesive polymers, cross-linked polymers, vinyl chloride compounds, and other products for a wide range of applications in diverse markets, such as automobiles, medical care, construction materials, and food packaging materials. We have already established production and sales bases in North America, South America*, Europe, and Asia, and will expand our business bases further in a variety of regions around the world to accelerate global development.

* Production and sales are scheduled to begin in 2014.

Methyl Methacrylate and Polymethyl Methacrylate

Net sales in fiscal 2012

¥250.4 billion

Net sales target for fiscal 2015

¥300.0 billion



MMA chain business, No. 1 in the global market, further increasing its share

Methyl methacrylate (MMA) monomer is material for acrylic resin, which is the most transparent of all resins. There is steady demand for MMA monomer for applications in a wide range of fields, including optical applications and use as industrial materials. By taking advantage of our production technologies with overwhelming cost competitiveness, we will proceed with a plan to build a new plant in the Middle East, where the prices of materials are low. At the same time, we will ensure a stable supply to the global market with our global production system.

Growth Driver Businesses

Performance Products Domain

White LED Lighting and Materials

Net sales in fiscal 2012

¥10.7 billion

Net sales target for fiscal 2015

¥50.0 billion



Market leader in GaN substrates, phosphors, and sealants

To provide gallium nitride (GaN) substrates with outstanding quality at low cost, we are working toward mass producing the products by leveraging the vapor- and liquid-phase methods. We have already begun distributing samples, and plan to begin full-fledged mass production in the second half of 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.

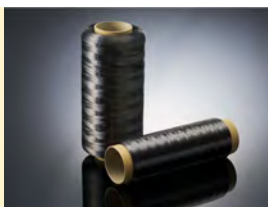
Carbon Fiber and Composite Materials

Net sales in fiscal 2012

¥35.5 billion

Net sales target for fiscal 2015

¥65.0 billion



Establishing value chains with competitive superiority through M&As and business alliances

We operate businesses for polyacrylonitrile (PAN)- and pitch-based carbon fibers, which differ from each other in terms of materials and product features. The PAN-based carbon fibers we offer a range from carbon fiber tows to intermediate materials and golf shafts as final products. We will promote business development with a focus on large-scale industrial applications, such as automobiles, wind turbines, and pressure vessels, which are future growth fields.

Water Treatment Systems and Services

Net sales in fiscal 2012

¥21.6 billion

Net sales target for fiscal 2015

¥65.0 billion



Further global expansion of advanced hollow-fiber membrane technologies

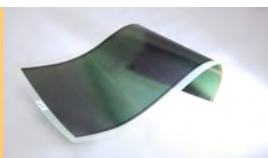
We lead the membrane water treatment industry with our proven hollow-fiber membrane technologies. In the large-scale wastewater treatment and water purification business, we will expand the wastewater treatment market that uses the membrane bioreactor (MBR) system as well as operation and maintenance (O&M) services for water reclamation plants primarily in Asia. In the water purifier business, we will continue offering the household water purifier *CLEANSUI* series globally as a solution to growing concerns over the safety and security of drinking water.

Organic Photovoltaic Modules and Materials

Net sales target for fiscal 2015

¥15.0 billion

For additional details, please see p. 17.



Lithium-ion Battery Materials

Net sales in fiscal 2012

¥13.9 billion

Net sales target for fiscal 2015

¥50.0 billion



The sole supplier providing all four core materials

We are the only supplier in the world that provides all four core materials (cathode material, anode material, electrolyte, and separator) of lithium-ion batteries (LiBs) for electric vehicles (EVs), hybrid electric vehicles (HEVs), and others. The Group will continue to provide optimal solutions for customers' increasingly sophisticated needs based on its comprehensive technologies, which range from material development to safety evaluation, and its global supply network.

Organic Photo-semiconductors

Net sales target for fiscal 2015

¥3.0 billion



Aiming for mass production using wet coating process

The best way to inexpensively mass produce organic light-emitting diode (OLED) lighting panels with large areas and uniform light-emitting surfaces with as few defects as possible is to manufacture them using a wet coating process. We have therefore been aiming to establish mass production technology through joint development efforts with Pioneer Corporation. In June 2013, we established a sales and marketing company through joint investment with Pioneer and integrated marketing functions. We are working toward full commercialization in 2014.

Advanced Performance Products (AQSOA and Others)

Net sales target for fiscal 2015

¥7.0 billion



New material contributing to energy conservation and exhaust gas purification

AQSOA is a next-generation, advanced performance product. It is our unique zeolitic water vapor adsorbent that absorbs and desorbs water vapor efficiently, even at low temperatures. We operate the business of this material for absorption chillers and desiccant air conditioners, which are able to use low-temperature exhaust heat from factories as well as solar heat. We will invest resources to expand its use for the selective catalytic reduction (SCR) catalyst that eliminates NOx contained in exhaust gas, thereby positioning it as a core business in the future.

Sustainable Resources

Net sales target for fiscal 2015

¥10.0 billion

For additional details, please see p. 21.



Industrial Materials Domain

Terephthalic Acid

Net sales in fiscal 2012

¥267.9 billion

Net sales target for fiscal 2015

¥300.0 billion



No. 3 share in the Asian market, with our four sites in India, Indonesia, the PRC, and South Korea

We are making our best effort to become more competitive by establishing world-class technologies that minimize energy costs and environmental impact, following the achievement of stable production at the No. 2 production facility in India. At the same time, we will maintain our current market share by deploying a market-driven partnership based on technology transfers in an emerging market and reduce dependence on market volatility through long-term cooperation with customers in each area where our plants are located.

Phenol and Polycarbonate Chain

Net sales in fiscal 2012

¥78.4 billion

Net sales target for fiscal 2015

¥80.0 billion



Expansion in Asia and new process development of polycarbonate

The new production facilities of Sinopec Mitsubishi Chemical Polycarbonate (Beijing) Co., Ltd., a bisphenol-A (BPA) and polycarbonate (PC) joint venture with China Petroleum & Chemical Corporation, have commenced commercial operation sequentially, with the first one having begun operating in May 2012. In Japan, we aim to become more profitable by cutting costs and expanding sales. As for the development of the non-phosgene PC process which is in the final phase, we will implement its practical application after completing development.

Polyolefins

Net sales in fiscal 2012

¥274.1 billion

Net sales target for fiscal 2015

¥360.0 billion



Largest share in the automobile market in Japan

With regard to polyolefins (polyethylene and polypropylene), we are working toward improving their performance and adding high value to them. We will expand the business by taking advantage of the growing global market, such as expanding sales of polypropylene compounds for automobiles, to serve as a global supplier of high-performance materials. We will also be active in increasing licensing agreements concerning the polypropylene HORIZONE process.

(These pages show representative businesses and products.)



3

Joint Implementation Approach

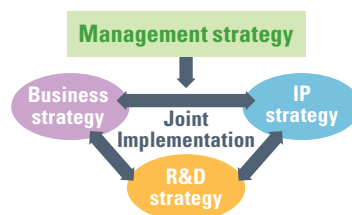
In regard to MOT (Management of Technology), which is one of the axes of *KAITEKI* Management, we pursue innovation that will contribute to the realization of *KAITEKI* through a joint implementation strategy, which consists of R&D, business, and intellectual property (IP) strategies.

Continued Growth Supported by R&D

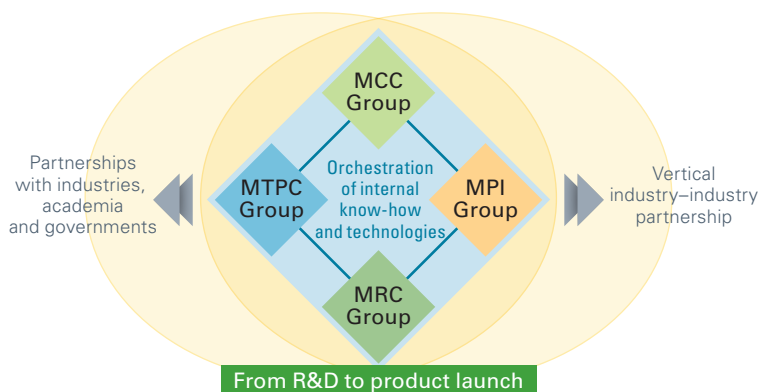
R&D is a principal of MOT, one of the three axes of *KAITEKI* Management. We continuously pursue innovation as it is the driving force behind the continued growth of the MCHC Group, and contributes to the realization of *KAITEKI*.

Basic R&D Policy

We aim to maximize *KAITEKI* Value, or MCHC corporate value, by focusing R&D targets on our three decision criteria for corporate activities, sustainability (Green), health, and comfort, and through our triple combination of R&D strategy with business strategy and intellectual property (IP) strategy. Based on our strengths of molecular design, function creation, further value addition, processing and device technologies, and an R&D system consisting of approximately 4,500 people across the Group, and leveraging partnerships with industries, universities and governments from a global perspective, we maintain a high level of competitiveness and are able to achieve quick results.



MCHC Group's open innovation



Basic IP Strategy

As globalization of the economy continues with markets expanding and becoming more complex, the MCHC Group believes that to realize synergies between each of its companies and achieve further growth, it is vital to increase the value of its patents, know-how, brands, and other accumulated intellectual capital, and leverage it strategically.

For this reason, we plan and implement IP strategy for each of our businesses, considering what kind of IP situation we want to realize in order to increase revenues and what kind of technologies that business should produce. When implementing IP strategy, we also work to ensure legal protection and the active use of IP, respecting the validity of third-party IP rights while taking appropriate measures in cases where our IP rights are infringed.



Performance in Fiscal 2012

Performance Products

- In June 2012, Mitsubishi Chemical achieved longer life and greater efficiency for organic light emitting diode (OLED) lighting using a wet process.
- In July 2012, Mitsubishi Rayon developed a space-saving, energy-efficient new hollow-fiber membrane, *Sterapore*, for purifying municipal and industrial wastewater by filtering and separating processed water and activated sludge.
- In September 2012, Mitsubishi Chemical made progress with the development of organic photovoltaic (OPV) modules, achieving a world record of 11.7% conversion efficiency for organic thin-film single cells.
- In October 2012, Mitsubishi Chemical developed tuning/dimming type OLED lighting panels with boosted brightness and power efficiency and launched sales through Mitsubishi Kagaku Media.
- In January 2013, Mitsubishi Plastics developed the world's longest industrial carbon roller, together with Sunray Koki K.K., which will make a great contribution to industrial efficiency on production lines for films, paper, and other products through its superior stable rotation capacities.
- In February 2013, Mitsubishi Plastics developed a zeolite catalyst for selective catalytic reduction (SCR) systems, which uses urea to chemically reduce and detoxify nitrogen oxide (NOx) contained in exhaust gases.

Health Care

- In June 2012, Mitsubishi Tanabe Pharma received manufacturing and sales approval in Japan for *Tenelia* to be used in the treatment of type-2 diabetes.
- In March 2013, manufacturing and sales approval in the United States was given for TA-7284, developed by Mitsubishi Tanabe Pharma and licensed to Janssen Pharmaceuticals, Inc., to be used in the treatment of type-2 diabetes.
- In January 2013, Mitsubishi Tanabe Pharma received manufacturing and sales approval in Europe for MCI-196 (*BindRen*) to be used in the treatment of hyperphosphatemia.
- In February 2013, Mitsubishi Chemical Medience developed a highly sensitive analytical method for detecting darbepoetin alfa in human urine by means of liquid chromatography-tandem mass spectrometry for doping control.

Industrial Materials

- In March 2013, Mitsubishi Chemical succeeded in making transparent continuous sheets of cellulose nanofibers in joint research with Oji Holdings Corporation, and decided to produce and start the supply of samples.

Quantitative Progress Management through MOT Indexes

As science and technology become more complicated and advanced, to achieve its goals in a steady and timely manner MCHC has implemented three indexes for the quantitative progress management of MOT: the R&D index, the IP index, and the Market index. These indexes will be trialed in fiscal 2013 on some research themes and from fiscal 2014 we plan to expand the themes in Growth Driver Businesses and Stable Businesses.

R&D Index Key Points

- Research progress compared with what was planned
- Completion rate of technologies compared with what was planned
- Quality of research site, based on such factors as researchers' credentials

IP Index Key Points

- Application rate for strategic patents compared with what was planned
- Acquisition rate of IP rights compared with what was planned
- Contribution to business results of cross-licensing

Market Index Key Points

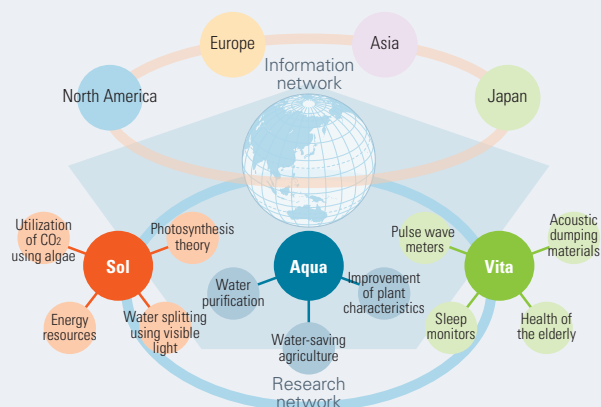
- Technological progress compared with customer demand
- Analysis of technological capabilities of competitors
- Contribution to business results of technologies

The KAITEKI Institute

Viewpoint: MOS & MOT

In order to tackle such global challenges as climate change, depletion of energy and resources, and food and water crises, and to realize *KAITEKI*, MCHC founded The KAITEKI Institute, Inc. (TKI), in April 2009, with the belief that it is crucial to have a long-term view of the future. TKI has four main missions—1) collect and analyze information pertaining to the future and identify major societal challenges that could represent opportunities for the MCHC Group in 2030 and beyond, 2) based on the findings, formulate future business concepts and plans for commercialization and propose them to the MCHC Group, 3) partner with experts around the world to promote cutting edge research for key technologies supporting the proposed businesses, and 4) communicate the message of *KAITEKI* to the world and pursue the realization of *KAITEKI* for all the earth's inhabitants.

The major difference between TKI and conventional corporate research institutes is that it does not have any research facilities itself, instead maintaining a worldwide network of front-line researchers and research organizations, pushing forward research via outsourcing and partnerships using this network. We have great expectations for the results from these global collaborations that expand the possibilities of research beyond its traditional framework.



Management of Sustainability

3

Three Indexes

The MCHC Group vigorously pursues sustainability, and as such has developed three Management of Sustainability (MOS) Indexes—Sustainability (Green), Health, and Comfort—the decision criteria for its corporate activities.

MOS (Management of Sustainability)

Toward the realization of *KAITEKI*, we have developed MOS Indexes in order to visualize MOS as we aim to improve sustainability for people, society, and the Earth and monitor progress and results.

MOS Indexes

MOS Indexes include elements based on the decision criteria for MCHC corporate activities—sustainability (green), health, and comfort—chosen for their importance to the Group as a whole and their contribution to sustainability. They cover such issues as reduction of environmental impact, sustainable use of resources, reduction of energy usage, promotion of good health, and contribution to more comfortable lives.

| | |
|--|---|
| Sustainability (Green) Index | S-1 Contribute to reducing environmental impact through products and services |
| | S-1-1 Reduce environmental impact by 30% from fiscal 2005 levels |
| | S-1-2 Generate reduction of CO ₂ emissions by 3.5 megatons through products |
| | S-2 Take actions against the depletion of natural resources and implement energy-saving initiatives |
| | S-2-1 Procure reusable materials equivalent to 10,000 t/y of heavy oil |
| | S-2-2 Reduce cumulative rare metal usage by 1,200 tons through improving processes and innovating products |
| | S-2-3 Generate resources and power savings of ¥8.8 billion |
| | S-2-4 Provide 900 million tons of reusable water through our products |
| | S-3 Contribute to solving social and environmental issues through supply chain management |
| | S-3-1 Achieve 80% of purchased items surveyed for toxic substances |
| 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 multiplied by the number of administered patients by 50% (compared with fiscal 2009) |
| | H-2 Contribute to improvements of QOL |
| | H-2 Increase contribution to QOL improvements by 70% (compared with fiscal 2009) |
| | H-3 Contribute to early detection and prevention of diseases |
| | H-3-1 Increase the index of vaccine treatment by 17% (compared with fiscal 2009) |
| H-3-2 Increase the number of people taking diagnostic tests by 26% (compared with fiscal 2009) | |
| Comfort Index | C-1 Deliver products (development and manufacturing) for comfortable lifestyle |
| | C-1-1 Increase sales of comfort-oriented products by ¥400 billion (compared with fiscal 2010) |
| | C-1-2 Increase the new product ratio from 16% to 30% |
| | C-2 Improve stakeholder satisfaction |
| | C-2-1 Improve third-party corporate assessments |
| | C-2-2 Improve employee-related indexes |
| | C-2-3 Conduct questionnaire and improve customer satisfaction |
| | C-3 Earn recognition of corporate trust |
| | C-3-1 Reduce safety accidents |
| | C-3-2 Reduce environmental accidents |
| | C-3-3 Reduce product claims |
| C-3-4 Reduce the lost time injuries frequency rate | |
| C-3-5 Confirm product safety according to GPS for 70% of products | |
| Objective to be achieved | Achieve zero occurrences of material accidents and compliance violations |

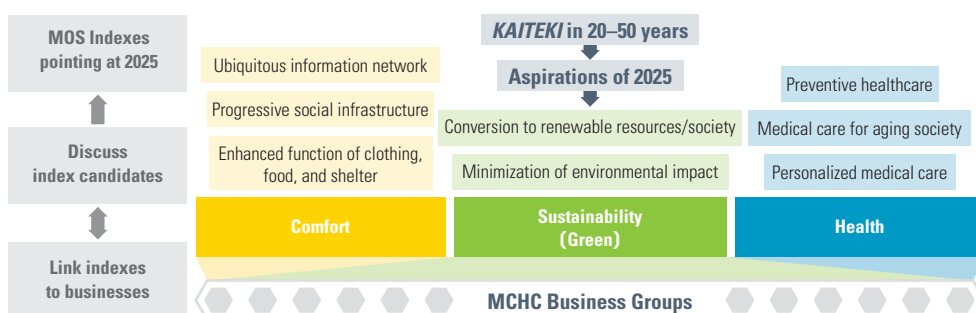
Developing the MOS Indexes

For the implementation of *KAITEKI* Management, it is necessary for us to have criteria for Management of Sustainability (MOS), aiming to improve sustainability for people, society, and the earth in addition to the existing management criteria for Management of Economics (MOE), which focuses on capital efficiency using financial indexes, and Management of Technology (MOT), which pursues the creation of innovation.

When creating the MOS Indexes, we started by identifying index candidates while considering how we could contribute to solving such environmental and social issues as climate change and an aging society. At the same time, we conducted a close survey of the Group's 69 business units and organized the results into a business group map.

Following that, we compared our index candidates against our operations and produced proposals. We extensively discussed what we should emphasize and ways of monitoring, incorporating external opinions into the discussion. We then gathered data for our proposed indexes, revising them based on repeated simulations before receiving approval for what are our current MOS Indexes at the MCHC Management Committee.

In our medium-term management plan, *APTSIS 15*, which started in April 2011 and will run until March 2016, these MOS Indexes were incorporated into management targets.

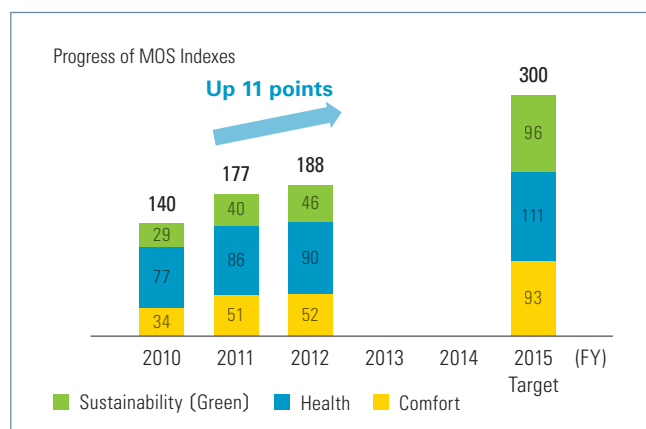


MOS Progress

In 2011, MCHC started its medium-term management plan, *APTSIS 15*, in which the MOS Indexes have been used as important management indexes to monitor progress with *KAITEKI* activities of the Group as a whole. In *APTSIS 15* Step 2 review, the MOS Indexes were revised and advanced. Specifically, some of the targets were adjusted to meet changes in the business environment and new items were added related to improving customer satisfaction and other issues, to better reflect social trends and stakeholder expectations. (For more details, please see "MOS Progress at a Glance" on pages 30–31.) We set our goal of achieving a total of 300 points—comprising 96 points for the Sustainability (Green) Index, 111 points for the Health Index, and 93 points for the Comfort Index—as a target for fiscal 2015 and a means of assessing progress. The results feed back into improvements of the next fiscal year's activities.

Since fiscal 2011 we have assessed each year's progress, publicly announcing the targets and the results as the total score. Although progress varied by index in fiscal 2012, we reached a total score of 188. This shows that the Group is making steady progress.

We continue to work towards our fiscal 2015 goal and the realization of *KAITEKI*.



MOS Progress at a Glance

| MOS Indexes by Type | | PLAN | | Do | | |
|--|---|--|--|---|--|---|
| | | Fiscal 2015 targets (original) | | Results and major activities for fiscal 2012 | | |
| Objective to be achieved | | Achieve zero occurrences of material accidents and compliance violations | | No material accidents or compliance violations | | |
| Sustainability (Green) Index | S-1 Contribute to reducing environmental impact through products and services | S-1-1 | Reduce environmental impact by 30% from fiscal 2005 levels | 27% reduction | <ul style="list-style-type: none"> Reduced CO₂ emissions due to process optimization and various energy-saving initiatives Reduced substances of concern emissions including VOC emissions through implementation of environmental countermeasures Significant worsening of CO₂ emission coefficient in purchased power | |
| | | S-1-2 | Generate reduction of CO ₂ emissions by 4 megatons through products | 0.28-megaton reduction | <ul style="list-style-type: none"> Expanded sales of fluorescent materials for LEDs Delay in growth of demand for materials for automobile batteries and stagnant demand for materials for wind power generation in Europe and the United States | |
| | S-2 Take actions against the depletion of natural resources and implement energy-saving initiatives | S-2-1 | Procure reusable materials equivalent to 6,000 t/y of heavy oil | Equivalent to 150 tons of heavy oil | <ul style="list-style-type: none"> Slowing sales expansion of existing bio-based plastic products | |
| | | S-2-2 | Reduce cumulative rare metal usage by 800 tons through improving processes and innovating products | 170-ton reduction | <ul style="list-style-type: none"> Expanded sales of battery materials with reduced cobalt content Discontinued fluorescent materials with high rare earth metal content Implemented recycling of rare earth metal catalysts when plants undergo periodic maintenance | |
| | | S-2-3 | Generate resources and power savings of ¥13 billion | ¥6.2 billion equivalent | <ul style="list-style-type: none"> Improved unit consumption by increasing yield ratio Reduced resource usage through process rationalization Introduced energy-saving equipment and facilities | |
| | | S-2-4 | — | — | — | |
| | S-3 Contribute to solving social and environmental issues through supply chain management | S-3-1 | Achieve 80% of purchased items surveyed for toxic substances | 73% surveyed | <ul style="list-style-type: none"> Carried out surveys to determine whether or not toxic substances are included (constructed and implemented survey systems, managed operations based on proprietary green procurement survey system, and performed other activities) | |
| | | S-3-2 | Achieve 90% purchasing of raw materials and packaging according to CSR guidelines | 87% rate | <ul style="list-style-type: none"> Requested cooperation of all departments and suppliers | |
| | Health Index | H-1 Contribute to medical treatment | H-1 | Increase the index performance derived by the degree of difficulty to treat diseases multiplied by the number of administered patients by 30% (compared with fiscal 2009) | 11% increase | <ul style="list-style-type: none"> Popularization of Crohn's disease and RA treatment agent <i>Remicade</i> and RA treatment agent <i>Simponi</i> in Japan and MS treatment agent <i>Gilenya</i> in Europe and the United States |
| | | H-2 Contribute to improvements of QOL | H-2 | Increase contribution to QOL improvements by 64% (compared with fiscal 2009) | 61% increase | <ul style="list-style-type: none"> Launched new diabetes treatment agent <i>Tenelia</i> and had additional indications and formations approved for existing products |
| H-3 Contribute to early detection and prevention of diseases | | H-3-1 | Increase the index of vaccine treatment by 40% (compared with fiscal 2009) | 49% increase | <ul style="list-style-type: none"> Launched 4-in-1 vaccine <i>Tetrabik</i> | |
| | H-3-2 | Increase the number of people taking diagnostic tests by 17% (compared with fiscal 2009) | 5% increase | <ul style="list-style-type: none"> Expanded sales through marketing activities | | |
| Comfort Index | C-1 Deliver products (development and manufacturing) for comfortable lifestyle | C-1-1 | Increase sales of comfort-oriented products by ¥600 billion (compared with fiscal 2010) | ¥6.8 billion increase (year on year) | <ul style="list-style-type: none"> Expanded sales of food ingredients, specialty chemicals, and film for flat panel displays Popularization of OD tablets <i>Talion</i> and <i>Ceredist</i> Reduced sales due to business slowdown mainly in Europe and yen appreciation | |
| | | C-1-2 | Increase the new product ratio from 16% to 35% | New product ratio of 22% | <ul style="list-style-type: none"> Expanded sales of films for touch panels Launched <i>Tenelia</i> and growth of <i>Gilenya</i> | |
| | C-2 Improve stakeholder satisfaction | C-2-1 | Improve third-party corporate assessments | Identified necessary policies and activities to improve assessment based on gap analysis of responses to external questionnaires | | |
| | | C-2-2 | Improve employee-related indexes | <ul style="list-style-type: none"> Conducted employee survey Implemented policies to encourage diversification of workforce and realize work-life balance Implemented policies supporting personal development and social contribution | | |
| | | C-2-3 | — | — | — | |
| | C-3 Earn recognition of corporate trust | C-3-1 | Reduce safety accidents | 21% reduction (compared with base year*) | <ul style="list-style-type: none"> Implemented Responsible Care activities Implemented key measures against the deterioration of facilities | |
| | | C-3-2 | Reduce environmental accidents | 83% reduction (compared with base year*) | <ul style="list-style-type: none"> Bolstered prevention through enhanced risk management Made drastic improvements in sites where environmental accidents occurred | |
| | | C-3-3 | Reduce product claims | 40% reduction (compared with base year*) | <ul style="list-style-type: none"> Analyzed causes of claims that were made, and implemented corrective measures and activities including audits and training to prevent reoccurrence | |
| | | C-3-4 | Reduce the lost time injuries frequency rate | 29% reduction (compared with base year*) | <ul style="list-style-type: none"> Established culture of safety built on Sengen Shugi, a way of thinking where problems are solved through understanding of real situations based on observation of what happens on site, rather than through abstract theory Bolstered 4M (man, machine, material, method) change management | |
| | | C-3-5 | Confirm product safety according to GPS for 70% of products | Confirmed for 41% | <ul style="list-style-type: none"> Completed second year of five-year plan according to schedule | |

* For each company, the year with the most accidents from fiscal 2008, 2009, and 2010 has been taken as the base year.

Based on progress targets for fiscal 2012 on the way to original fiscal 2015 targets



Achieved good results



Progress was a little slow and more active engagement is necessary



Progress was very slow and a review of activities is necessary

| Check | Action | PLAN |
|-----------------|--|---|
| Self-Assessment | Activity plans for fiscal 2013 | Fiscal 2015 Step 2 Targets |
| | <ul style="list-style-type: none"> Refine activities and continue to have no material accidents or violations | Achieve zero occurrences of material accidents and compliance violations |
| | <ul style="list-style-type: none"> Reduce CO₂ emissions through process optimization and various energy-saving initiatives (including saving power through replacement of refrigerators and visualization of CO₂ reduction) Reduce substances of concern emissions including VOC emissions through implementation of environmental countermeasures | S-1-1 Reduce environmental impact by 30% from fiscal 2005 levels |
| | <ul style="list-style-type: none"> Implement sales plans for products that reduce CO₂ emissions, including LED materials and materials for automobile batteries, photovoltaic modules, wind turbine generators, and flat panel displays to meet fiscal 2015 Step 2 targets | S-1-2 Generate reduction of CO ₂ emissions by 3.5 megatons through products |
| | <ul style="list-style-type: none"> Expand applications for <i>DURABIO</i>, leveraging its optical properties and weather and impact resistance Expand applications for polybutylene succinate (PBS) made from bio-succinic acid Expand applications for polylactide film sheet <i>ECOLOJU</i> and shrinkwrap <i>PLABIO</i>, leveraging their low environmental impact | S-2-1 Procure reusable materials equivalent to 10,000 t/y of heavy oil |
| | <ul style="list-style-type: none"> Expand application of low-cobalt battery materials to automobile batteries Expand implementation of recycling processes for rare earth metal catalysts | S-2-2 Reduce cumulative rare metal usage by 1,200 tons through improving processes and innovating products |
| | <ul style="list-style-type: none"> Improve unit consumption by increasing yield ratio Reduce resource usage through process rationalization Introduce energy-saving equipment and facilities | S-2-3 Generate resources and power savings of ¥8.8 billion |
| — | <ul style="list-style-type: none"> Expand industrial wastewater business treatment mainly in China | S-2-4 Provide 900 million tons of reusable water through our products |
| | <ul style="list-style-type: none"> Carry out surveys to determine whether or not toxic substances are included (activities including improving survey response through new format) Increase implementation rate of surveys | S-3-1 Achieve 80% of purchased items surveyed for toxic substances |
| | <ul style="list-style-type: none"> Increase CSR guideline-based procurement Implement supplier questionnaire feedback | S-3-2 Achieve 90% purchasing of raw materials and packaging according to CSR guidelines |
| | <ul style="list-style-type: none"> Popularize <i>Remicade</i>, <i>Simponi</i> and new products | H-1 Increase the index performance derived by the degree of difficulty to treat diseases multiplied by the number of administered patients by 50% (compared with fiscal 2009) |
| | <ul style="list-style-type: none"> Launch <i>BindRen</i> hyperphosphatemia treatment agent in Germany and Austria | H-2 Increase contribution to QOL improvements by 70% (compared with fiscal 2009) |
| | <ul style="list-style-type: none"> Popularize <i>Tetrabik</i> | H-3-1 Increase the index of vaccine treatment by 17% (compared with fiscal 2009) |
| | <ul style="list-style-type: none"> Continue to focus on marketing activities | H-3-2 Increase the number of people taking diagnostic tests by 26% (compared with fiscal 2009) |
| | <ul style="list-style-type: none"> Expand sales to meet fiscal 2015 Step 2 targets for the following products (including LED materials, food ingredients, specialty chemicals, engineering plastic products, films for flat panel displays, OD tablets, pre-filled syringes, and other products) | C-1-1 Increase sales of comfort-oriented products by ¥400 billion (compared with fiscal 2010) |
| | <ul style="list-style-type: none"> Expand timely sales of new products Develop new products based on customer needs Rapidly commercialize Growth Driver Business areas | C-1-2 Increase the new product ratio from 16% to 30% |
| | <ul style="list-style-type: none"> Progressively implement measures and activities deemed necessary from assessments | C-2-1 Improve third-party corporate assessments |
| — | <ul style="list-style-type: none"> Carry out employee survey and apply results to operations Carry out activities to promote diversity and realize work-life balance Encourage use of systems supporting personal development and social contribution activities | C-2-2 Improve employee-related indexes |
| — | <ul style="list-style-type: none"> Conduct customer satisfaction survey Consider customer satisfaction indexes and targets | C-2-3 Conduct questionnaire and improve customer satisfaction |
| | <ul style="list-style-type: none"> Implement Responsible Care activities Reinforce comprehensive checks of facilities and change management | C-3-1 Reduce safety accidents |
| | <ul style="list-style-type: none"> Bolster prevention through enhanced risk management Bolster prevention through sharing of case studies throughout the Group Make drastic improvements in sites where environmental accidents have occurred | C-3-2 Reduce environmental accidents |
| | <ul style="list-style-type: none"> Analyze causes of claims that were made, and implement corrective measures and activities to prevent reoccurrence Enhance quality control training | C-3-3 Reduce product claims |
| | <ul style="list-style-type: none"> Promote safety activities by increasing sensitivity of all employees and organizational capability Establish culture of safety built on Sengen Shugi, a way of thinking where problems are solved through understanding of real situations based on observation of what happens on site, rather than through abstract theory Bolster 4M (man, machine, material, method) change management | C-3-4 Reduce the lost time injuries frequency rate |
| | <ul style="list-style-type: none"> Ensure safety of products based on five-year plan | C-3-5 Confirm product safety according to GPS for 70% of products |

Corporate Governance

Basic Approach to Corporate Governance

The MCHC Group maintains a holding company system that segregates portfolio and operational management. Under the leadership of MCHC as the holding company, the MCHC Group conducts business activities in the three business domains of Performance Products, Health Care, and Industrial Materials with Mitsubishi Chemical, Mitsubishi Tanabe Pharma, Mitsubishi Plastics, and Mitsubishi Rayon, serving as its four core operating companies. In addition, with a view to making the healthcare solutions business grow as a new business group next to the core operating companies, MCHC has established MHCS Corporation and MHCL LLC and is handling the operations and management of this business.

MCHC, as the holding company, is responsible for forming Group-wide strategies, optimally allocating management resources, supervising business management, and taking other initiatives, although it has established shared services companies and has assigned part of the functional responsibilities to them. Specifically, in addition to continuing to integrate its financing and administrative functions, in step with the MCHC Group's global business expansion, MCHC strives to drive home the significance of compliance and risk management overseas and has established regional headquarters representing the Group in North America, the PRC, and Europe. Furthermore, MCHC is pushing ahead with phased consolidation of common corporate functions at Mitsubishi Chemical, Mitsubishi Plastics, and Mitsubishi Rayon, and is working to develop a management structure that includes shared services companies.

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 with the aim of further increasing corporate value.

Corporate Structures

MCHC's basic management and administrative structures are the Board of Directors, the Management Committee, statutory auditors, and the Board of Corporate Auditors.

As the Board of Directors is comprised of members familiar with the Group's diverse businesses chosen from entities with different corporate cultures, a variety of opinions and viewpoints are expressed at Board of Directors' meetings and reflected in management decisions. At the June 2013 General Meeting of Shareholders, an external director was appointed to bring a wider range of opinions to bear on management decisions and to further strengthen management oversight. The health and transparency of the management structure is maintained and enhanced by the tight cooperation among statutory auditors, accounting auditors, the Internal Audit Office, and the Internal Control Office and by a bolstered auditing structure with three external auditors, all of whom MCHC appointed as independent officers.

We have adopted an executive officer system to separate management and execution and we maintain rules governing the Board of Directors and other decision-making organs as well as such areas as the authority of individual employee positions and departmental responsibilities to ensure decision making about management matters and subsequent implementation of policy is appropriate and efficient.

Board of Directors

The Board of Directors, in conformity with the regulations of the Board of Directors and other relevant rules and regulations, makes decisions on important MCHC and Group management matters and oversees the activities of directors. In principle, the Board meets once per month. The Group's Articles of Incorporation limit the number of Board members to 10. There were eight members as of the end of June 2013, including two concurrently serving as executive officers and one external director. In order to ensure appropriate decision making and fair oversight by the Board of Directors, MCHC chooses external directors for their abundant experience of corporate management, high level of specialist knowledge concerning science, technology, or social and economic conditions, and their considerable insight. Furthermore, it is also considered whether, in the light of his or her career to date, a candidate can make decisions from a fair and neutral standpoint with no conflict of interest with shareholders.

The Group's new external director has extensive experience as a university professor in business administration with great insight into the subject. He attends Board of Directors' meetings, receives regular reports on the provision and implementation of internal control systems including the state of compliance and the results of internal audits, receives reports and explanations from operating divisions, statutory auditors, and accounting auditors as necessary, and oversees Group management from a specialist perspective. He has no special interest in MCHC.

Directors serve for one year to ensure that management is flexible and that director responsibilities and roles are clear.

Management Committee

The Management Committee assists the President in decision making, and its discussion of important matters concerning the management of MCHC and the Group forms the basis for the President's decisions.

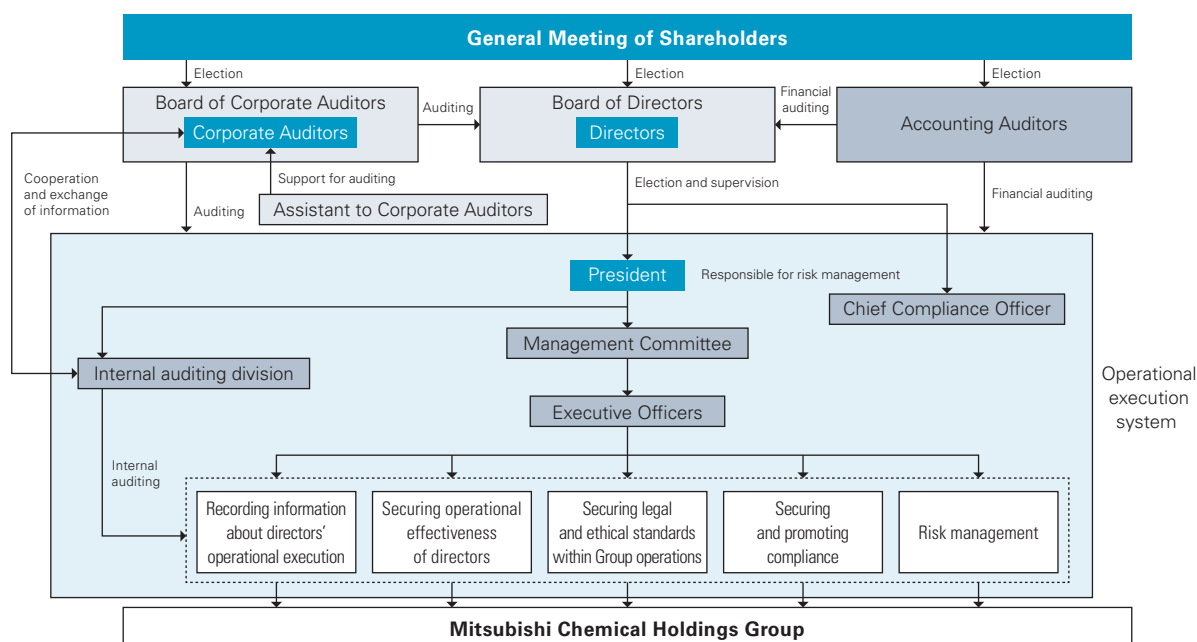
The Committee deliberates on such matters as management policies and plans as well as the commencement, adjustment, and abrogation of or cooperation concerning systems, rules, budgeting and accounts settlement, allocation of resources, capital investment, investment and financing, and operations. It also discusses compliance, risk management, safety and environmental measures, human rights education, social contributions, and other aspects of CSR.

The Committee usually gathers once a month. The President, executive officers, and executive representatives of core operating companies attend the meetings. Corporate Auditors also attend as occasion demands.

Statutory Auditors and Board of Corporate Auditors

Statutory auditors and the Board of Corporate Auditors audit MCHC. In principle, the Board of Corporate Auditors meets once monthly. As of the end of June 2013, this body had five statutory auditors, of whom three were external. To ensure fair and effective auditing and maintain a healthy management structure, external auditors are chosen from a person of high views, who has high level of specialist knowledge concerning finance and accounting or compliance issues. Furthermore, it is also considered whether, in the light of his or her career to date, a candidate can make decisions from a fair and neutral standpoint with no conflict of interest with shareholders. The present auditing system is reinforced by

Corporate Governance System (as of April 1, 2013)



the selection as external auditors of a finance and accounting specialist and a specialist with extensive knowledge of compliance issues among the external auditors. External auditors attend meetings of the Board of Directors, receive regular reports on the provision and implementation of internal control systems including the state of compliance and the results of internal audits, and conduct fair and effective audits through information exchange with the Internal Audit Office, which conducts internal audits, and accounting auditors. External auditors have no special interest in MCHC.

Remuneration of Directors and Statutory Auditors

Remuneration for directors comprises a monthly salary based on position as well as stock options which are determined by such factors as MCHC's performance in the previous fiscal year and the director's performance of duties and degree of contribution within MCHC. Remuneration for auditors also comprises a monthly salary based on whether they are full time or not.

Remuneration paid to directors and statutory auditors by MCHC in fiscal 2012 was as follows.

| | Number of people | Payments (Millions of yen) |
|--------------------|------------------|----------------------------|
| Directors | 11 | 232 |
| Statutory auditors | 6 | 114 |

Internal Control Systems and Risk Management Systems

At the end of each fiscal year, the Board of Directors verifies the status of development and operation of internal control and risk management systems, performing a review as necessary, to bolster internal control and risk management systems.

* Please see securities reports (in Japanese only) for MCHC's basic policy regarding internal control systems.

Compliance

The MCHC Group treats the Group Charter of Corporate Behavior and the Group Compliance Code of Conduct as the basic codes on compliance matters.

Management has developed a promoting framework for compliance, training and education programs, audit/monitoring systems, hotlines, and other compliance promotion programs of the MCHC Group in accordance with Group Compliance Promotion Regulations and other relevant rules and regulations, and properly operates and manages these programs by appointing an executive officer in charge of compliance promotion (Chief Compliance Officer).

Risk Management

We have implemented a risk management system to tackle the risks inherent in business issues, which the President oversees, ensuring appropriate operation and running of this system. In accordance with the MCHC Group Risk Management Basic Policy and other relevant rules and regulations, the President is responsible for preventing serious risks from manifesting themselves in connection with or arising from MCHC Group business activities, and for minimizing damage if any risk manifests itself.

Internal and Accounts Audits

The Internal Audit Office, which has eight 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 General Manager of the Internal Audit Office being present at audits or attending Board of Corporate 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.

Board of Directors, Corporate Auditors, and Executive Officers

As of August 1, 2013



(Seated from left) Yoshimitsu Kobayashi, Shotaro Yoshimura

(Standing from left) Hitoshi Ochi, Michihiro Tsuchiya, Noboru Tsuda, Hiroaki Ishizuka, Takumi Ubagai, Takeo Kikkawa

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)*

Noboru Tsuda

Senior Managing Executive Officer
Chief Compliance Officer
*Supervising - Corporate Strategy
Office; Public Relations and
Investor Relations Office (PR);
Administration Office; Internal
Control Office*

Hiroaki Ishizuka

Michihiro Tsuchiya

Takumi Ubagai

Hitoshi Ochi

Takeo Kikkawa*1

*1 Outside Member of the Board

Corporate Auditors

Akira Nakata

(Full-time)

Kazuchika Yamaguchi

(Full-time)

Takashi Nishida*2

(Full-time)

Rokuro Tsuruta*2

(Attorney-at-law)

Toshio Mizushima*2

(Certified public accountant)

*2 Outside Corporate Auditor

Managing Executive Officers

Noriyoshi Ohira

General Manager,
Human Resources Office

Masanori Karatsu

Executive Officers

Hisao Urata

Masahiro Osada

General Manager,
Corporate Management Office

Seiichi Kiso

General Manager,
Healthcare Solutions Office

Taku Segawa

Chief Representative in China

Ryoji Tanaka

General Manager,
Corporate Strategy Office

Kazuyuki Futamata

General Manager, CEO 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 |
|---|-------------------|------------|------------|------------|------------|------------|------------------------------|
| | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2013 |
| For the Year: | | | | | | | |
| Net sales | ¥3,088,577 | ¥3,208,168 | ¥3,166,771 | ¥2,515,079 | ¥2,909,030 | ¥2,929,810 | \$32,857,202 |
| Operating income | 90,241 | 130,579 | 226,493 | 66,342 | 8,178 | 125,046 | 960,011 |
| Income (loss) before income taxes and minority interests in consolidated subsidiaries | 82,900 | 127,474 | 169,552 | 43,311 | (44,002) | 217,791 | 881,915 |
| Net income (loss) | 18,596 | 35,486 | 83,581 | 12,833 | (67,178) | 164,064 | 197,830 |
| Total comprehensive income | 94,900 | 64,199 | 86,742 | 37,513 | — | — | 1,009,574 |
| Capital expenditures | 132,221 | 116,145 | 117,806 | 119,025 | 139,011 | 170,051 | 1,406,606 |
| Depreciation and amortization | 129,549 | 145,695 | 148,697 | 129,574 | 119,230 | 102,172 | 1,378,181 |
| R&D expenditures | 134,723 | 138,545 | 130,825 | 136,863 | 127,802 | 112,064 | 1,433,223 |
| Net cash provided by operating activities | 206,504 | 217,954 | 288,853 | 116,073 | 76,149 | 156,173 | 2,196,851 |
| Net cash used in investing activities | (169,758) | (63,404) | (101,064) | (327,006) | (189,233) | (177,985) | (1,805,936) |
| Net cash provided by (used in) financing activities | (26,250) | (164,146) | (149,493) | 94,437 | 179,526 | 70,871 | (279,255) |
| At Year-End: | | | | | | | |
| Total assets | 3,307,758 | 3,173,970 | 3,294,014 | 3,355,097 | 2,740,876 | 2,765,837 | 35,188,915 |
| Property, plant and equipment | 1,061,551 | 1,032,738 | 1,088,369 | 1,167,073 | 834,046 | 852,806 | 11,293,096 |
| Short-term and long-term debt | 1,198,799 | 1,164,128 | 1,304,589 | 1,454,126 | 1,033,239 | 822,520 | 12,753,181 |
| Total net assets | 1,203,316 | 1,144,954 | 1,114,003 | 1,032,865 | 940,114 | 1,095,927 | 12,801,234 |
| | Yen | | | | | | U.S. dollars |
| Per Share: | | | | | | | |
| Net income (loss)—Basic | ¥ 12.61 | ¥ 24.06 | ¥ 58.72 | ¥ 9.32 | ¥ (48.81) | ¥119.51 | \$0.13 |
| Net assets | 553.54 | 522.77 | 514.30 | 490.99 | 486.09 | 601.45 | 5.89 |
| Cash dividends | 12.00 | 10.00 | 10.00 | 8.00 | 12.00 | 16.00 | 0.13 |
| Ratios: | | | | | | | |
| Return on assets (ROA) (%) | 2.6 | 3.9 | 5.1 | 1.4 | (1.5) | 8.5 | — |
| Return on equity (ROE) (%) | 2.3 | 4.6 | 11.6 | 1.9 | (8.9) | 21.3 | — |
| Shareholders' equity ratio (%) | 24.6 | 24.2 | 23.0 | 20.0 | 24.4 | 29.9 | — |

- Notes: 1. U.S. dollar amounts are converted from yen, for convenience only, at the rate of ¥94 = U.S.\$1.00, the approximate exchange rate prevailing on March 29, 2013.
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 19 (Segment Information).

| REPORTING SEGMENT | Net Sales* | | | Segment Earnings | | |
|--------------------------|-----------------|------------|---------------------------|------------------|-----------|---------------------------|
| | Millions of yen | | Thousands of U.S. dollars | Millions of yen | | Thousands of U.S. dollars |
| | 2013 | 2012 | 2013 | 2013 | 2012 | 2013 |
| Electronics Applications | ¥118,194 | ¥ 133,774 | \$ 1,257,383 | ¥(5,071) | ¥ (5,335) | \$ (53,947) |
| Designed Materials | 689,739 | 699,883 | 7,337,649 | 22,521 | 25,628 | 239,585 |
| Health Care | 514,379 | 502,480 | 5,472,117 | 74,941 | 76,360 | 797,245 |
| Chemicals | 903,637 | 1,007,495 | 9,613,160 | (230) | 14,853 | (2,447) |
| Polymers | 675,676 | 658,650 | 7,188,043 | 111 | 23,795 | 1,181 |
| Others | 186,952 | 205,886 | 1,988,851 | 6,491 | 6,120 | 69,053 |
| Subtotal | 3,088,577 | 3,208,168 | 32,857,202 | 98,763 | 141,421 | 1,050,670 |
| Corporate costs | — | — | — | (8,522) | (10,842) | (90,660) |
| Total | ¥3,088,577 | ¥3,208,168 | \$32,857,202 | ¥90,241 | ¥130,579 | \$ 960,011 |

* Inter-segment sales and transfers are not included.

| REPORTING SEGMENT | Segment Assets | | | Depreciation and Amortization | | |
|-----------------------------------|-----------------|------------|---------------------------|-------------------------------|----------|---------------------------|
| | Millions of yen | | Thousands of U.S. dollars | Millions of yen | | Thousands of U.S. dollars |
| | 2013 | 2012 | 2013 | 2013 | 2012 | 2013 |
| Electronics Applications | ¥ 117,618 | ¥ 123,432 | \$ 1,251,255 | ¥ 6,345 | ¥ 7,919 | \$ 67,500 |
| Designed Materials | 746,981 | 749,585 | 7,946,606 | 44,702 | 48,269 | 475,553 |
| Health Care | 971,618 | 852,274 | 10,336,362 | 14,288 | 17,978 | 152,000 |
| Chemicals | 669,043 | 656,021 | 7,117,479 | 27,930 | 32,947 | 297,128 |
| Polymers | 715,731 | 687,767 | 7,614,160 | 30,661 | 32,029 | 326,181 |
| Others | 516,196 | 295,760 | 5,491,447 | 3,419 | 3,796 | 36,372 |
| Subtotal | 3,737,187 | 3,364,839 | 39,757,309 | 127,345 | 142,938 | 1,354,734 |
| Corporate assets and eliminations | (429,429) | (190,869) | (4,568,394) | 2,204 | 2,757 | 23,447 |
| Total | ¥ 3,307,758 | ¥3,173,970 | \$35,188,915 | ¥129,549 | ¥145,695 | \$ 1,378,181 |

| REPORTING SEGMENT | 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 |
| | 2013 | 2012 | 2013 | 2013 | 2012 | 2013 |
| Electronics Applications | ¥ 6,011 | ¥ 6,177 | \$ 63,947 | ¥ 8,977 | ¥ 9,769 | \$ 95,500 |
| Designed Materials | 56,302 | 47,464 | 598,957 | 24,473 | 22,541 | 260,351 |
| Health Care | 15,532 | 11,811 | 165,234 | 76,516 | 78,668 | 814,000 |
| Chemicals | 20,458 | 24,523 | 217,638 | 5,038 | 5,381 | 53,596 |
| Polymers | 24,185 | 18,060 | 257,287 | 14,307 | 15,104 | 152,202 |
| Others | 3,891 | 4,589 | 41,394 | 611 | 508 | 6,500 |
| Subtotal | 126,379 | 112,624 | 1,344,457 | 129,922 | 131,971 | 1,382,149 |
| Corporate R&D and other | 5,842 | 3,521 | 62,149 | 4,801 | 6,574 | 51,074 |
| Total | ¥132,221 | ¥116,145 | \$1,406,606 | ¥134,723 | ¥138,545 | \$ 1,433,223 |

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

| REPORTING SEGMENT | Employees | |
|--------------------------|-----------|--------|
| | Number | |
| | 2013 | 2012 |
| Electronics Applications | 3,118 | 3,245 |
| Designed Materials | 15,281 | 14,394 |
| Health Care | 13,563 | 12,860 |
| Chemicals | 5,039 | 5,178 |
| Polymers | 7,478 | 7,369 |
| Others | 9,771 | 9,988 |
| Subtotal | 54,250 | 53,034 |
| Corporate R&D and other | 881 | 945 |
| Total | 55,131 | 53,979 |

Net Sales

| GEOGRAPHIC SEGMENT | Millions of yen | | Thousands of U.S. dollars |
|--------------------|-------------------|------------|---------------------------|
| | 2013 | 2012 | 2013 |
| Japan | ¥2,320,525 | ¥2,352,525 | \$24,686,436 |
| Overseas | 768,052 | 855,643 | 8,170,766 |
| Total | ¥3,088,577 | ¥3,208,168 | \$32,857,202 |

Operating Income

| GEOGRAPHIC SEGMENT | Millions of yen | | Thousands of U.S. dollars |
|--------------------|-----------------|----------|---------------------------|
| | 2013 | 2012 | 2013 |
| Japan | ¥78,819 | ¥ 72,600 | \$838,500 |
| Overseas | 11,422 | 57,979 | 121,511 |
| Total | ¥90,241 | ¥130,579 | \$960,011 |

Thousands of
U.S. dollars

| OVERSEAS SALES | Millions of yen | | Thousands of U.S. dollars |
|--|-------------------|------------|---------------------------|
| | 2013 | 2012 | 2013 |
| Overseas sales | ¥1,107,579 | ¥1,184,421 | \$11,782,755 |
| Overseas sales as a percentage of consolidated net sales | 35.9% | 36.9% | — |

Management's Discussion and Analysis

The Consolidated Accounting Period under Review

Performance Overview

In fiscal 2012, ended March 31, 2013, the Japanese economy showed signs of improvement against a backdrop of reconstruction demand from the Great East Japan Earthquake and the effects of monetary policy. Overall, however, exports were sluggish due to a slowdown in the global economy, and as a result of this and other factors, a full-scale recovery was not reached.

The Mitsubishi Chemical Holdings Group faced a difficult business environment in fiscal 2012. Demand in PRC and other overseas markets was sluggish due to the global economic slowdown and the appreciation of the yen, which continued nearly to the end of the third quarter. These factors created especially difficult conditions for the Performance Products domain (Electronics Applications Segment and Designed Materials Segment) and the Industrial Materials domain (Chemicals Segment and Polymers Segment). On the other hand, despite the unfavorable impact of National Health Insurance (NHI) drug price revisions in April 2012 and the influence of the expansion of the generic drug market, steady demand had a favorable effect on the Health Care domain (Health Care Segment).

In the fiscal year under review, the Group worked to reinforce its comprehensive strengths in accordance with APT/SIS 15, its five-year medium-term management plan. For example, we took steps to advance the formulation and execution of Groupwide strategies in five business areas that extend across organizational boundaries — healthcare solutions, polymer processing and information & electronics, water treatment systems and services, carbon fiber and composite materials, and specialty chemicals. Specifically, we appointed the presidents of the core operating companies as mission coordinators. In this way, we accelerated the process of developing overall Group synergies. Further, in a rapidly changing business environment, we took steps to accelerate business restructuring, such as liquidating or withdrawing from unprofitable operations. Moreover, the entire Group worked to implement a range of policies to improve profits, such as rigorously reducing costs, reevaluating capital expenditures, and implementing asset reductions.

As a result of these factors, the Group's net sales for the fiscal year under review decreased by ¥119.5 billion, or 3.7% compared to previous year, to ¥3,088.5 billion. This decline was principally attributable to sluggish demand in the Performance Products and Industrial Materials domains. Operating income declined by ¥40.3 billion, or 30.9%, to ¥90.2 billion. Net income was down by ¥16.8 billion, or 47.6%, to ¥18.5 billion. These declines were primarily attributable to a significant reduction in the difference between the prices of raw materials and the prices of finished products in the Industrial Materials domain.

Results of Operations

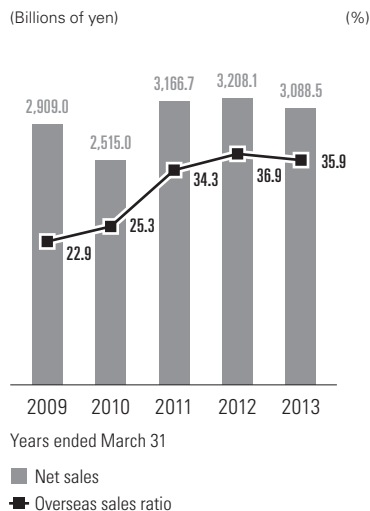
Net Sales and Operating Income

Net sales decreased ¥119.5 billion, or 3.7% compared to previous year, to ¥3,088.5 billion, as the Performance Products and Industrial Materials domains faced weak demand.

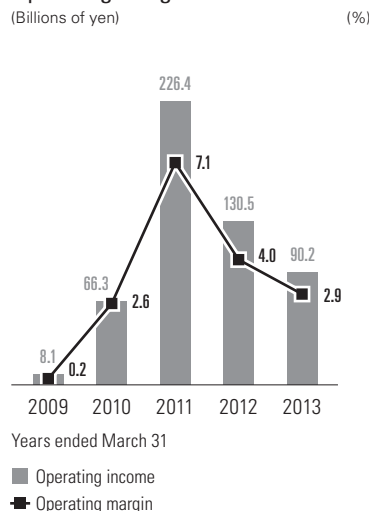
In the Industrial Materials domain, there was a significant reduction in the difference between the prices of raw materials and the prices of finished products. Due primarily to this factor, operating income declined by ¥40.3 billion, or 30.9%, to ¥90.2 billion.

The operating margin was 2.9%, down from 4.0% a year earlier.

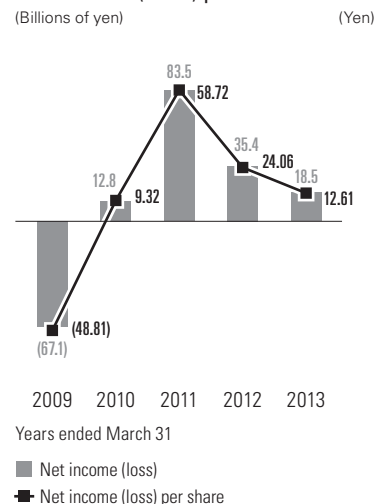
Net Sales and Overseas Sales Ratio



Operating Income and Operating Margin



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



Other Income and Expenses

Interest income was ¥2.0 billion and dividend income was ¥8.8 billion. Combined, these income sources were ¥1.7 billion higher than in the previous fiscal year, largely because of higher dividend income. Interest expense was ¥15.0 billion, ¥700 million lower than a year earlier. Consequently, net financial expenses thus declined ¥2.4 billion to ¥4.0 billion.

Equity in earnings of affiliates was ¥3.2 billion, down ¥11.6 billion.

MCHC posted ¥8.1 billion in gains on foreign exchange, an increase of ¥5.8 billion from a year earlier.

Other income included gain on sales of investment securities, net of ¥8.1 billion. Other expenses included impairment loss of ¥7.2 billion.

As a result of these factors, income before income taxes and minority interests in consolidated subsidiaries was ¥82.9 billion, down ¥44.5 billion.

Income Taxes, Minority Interests in Income, and Net Income

Current income taxes were ¥43.5 billion, and deferred income taxes were (¥3.3 billion), resulting in income taxes of ¥40.1 billion. The effective tax rate after applying tax-effect accounting was 48.4%, or 10.4 percentage points higher than the statutory tax rate. This was largely due to the influence of losses recorded at a company that does not apply tax-effect accounting.

Minority interests in consolidated subsidiaries were ¥24.1 billion, down ¥14.6 billion.

As a result of these factors, net income was ¥18.5 billion, down ¥16.8 billion from the previous fiscal year.

Results by Industry Segment

Electronic Applications

In recording media, net sales significantly decreased due to DVD market shrinkage and a decline in sales volumes in external hard disk drives. In information and electronics-related materials, net sales continued favorably in general due to an increase in sales volumes in display materials and phosphors for LEDs. In imaging supplies, net sales decreased substantially due to a decline in unit sales of organic photo conductor (OPC) drums, toners, and chemical toners, which are printing materials for office equipment.

As a result of these factors, net sales in this segment decreased by ¥15.5 billion, or 11.7%, to ¥118.1 billion. Operating results improved by ¥264 million, resulting in an operating loss of ¥5.0 billion.

Major initiatives

- Mitsubishi Chemical Corporation and Pioneer Corporation have successfully achieved a level of light efficiency and life spans sufficient for practical use for their organic light emitting diode elements using a coating process for the light-emitting layer in addition to the under layer. The two companies have also agreed to set up a testing facility with an eye to establishing mass production technology. (June 2012)
- Mitsubishi Chemical Corporation announced the launch of a new color tunable/dimmable organic light emitting diode (OLED) panel *VELVE*, which is an OLED element that employs the coating process for the under layer. This new product is about 1.5 times as power-efficient and generates about twice the brightness of current products. This product will be marketed through Mitsubishi Kagaku Media Co., Ltd. (September 2012)
- Mitsubishi Kagaku Media Co., Ltd., a subsidiary of Mitsubishi Chemical Corporation announced a new LED light bulb line-up that achieves both energy-saving and enhanced brightness by utilizing GaN substrates produced by Mitsubishi Chemical. These bulbs are to be produced as substitutes for halogen lamps and to be launched under the Verbatim brand. (January 2013)
- Mitsubishi Kagaku Media Co., Ltd., a subsidiary of Mitsubishi Chemical Corporation, announced that I-O Data Device, Inc. has been appointed as an exclusive distributor in Japan for Mitsubishi Kagaku Media products such as optical discs under the Verbatim brand effective from April 2013. Both companies agreed to strengthen cooperation in the future. (January 2013)

Designed Materials

In food ingredients, business continued favorably. In battery materials, net sales significantly decreased due to a decrease in sales volumes associated with the end of substitute shipment caused by the Great East Japan Earthquake and the downward trend of sales pricing. In fine chemicals, net sales increased due to continued strong sales in coating materials for automobiles and others and to Chuo Rika Kogyo Corporation becoming a consolidated subsidiary in December 2011. In polymer processing products, net sales remained unchanged, as a significant increase in sales volumes of films for flat panel displays and favorable sales of films for touch panel displays were offset by sluggish overseas demand for non-optical polyester films and engineering plastics related products, as well as a piping business transfer in December 2012. In composite materials, alumina fibers continued favorably, although net sales of carbon fibers decreased due to lowering market prices brought by a decline in demand. In inorganic chemicals, despite an overall downturn in demand, net sales remained unchanged because a substantial decline in sales volume had been recorded in the previous year due to the Great East Japan Earthquake. In fibers, net sales decreased due to a decrease in sales volumes.

Net sales in this segment decreased by ¥10.1 billion, or 1.5%, to ¥689.7 billion. Operating income decreased by ¥3.1 billion, or 12.1%, to ¥22.5 billion.

Major initiatives

- Mitsubishi Rayon Co., Ltd. and Toyota Tsusho Corporation announced their agreement on a joint investment into Fengxin JDL Environmental Protection, Ltd. Through the investment, Mitsubishi Rayon and Toyota Tsusho will establish their first water treatment operation and maintenance (O&M) business at a major Chinese engineering firm. (April 2012)
- Mitsubishi Plastics, Inc. announced establishment of a subsidiary, Wuxi Lingshu Agricultural Film & Material Technology Co., Ltd., to manufacture and sell high-performance films for agricultural greenhouse use in PRC. (June 2012)
- Mitsubishi Rayon Co., Ltd. announced successful development of a new energy-efficient hollow-fiber membrane product called *Sterapore* for the Membrane Bioreactor (MBR) system. Production is scheduled to begin in 2013. (July 2012)
- Mitsubishi Plastics, Inc. announced conclusion of a comprehensive agreement to transfer its piping business (excluding business in piping made of PE-X materials) to SEKISUI CHEMICAL CO., LTD. (July 2012)
- The Nippon Synthetic Chemical Industry Co., Ltd., a consolidated subsidiary of Mitsubishi Chemical Corporation, resolved to expand the production facility for *OPL Films* for polarizing film at its Kumamoto Plant. (Production capacity: 70 million m²/y; increased production capacity: 18 million m²/y). (September 2012)
- Mitsubishi Rayon Co., Ltd. announced improvements in a facility that produces carbon fiber at its wholly-owned subsidiary, Grafil Inc. in the U.S. The carbon fiber is used in producing pressure vessels for compressed natural gas. (October 2012)
- Mitsubishi Rayon Co., Ltd. announced acquisition of all outstanding shares of Challenge Co., Ltd., which produces and markets carbon fiber and composite materials, and all outstanding shares of TK Industries GmbH, which produces and markets carbon fiber-based multi-axial non-crimp fabric in Germany. These steps were taken in order to strengthen Mitsubishi Rayon's carbon fiber composite business in both automotive and industrial sectors. (November 2012)
- Mitsubishi Rayon Co., Ltd. announced conclusion of a merger agreement in which the company acquires U.S. based Aldila, Inc., which produces and markets graphite golf shafts as well as carbon fiber intermediate materials, and others. (December 2012)
- Mitsubishi Rayon Co., Ltd. announced formation of a strategic business alliance with SK Chemicals Co., Ltd., which owns and operates carbon fiber prepreg businesses. (December 2012)
- The Nippon Synthetic Chemical Industry Co., Ltd. (NSCI), a subsidiary of Mitsubishi Chemical Corporation, resolved to expand its production facility for *Soarnol*, a high gas barrier EVOH resin, at its subsidiary, Noltex, L.L.C. (total capacity in the NSCI Group: 51kt/y; capacity increase: 15kt/y) (December 2012)
- Mitsubishi Plastics, Inc. announced establishment of a new operation in Germany to produce and sell *Alpolic*, an aluminum composite material that is mainly used as interior and exterior construction material. (Capacity: 1,500,000 m²/y) (February 2013)
- Mitsubishi Plastics, Inc. announced full-scale entry into NOx exhaust gas catalyst manufacturing with its unique high-performance zeolite AQSOA used in Selective Catalytic Reduction (SCR) Systems. SCR Systems convert NOx in exhaust gases into nitrogen and water with the aid of DEF (Diesel Exhaust Fluid) or *AdBlue*. (February 2013)
- Mitsubishi Rayon Co., Ltd. concluded a business partnership with Miura Co. Ltd., a major supplier of small boilers for industrial use in Japan, to create new water treatment businesses such as operation and maintenance (O&M) of total water treatment systems. (February 2013)

Health Care

In the pharmaceutical business, net sales increased due to the contribution of new products such as *Simponi*, anti-rheumatoid arthritis, *Tetrabik*, a combined vaccine, in addition to expanded sales of *Remicade*, an anti-TNF α monoclonal antibody, despite an expanding impact of generic drugs and NHI drug price revisions in April 2012. In diagnostic reagents and instruments and clinical testing, net sales decreased due to a sales decrease in the drug discovery support business.

Net sales in this segment increased by ¥11.8 billion, or 2.4%, to ¥514.3 billion. Operating income decreased by ¥1.4 billion, or 2.0%, to ¥74.9 billion, due partly to a sales decrease in the drug discovery support business, in addition to the unfavorable impact of NHI drug price revisions.

Major initiatives

- Mitsubishi Tanabe Pharma Corporation announced that VIVUS obtained NDA approval in the US for TA-1790, which Mitsubishi Tanabe Pharma developed as a therapy for erectile dysfunction. Mitsubishi Tanabe Pharma licensed VIVUS worldwide rights, except for Japan and certain parts of Asia, to develop and market the compound. (May 2012)
- Mitsubishi Tanabe Pharma Corporation received approval to manufacture and market *Tenelia*, for the treatment of type 2 diabetes mellitus in Japan. The company and Daiichi Sankyo Co., Ltd., plan to begin joint marketing efforts. (June 2012)
- Mitsubishi Tanabe Pharma Corporation concluded an agreement with Nipro Corporation regarding the dissolution of the joint venture for recombinant human serum albumin preparations between the two companies involving Bipha Corporation. Under the terms of the new agreement, Mitsubishi Tanabe Pharma will acquire all the shares of Bipha held by Nipro, and Bipha will become a wholly-owned subsidiary of Mitsubishi Tanabe Pharma. (August 2012)
- Mitsubishi Tanabe Pharma Corporation announced transfer of all shares of Choseido Pharmaceutical Co., Ltd. held by the company to the President and CEO of Choseido Pharmaceutical, a subsidiary of Mitsubishi Tanabe Pharma that operates business in the field of generic drugs. (October 2012)
- Mitsubishi Tanabe Pharma Corporation announced launch of *Tetrabik*, Subcutaneous Injection Syringe, a combined vaccine that immunizes against acute poliomyelitis (polio), pertussis, diphtheria, and tetanus. Marketing approval for the new combined vaccine was obtained by the Research Foundation for Microbial Diseases of Osaka University. (October 2012)
- Mitsubishi Chemical Holdings Corporation concluded a share sale agreement with Carlyle Group, the controlling shareholders of Qualicaps Co., Ltd., to acquire all outstanding shares of Qualicaps. (December 2012)
- Mitsubishi Pharma Europe Ltd., a subsidiary of Mitsubishi Tanabe Pharma Corporation, received marketing authorization from the European Commission for non-absorbed phosphate binder *BindRen* (brand name in Japan: *Cholebine*) for the treatment of hyperphosphataemia in adult patients with Stage 5 chronic kidney disease who receive haemodialysis or peritoneal dialysis. (January 2013)
- API Corporation, a subsidiary of Mitsubishi Chemical Corporation, announced conclusion of an agreement with Neuland Laboratories Limited to establish a production site for active pharmaceutical intermediates (API) in India, and establishment of a wholly-owned subsidiary to be responsible for operation of the production site and quality control of the API produced. (March 2013)
- Janssen Pharmaceuticals, Inc. announced that the company obtained NDA approval in the US for TA-7284 (generic name, canagliflozin), selective sodium glucose co-transporter 2 (SGLT2) inhibitors, which the company has developed for treatment of adults with type 2 diabetes mellitus. TA-7284 was discovered by Tanabe Seiyaku Ltd. (present Mitsubishi Tanabe Pharma Corporation), and was licensed out to Janssen Pharmaceuticals. (March 2013)

Chemicals

The production volume of ethylene, a basic raw material of petrochemicals, increased by 16.3% to 1.13 million tons primarily due to the fact that the ethylene production facilities at the Kashima Plant of Mitsubishi Chemical Corporation stopped operations in the wake of the earthquake in the previous fiscal year, and the scale of regular maintenance was reduced, despite production cutbacks associated with the demand decline. In basic petrochemicals and chemical derivatives, demand was sluggish, but net sales increased compared to previous year because a substantial decline in sales had been recorded in the previous year due to the Great East Japan Earthquake. In synthetic fiber materials, net sales for terephthalic acid decreased considerably due to a significant drop in market price associated with an imbalance between supply and demand brought about by an increase in supply capacity, and to changes in overseas consolidated subsidiaries' accounting periods in the previous fiscal year, which resulted in the recording of 15 months of sales. In carbon products, net sales of blast furnace coke significantly decreased due to lower sales prices incidental to a decline in the price of coking coal.

Net sales in this segment decreased by ¥103.8 billion, or 10.3%, to ¥903.6 billion. Operating results worsened by ¥15.0 billion, and an operating loss of ¥230 million was recorded, mainly due to a significant reduction in the difference between raw material prices and product prices for terephthalic acid.

Major initiatives

- Mitsubishi Chemical Corporation announced expansion of its production facility for ethylene carbonate at the Kashima Plant. (Current capacity: 3,000t/y; capacity increase: 5,000t/y) (June 2012)
- Mitsubishi Chemical Corporation announced shutdown of its No. 1 ethylene production facility and No. 1 benzene production facility at its Kashima Plant. To counter the shutdowns, the company will expand its No. 2 ethylene production facility and others, thereby aiming to establish a structure that will allow the company to quickly respond to an anticipated trend toward high-performance and high-value added petrochemical products. (June 2012)
- Mitsubishi Rayon Co., Ltd. resolved to purchase Mitsubishi Chemical Corporation's entire shares in Dia-Nitrix Co., Ltd. and to merge Dia-Nitrix. Dia-Nitrix is a joint venture between Mitsubishi Chemical and Mitsubishi Rayon that produces and sells acrylonitrile and others. (February 2013)
- Mitsubishi Chemical Corporation concluded an agreement with Toyota Tsusho Corporation and Sanyo Chemical Industries, Ltd. to transfer its shares of San-Dia Polymers, Ltd., a joint venture between Mitsubishi Chemical and Sanyo Chemical Industries that manufactures and sells super-absorbent polymers, to Toyota Tsusho Corporation and Sanyo Chemical Industries. The share transfer to Sanyo Chemical Industries has been completed. (March 2013)

Polymers

In synthetic resins, phenol-polycarbonate chain and polyolefin sales were able to recover from the adverse effects of the 2011 earthquake while markets for methyl methacrylate monomer, acrylic resin, and other products declined due to weaker supply-demand balance caused by lower demand. As a whole, net sales of the synthetic resins remained unchanged.

Net sales in this segment increased by ¥17.0 billion, or 2.6%, to ¥675.6 billion. Operating income decreased by ¥23.6 billion, or 99.6%, to ¥111 million due to a shrinking price difference between raw materials and products as a whole, despite generally strong performance in sales of performance polymers, mainly for automotive use.

Major initiatives

- Mitsubishi Chemical Corporation's consolidated subsidiaries: Japan Polypropylene Corporation and Japan Polyethylene Corporation announced shutdown of No. 3 polypropylene production facility and No.2 high-density polyethylene production facility at their Kawasaki Plant. (June 2012)
- Mitsubishi Chemical Corporation signed an agreement with Faurecia, which produces automotive interior components, regarding joint research and development of bioplastics to be used in those components. (November 2012)
- Mitsubishi Chemical Corporation announced establishment of Mitsubishi Chemical Polimeros de Desempenho Ltda. to produce and sell performance polymers in South America and expand sales to the automotive industry. (Capacity of olefin-base thermoplastic elastomer, *THERMORUN*: 4,600t/y (February 2013)
- Mitsubishi Chemical Corporation announced acquisition of thermoplastic elastomer and PVC compound businesses from the Tessengerlo Group to strengthen its performance polymer business in Europe. (February 2013)

Others

Net sales decreased significantly due to segmentation changes in certain businesses, excluding engineering and logistics, effective from fiscal 2012 and a drop in engineering sales, although logistics in general showed a continued favorable performance.

Net sales in this segment decreased by ¥18.9 billion, or 9.2%, to ¥186.9 billion. Operating income increased by ¥371 million, or 6.6%, to ¥6.4 billion.

Note:

1. Segment operating incomes do not include expenses for basic testing, research, and other activities that cannot be allocated to reporting segments. Such expenses were ¥7.6 billion in fiscal 2012.
2. As of April 1, 2012, certain consolidated subsidiaries were transferred from the Polymers segment to the Designed Materials segment. As a result, in regard to comparisons with the previous fiscal year, figures for the previous fiscal year have been restated in accordance with the new segment classification.

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 2012, consolidated R&D expenditures decreased ¥3.8 billion, or 2.7%, to ¥134.7 billion. There were 4,921 R&D employees at the close of the term.

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 through restructuring.

MCHC funds working capital and capital expenditures largely by drawing on internal reserves, loans, and bonds. Furthermore, the Group deployed a cash management system to employ Group funds efficiently and cut financial expenses. Going forward, the Group will pursue Groupwide improvements in capital efficiency by consolidating Group fund procurement and management functions.

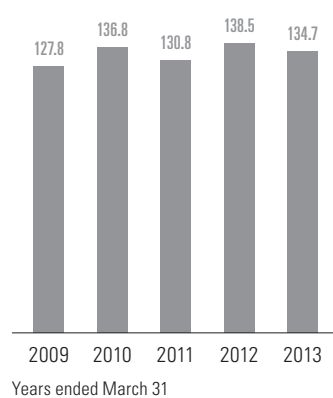
Financial Position

Assets

As of March 31, 2013, total assets stood at ¥3,307.7 billion, up ¥133.7 billion. This rise was due primarily to an increase in the assets of overseas consolidated subsidiaries, which were higher when converted to yen due to the correction of the yen appreciation, and to Qualicaps Co., Ltd., becoming a wholly-owned subsidiary. Securities were ¥84.9 billion, an increase of ¥38.6 billion compared to the end of fiscal 2011. This increase was attributable to increased investment of the Group's excess cash. Inventories were ¥546.9 billion, up ¥30.8 billion, due to increased stocks of new products and purchased products accompanying higher sales in the Health Care domain. Goodwill was ¥179.9 billion, an increase of ¥38.1 billion. This increase was attributable to the recording of goodwill when Qualicaps was made a wholly owned subsidiary. Net property, plant and equipment was ¥1,061.5 billion, up ¥28.8 billion. This increase was primarily attributable to an increase in foreign currency translation adjustment of overseas consolidated subsidiaries when converted to yen as result of the correction of the yen appreciation.

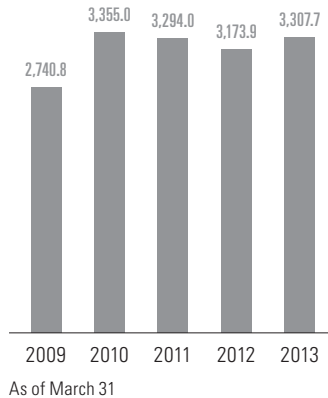
R&D Expenditures

(Billions of yen)



Total Assets

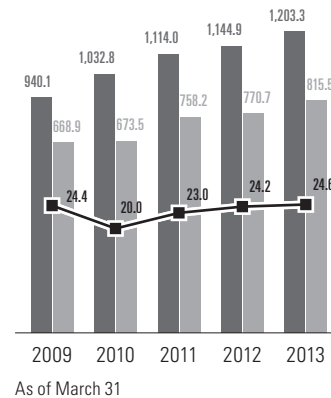
(Billions of yen)



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

(Billions of yen)

(%)



■ Total net assets
 ■ Shareholders' equity*
 ■ Shareholders' equity ratio

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

Liabilities

Total liabilities were ¥2,104.4 billion, an increase of ¥75.4 billion compared to the end of fiscal 2011. This rise was due primarily to an increase in liabilities denominated in foreign currencies when converted to yen due to the correction of the yen appreciation. Interest-bearing debt (excluding notes discounted) was ¥1,198.7 billion, an increase of ¥34.6 billion compared to the end of fiscal 2011.

Net Assets

Net assets were ¥1,203.3 billion, up ¥58.3 billion compared to the end of fiscal 2011. This rise was due primarily to the weaker yen at the end of fiscal 2012 compared to the exchange rate at the end of fiscal 2011. Foreign currency translation adjustments were a negative ¥31.6 billion, down by ¥30.3 billion from fiscal 2011, due primarily to the yen being weaker at the end of the fiscal year under review than it was at the end of fiscal 2011. Minority interests in consolidated subsidiaries were ¥387.2 billion, an increase of ¥13.6 billion.

Cash Flows

Net cash provided by operating activities totaled ¥206.5 billion, a decrease of ¥11.4 billion. This reflected ¥82.9 billion in income before income taxes and minority interests in consolidated subsidiaries as well as depreciation and amortization.

Net cash used in investing activities totaled ¥169.7 billion, an increase of ¥106.3 billion. This increase was primarily due to cash outflows from capital expenditures and from Qualicaps Co., Ltd., becoming a wholly owned subsidiary, which outweighed cash inflows from sales of investment securities and property, plant and equipment.

Net cash used in financing activities totaled ¥26.2 billion, a decrease of ¥137.8 billion. This decline was mainly attributable to dividend payments.

As a result, free cash flow, which consists of cash flows from operating and investing activities, was a cash inflow of ¥36.7 billion, a decrease of ¥117.8 billion compared to fiscal 2011. Cash and cash equivalents at the end of the fiscal year were ¥153.1 billion, an increase of ¥20.0 billion compared to the end of fiscal 2011. This increase was due in part to the effect of exchange rate changes on cash and cash equivalents of ¥8.8 billion.

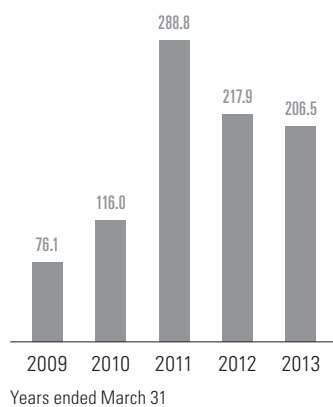
Capital Expenditures

Capital expenditures for the fiscal year ended March 31, 2013, were ¥132.2 billion, an increase of ¥16.0 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 polyester film at Mitsubishi Polyester Film Suzhou Co., Ltd., a production facility for electrolyte for lithium-ion battery at Changshu Mitsubishi Lithium Battery Material Co., Ltd. and a production facility for separators for lithium-ion battery at MPI Nagahama Plant.

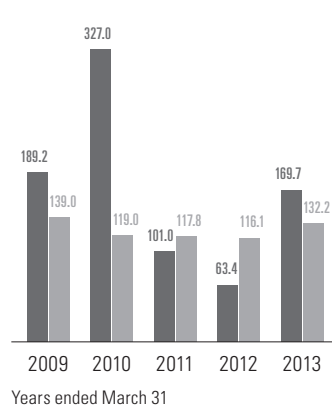
Net Cash Provided
by Operating Activities

(Billions of yen)



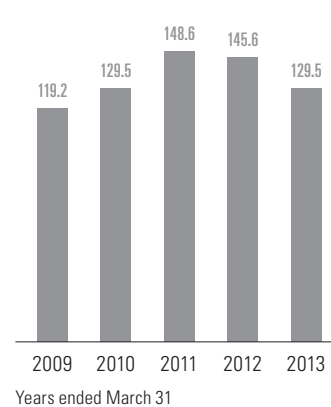
Net Cash Used in Investing Activities
and Capital Expenditures

(Billions of yen)



Depreciation and Amortization

(Billions of yen)



■ Net cash used in investing activities
■ Capital expenditures

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, 2013. The business risks presented are not all-encompassing. In recognition of exposure to risks such as those detailed below, the Group conducts risk assessments for each division once a year. Based on these assessments, risk management systems are established and revised in consideration of the risks faced by specific businesses. In this manner, the Group is working to prevent the risks from occurring and minimize the impacts of such risks be realized.

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

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 that can only be procured from certain areas or specific suppliers, 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. Specifically, film and sheet products rely greatly on demand for liquid crystal display (LCD) panels, so drastic fluctuations in demand for LCD panels could adversely affect results.

(b) Health Care Domain

The results of the pharmaceuticals business are subject to the Group 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 Group relies on external sources and can be influenced by an inability to secure adequate supplies of pharmaceuticals. In 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 Group 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 and the capsules for pharmaceutical products, 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 certain 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 or MCHC is unable to generate revenues and earnings or reach goals that are commensurate with its capital expenditures.

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, other unforeseeable issues with regulations, taxation, working conditions, customs, transportation delays, large-scale natural disasters, or other risks impacting specific countries or regions 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 during the fiscal period 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 during the fiscal period. 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 | <p>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.</p> <p>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.</p> |
| Laws and Regulations | <p>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.</p> <p>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. Furthermore, should the Group violate laws or regulations, it could be ordered to halt operations at plants, and trust from society could be lost. All these factors have the possibility of influencing results.</p> |
| 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. Regardless, product defects that could cause major product liability exposure with damages exceeding the range of such insurance could adversely affect results. |
| Accidents and Disasters | The Group regularly inspects its plants and otherwise endeavors to prevent accidents at facilities. 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 adversely impact production activities 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 decrease competitiveness or reduce social trust in the Group, which may 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 Brazilian real, or ¥17,534 million (\$186,532 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.

In the following proceedings, the court ruled against Verbatim. However, dissatisfied with the ruling, Verbatim made a special appeal to Brazil's Supreme Court, requesting that the case be tried in that court. In June 2011, the Supreme Court dismissed the charges of trademark infringement filed against Verbatim, and overruled the lower court's order for Verbatim to pay the abovementioned damages. However, in April 2012 the plaintiff requested that the Supreme Court clarify its ruling, and the Company cannot deny the possibility that the plaintiff will oppose this ruling in the future.

Consolidated Balance Sheets

Mitsubishi Chemical Holdings Corporation and Consolidated Subsidiaries
As of March 31

| | | Millions of yen | | Thousands of U.S. dollars (Note 2) |
|---------------|--|-----------------|-------------|--|
| | | 2013 | 2012 | 2013 |
| Assets | Current assets: | | | |
| | Cash and deposits (Notes 9,11) | ¥ 115,980 | ¥ 114,778 | \$ 1,233,830 |
| | Trade receivables (Note 9) | 588,208 | 593,352 | 6,257,532 |
| | Securities (Notes 9,10) | 84,993 | 46,355 | 904,181 |
| | Inventories: | | | |
| | Finished goods | 290,810 | 265,799 | 3,093,723 |
| | Work in process | 74,405 | 80,531 | 791,543 |
| | Raw materials and supplies | 179,816 | 167,127 | 1,912,936 |
| | Land held for sale | 1,934 | 2,639 | 20,574 |
| | Deferred income taxes—current (Note 15) | 32,227 | 31,710 | 342,840 |
| | Prepaid expenses and other current assets | 90,281 | 77,922 | 960,436 |
| | Allowance for doubtful accounts | (1,996) | (2,491) | (21,234) |
| | Total current assets | 1,456,658 | 1,377,722 | 15,496,362 |
| | Property, plant and equipment: | | | |
| | Land | 247,214 | 255,034 | 2,629,936 |
| | Buildings | 914,379 | 911,518 | 9,727,436 |
| | Machinery and equipment | 2,408,558 | 2,318,574 | 25,622,957 |
| | Construction in progress | 68,457 | 53,815 | 728,266 |
| | | 3,638,608 | 3,538,941 | 38,708,596 |
| | Accumulated depreciation | (2,577,057) | (2,506,203) | (27,415,500) |
| | Property, plant and equipment, net | 1,061,551 | 1,032,738 | 11,293,096 |
| | Investments and other assets: | | | |
| | Investment securities (Notes 9,10) | 355,742 | 349,001 | 3,784,489 |
| | Long-term loans receivable | 2,353 | 1,265 | 25,032 |
| | Deferred income taxes—noncurrent (Note 15) | 91,898 | 98,901 | 977,638 |
| | Goodwill | 179,937 | 141,800 | 1,914,223 |
| | Other | 161,471 | 174,201 | 1,717,777 |
| | Allowance for doubtful accounts | (1,852) | (1,658) | (19,702) |
| | Total investments and other assets | 789,549 | 763,510 | 8,399,457 |
| | Total assets | ¥3,307,758 | ¥3,173,970 | \$35,188,915 |

The accompanying notes are an integral part of these consolidated financial statements.

| | Millions of yen | | Thousands of U.S. dollars (Note 2) | |
|---------------------------------------|---|------------|--|--------------|
| | 2013 | 2012 | 2013 | |
| Liabilities and Net Assets | Current liabilities: | | | |
| | Short-term debt (Notes 9,18) | ¥ 315,551 | ¥ 289,574 | \$ 3,356,926 |
| | Current portion of long-term debt (Notes 9,18) | 230,026 | 106,756 | 2,447,085 |
| | Trade payables (Note 9) | 416,980 | 411,289 | 4,435,957 |
| | Accrued expenses (Note 1) | 73,052 | 71,799 | 777,149 |
| | Accrued income taxes | 24,083 | 15,665 | 256,202 |
| | Other current liabilities (Notes 1,15) | 194,084 | 175,059 | 2,064,723 |
| | Total current liabilities | 1,253,776 | 1,070,142 | 13,338,043 |
| | Long-term liabilities: | | | |
| | Long-term debt (Notes 9,18) | 653,222 | 767,798 | 6,949,170 |
| | Accrued retirement benefits (Note 13) | 126,713 | 124,517 | 1,348,011 |
| | Other noncurrent liabilities (Notes 1,15) | 70,731 | 66,559 | 752,457 |
| | Total long-term liabilities | 850,666 | 958,874 | 9,049,638 |
| | Net assets: | | | |
| | Shareholders' equity: | | | |
| | Common stock: | | | |
| | Authorized—6,000,000 thousand shares: | | | |
| | Issued and outstanding— 1,506,288 thousand shares at March 31, 2013 and 2012 | 50,000 | 50,000 | 531,915 |
| | Additional paid-in capital | 317,693 | 317,628 | 3,379,713 |
| | Retained earnings | 479,083 | 474,771 | 5,096,628 |
| | Less, treasury stock at cost— 33,053 thousand shares at March 31, 2013 and 31,989 thousand shares at March 31, 2012 | (11,280) | (10,797) | (120,000) |
| | Total shareholders' equity | 835,496 | 831,602 | 8,888,255 |
| | Accumulated other comprehensive income: | | | |
| | Net unrealized holding gain on other securities | 13,959 | 4,574 | 148,500 |
| | Loss on deferred hedges | 1,018 | (139) | 10,830 |
| | Land revaluation surplus | 1,581 | 1,581 | 16,819 |
| | Foreign currency translation adjustments | (31,639) | (62,007) | (336,585) |
| | Unfunded retirement benefit obligation with respect to a foreign subsidiary | (4,912) | (4,882) | (52,255) |
| | Total Accumulated other comprehensive income | (19,993) | (60,873) | (212,691) |
| | Warrants (Notes 7,14) | 565 | 662 | 6,011 |
| | Minority interests in consolidated subsidiaries | 387,248 | 373,563 | 4,119,660 |
| | Total net assets | 1,203,316 | 1,144,954 | 12,801,234 |
| | Total liabilities and net assets | ¥3,307,758 | ¥3,173,970 | \$35,188,915 |

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Income

Mitsubishi Chemical Holdings Corporation and Consolidated Subsidiaries
Years ended March 31

| | Millions of yen | | Thousands of U.S. dollars (Note 2) |
|--|-------------------|------------|--|
| | 2013 | 2012 | 2013 |
| Net sales | ¥3,088,577 | ¥3,208,168 | \$32,857,202 |
| Cost of sales | 2,440,160 | 2,507,952 | 25,959,149 |
| Gross profit | 648,417 | 700,216 | 6,898,053 |
| Selling, general and administrative expenses (Note 5) | 558,176 | 569,637 | 5,938,043 |
| Operating income | 90,241 | 130,579 | 960,011 |
| Other income (expenses): | | | |
| Interest and dividend income | 10,953 | 9,194 | 116,521 |
| Equity in earnings of affiliates | 3,246 | 14,934 | 34,532 |
| Foreign exchange gains, net | 8,194 | 2,391 | 87,170 |
| Interest expense | (15,035) | (15,765) | (159,947) |
| Gain on sales of investment securities, net | 8,107 | 3,310 | 86,245 |
| Insurance income | 891 | 4,895 | 9,479 |
| Gain (loss) on sales and retirement of noncurrent assets, net | 179 | (2,579) | 1,904 |
| Gain on forgiveness of debts | — | 5,665 | — |
| Reversal of provision for loss on disaster | — | 3,059 | — |
| Adjustment for salaries for employees on secondment | (7,504) | (8,286) | (79,830) |
| Impairment loss (Note3) | (7,298) | (10,221) | (77,638) |
| Environmental expenses | (2,782) | — | (29,596) |
| Loss on valuation of investment securities | (802) | (4,146) | (8,532) |
| Provision for prospective loss on removal of fixed assets | (281) | (2,631) | (2,989) |
| Losses on the Great East Japan Earthquake | — | (2,331) | — |
| Other, net | (5,209) | (594) | (55,415) |
| Income before income taxes and minority interests in consolidated subsidiaries | 82,900 | 127,474 | 881,915 |
| Income taxes (Note 15): | | | |
| Current | 43,527 | 40,123 | 463,053 |
| Deferred | (3,395) | 13,008 | (36,117) |
| | 40,132 | 53,131 | 426,936 |
| Income before minority interests | 42,768 | 74,343 | 454,979 |
| Minority interests in consolidated subsidiaries | (24,172) | (38,857) | (257,149) |
| Net income | ¥ 18,596 | ¥ 35,486 | \$ 197,830 |

| | Yen | | U.S. dollars |
|-----------------------------|---------------|--------|---------------|
| | 2013 | 2012 | 2013 |
| Per share (Note 17): | | | |
| Net income—Basic | ¥12.61 | ¥24.06 | \$0.13 |
| —Diluted | 12.11 | 22.67 | 0.13 |
| Cash dividends | 12.00 | 10.00 | 0.13 |

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Comprehensive Income

Mitsubishi Chemical Holdings Corporation and Consolidated Subsidiaries
Years ended March 31

| | Millions of yen | | U.S. dollars (Note 2) |
|--|-----------------|----------|--------------------------|
| | 2013 | 2012 | 2013 |
| Income before minority interests | ¥42,768 | ¥74,343 | \$ 454,979 |
| Other comprehensive income (loss): | | | |
| Net unrealized holding gain (loss) on other securities | 12,704 | 668 | 135,149 |
| Gain (loss) on deferred hedges | 1,832 | 1,187 | 19,489 |
| Foreign currency translation adjustments | 32,582 | (10,267) | 346,617 |
| Unfunded retirement benefit obligation with respect to a foreign subsidiary | (30) | (845) | (319) |
| Other comprehensive income (loss) for affiliates accounted for using equity method | 5,044 | (887) | 53,660 |
| Other comprehensive income (loss), net (Note 6) | 52,132 | (10,144) | 554,596 |
| Total comprehensive income | ¥94,900 | ¥64,199 | \$ 1,009,574 |
| Total comprehensive income attributable to: | | | |
| Shareholders of the parent | ¥59,476 | ¥25,340 | \$ 632,723 |
| Minority interests | 35,424 | 38,859 | 376,851 |

The accompanying notes are an integral part of these consolidated financial 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) |
|---|-----------------|-----------|---------------------------------------|
| | 2013 | 2012 | 2013 |
| 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 | \$ 531,915 |
| Balance at end of year | ¥ 50,000 | ¥ 50,000 | \$ 531,915 |
| Additional paid-in capital | | | |
| Balance at beginning of year | ¥ 317,628 | ¥317,582 | \$3,379,021 |
| Disposal of treasury stock | 65 | 46 | 691 |
| Balance at end of year | ¥ 317,693 | ¥317,628 | \$3,379,713 |
| Retained earnings | | | |
| Balance at beginning of year | ¥ 474,771 | ¥451,934 | \$5,050,755 |
| Cash dividends | (16,237) | (14,760) | (172,734) |
| Net income | 18,596 | 35,486 | 197,830 |
| Increase due to merger of non-consolidated subsidiaries by a consolidated subsidiary | — | 22 | — |
| Increase due to merger of non-consolidated subsidiaries by an equity method affiliate | — | 42 | — |
| Change in scope of consolidation | (23) | 1,206 | (245) |
| Change in scope of equity method | 1,976 | 841 | 21,021 |
| Balance at end of year | ¥ 479,083 | ¥474,771 | \$5,096,628 |
| Treasury stock at cost | | | |
| Balance at beginning of year | ¥ (10,797) | ¥(10,758) | \$ (114,862) |
| Purchase of treasury stock | (531) | (75) | (5,649) |
| Disposal of treasury stock | 48 | 36 | 511 |
| Balance at end of year | ¥ (11,280) | ¥(10,797) | \$ (120,000) |
| Total shareholders' equity | | | |
| Balance at beginning of year | ¥ 831,602 | ¥808,758 | \$8,846,830 |
| Cash dividends | (16,237) | (14,760) | (172,734) |
| Net income | 18,596 | 35,486 | 197,830 |
| Purchase of treasury stock | (531) | (75) | (5,649) |
| Disposal of treasury stock | 113 | 82 | 1,202 |
| Increase due to merger of non-consolidated subsidiaries by a consolidated subsidiary | — | 22 | — |
| Increase due to merger of non-consolidated subsidiaries by an equity method affiliate | — | 42 | — |
| Change in scope of consolidation | (23) | 1,206 | (245) |
| Change in scope of equity method | 1,976 | 841 | 21,021 |
| Balance at end of year | ¥ 835,496 | ¥831,602 | \$8,888,255 |

The accompanying notes are an integral part of these consolidated financial statements.

| | Millions of yen | | Thousands of U.S. dollars (Note 2) |
|---|-----------------|-------------|---------------------------------------|
| | 2013 | 2012 | 2013 |
| Accumulated other comprehensive income: | | | |
| Net unrealized holding gain on other securities | | | |
| Balance at beginning of year | ¥ 4,574 | ¥ 5,216 | \$ 48,660 |
| Net change in items other than those in shareholders' equity | 9,385 | (642) | 99,840 |
| Balance at end of year | ¥ 13,959 | ¥ 4,574 | \$ 148,500 |
| Loss on deferred hedges | | | |
| Balance at beginning of year | ¥ (139) | ¥ (738) | \$ (1,479) |
| Net change in items other than those in shareholders' equity | 1,157 | 599 | 12,309 |
| Balance at end of year | ¥ 1,018 | ¥ (139) | \$ 10,830 |
| Land revaluation surplus | | | |
| Balance at beginning of year | ¥ 1,581 | ¥ 1,426 | \$ 16,819 |
| Net change in items other than those in shareholders' equity | — | 155 | — |
| Balance at end of year | ¥ 1,581 | ¥ 1,581 | \$ 16,819 |
| Foreign currency translation adjustments | | | |
| Balance at beginning of year | ¥ (62,007) | ¥ (52,378) | \$ (659,649) |
| Net change in items other than those in shareholders' equity | 30,368 | (9,629) | 323,064 |
| Balance at end of year | ¥ (31,639) | ¥ (62,007) | \$ (336,585) |
| Unfunded retirement benefit obligation with respect to a foreign subsidiary | | | |
| Balance at beginning of year | ¥ (4,882) | ¥ (4,037) | \$ (51,936) |
| Net change in items other than those in shareholders' equity | (30) | (845) | (319) |
| Balance at end of year | ¥ (4,912) | ¥ (4,882) | \$ (52,255) |
| Total accumulated other comprehensive income | | | |
| Balance at beginning of year | ¥ (60,873) | ¥ (50,511) | \$ (647,585) |
| Net change in items other than those in shareholders' equity | 40,880 | (10,362) | 434,894 |
| Balance at end of year | ¥ (19,993) | ¥ (60,873) | \$ (212,691) |
| Warrants | | | |
| Balance at beginning of year | ¥ 662 | ¥ 696 | \$ 7,043 |
| Net change in items other than those in shareholders' equity | (97) | (33) | (1,032) |
| Balance at end of year | ¥ 565 | ¥ 662 | \$ 6,011 |
| Minority interests in consolidated subsidiaries | | | |
| Balance at beginning of year | ¥ 373,563 | ¥ 355,060 | \$ 3,974,074 |
| Net change in items other than those in shareholders' equity | 13,685 | 18,503 | 145,585 |
| Balance at end of year | ¥ 387,248 | ¥ 373,563 | \$ 4,119,660 |
| Total net assets | | | |
| Balance at beginning of year | ¥ 1,144,954 | ¥ 1,114,003 | \$ 12,180,362 |
| Cash dividends | (16,237) | (14,760) | (172,734) |
| Net income | 18,596 | 35,486 | 197,830 |
| Purchase of treasury stock | (531) | (75) | (5,649) |
| Disposal of treasury stock | 113 | 82 | 1,202 |
| Increase due to merger of non-consolidated subsidiaries by a consolidated subsidiary | — | 22 | — |
| Increase due to merger of non-consolidated subsidiaries by an equity method affiliate | — | 42 | — |
| Change in scope of consolidation | (23) | 1,206 | (245) |
| Change in scope of equity method | 1,976 | 841 | 21,021 |
| Net change in items other than those in shareholders' equity | 54,468 | 8,108 | 579,447 |
| Balance at end of year | ¥ 1,203,316 | ¥ 1,144,954 | \$ 12,801,234 |

The accompanying notes are an integral part of these consolidated financial 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) |
|---|-----------------|-----------|--|
| | 2013 | 2012 | 2013 |
| Cash flows from operating activities: | | | |
| Income before income taxes and minority interests in consolidated subsidiaries | ¥ 82,900 | ¥ 127,474 | \$ 881,915 |
| Adjustments for: | | | |
| Depreciation and amortization | 129,549 | 145,695 | 1,378,181 |
| Amortization of goodwill | 11,833 | 12,284 | 125,883 |
| Interest expense | 15,035 | 15,765 | 159,947 |
| Interest and dividend income | (10,953) | (9,194) | (116,521) |
| Equity in earnings of affiliates | (3,246) | (14,934) | (34,532) |
| Foreign exchange gains, net | (886) | (1,332) | (9,426) |
| Impairment loss (Note 3) | 7,298 | 10,221 | 77,638 |
| Environmental expenses | 2,782 | — | 29,596 |
| Loss on valuation of investment securities | 802 | 4,146 | 8,532 |
| Provision for prospective loss on removal of fixed assets | 281 | 2,631 | 2,989 |
| Losses on the Great East Japan Earthquake | — | 2,331 | — |
| Gain on sales of investment securities, net | (8,107) | (3,310) | (86,245) |
| (Gain) loss on sales and retirement of noncurrent assets, net | (179) | 2,579 | (1,904) |
| Gain on forgiveness of debts | — | (5,665) | — |
| Reversal of provision for loss on disaster | — | (3,059) | — |
| Decrease in trade receivables | 29,913 | 3,528 | 318,223 |
| Increase in inventories | (24,170) | (33,487) | (257,128) |
| Increase (decrease) in trade payables | (16,488) | 36,544 | (175,404) |
| Decrease in provision for retirement benefits | 17,107 | 5,125 | 181,989 |
| Other, net | 10,120 | (26,673) | 107,670 |
| Subtotal | 243,591 | 270,669 | 2,591,394 |
| Interest and dividend income received | 14,908 | 19,642 | 158,596 |
| Interest expenses paid | (15,036) | (16,548) | (159,957) |
| Income taxes paid | (36,959) | (55,809) | (393,181) |
| Net cash provided by operating activities | 206,504 | 217,954 | 2,196,851 |
| Cash flows from investing activities: | | | |
| Payment for time deposits | (2,241) | (3,291) | (23,840) |
| Proceeds from repayment of time deposits | 1,416 | 12,398 | 15,064 |
| Purchase of short-term investment securities | (64,250) | (34,898) | (683,511) |
| Proceeds from sales and redemption of securities | 54,955 | 78,065 | 584,628 |
| Purchase of property, plant and equipment | (131,915) | (113,155) | (1,403,351) |
| Proceeds from sales of property, plant and equipment | 16,292 | 6,499 | 173,319 |
| Purchase of intangible assets | (3,360) | (2,817) | (35,745) |
| Purchase of investment securities | (18,623) | (7,172) | (198,117) |
| Proceeds from sales and redemption of investment securities | 27,636 | 11,933 | 294,000 |
| Purchase of investments in subsidiaries resulting in change in scope of consolidation | (42,641) | — | (453,628) |
| Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation | — | 224 | — |
| Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation | 32 | 1,369 | 340 |
| Decrease in loans receivable, net | (12,893) | (881) | (137,160) |
| Purchase of long-term prepaid expenses | (2,913) | (12,267) | (30,989) |
| Other, net | 8,747 | 589 | 93,053 |
| Net cash used in investing activities | (169,758) | (63,404) | (1,805,936) |

The accompanying notes are an integral part of these consolidated financial statements.

| Cash flows from financing activities: | | | |
|--|------------------|-----------|--------------------|
| Increase (decrease) in short-term debt, net | 15,368 | (8,981) | 163,489 |
| Proceeds from issuance of long-term debt | 106,321 | 58,476 | 1,131,074 |
| Repayment of long-term debt | (113,989) | (180,615) | (1,212,649) |
| Cash dividends paid | (16,237) | (14,760) | (172,734) |
| Cash dividends paid to minority shareholders | (18,404) | (17,653) | (195,787) |
| Purchase of treasury stock | (56) | (71) | (596) |
| Proceeds from sales of treasury stock | 10 | 13 | 106 |
| Other, net | 737 | (555) | 7,840 |
| Net cash used in financing activities | (26,250) | (164,146) | (279,255) |
| Effect of exchange rate changes on cash and cash equivalents | 8,805 | (1,863) | 93,670 |
| Net increase (decrease) in cash and cash equivalents | 19,301 | (11,459) | 205,330 |
| Cash and cash equivalents at beginning of the year | 133,055 | 143,747 | 1,415,479 |
| Increase in cash and cash equivalents resulting from change in scope of consolidation | 764 | 767 | 8,128 |
| Cash and cash equivalents at end of period (Note 11) | ¥153,120 | ¥133,055 | \$1,628,936 |

The accompanying notes are an integral part of these consolidated financial statements.

Notes to Consolidated Financial Statements

Mitsubishi Chemical Holdings Corporation and Consolidated Subsidiaries
March 31, 2013

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 consolidated 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 or loss 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, Mitsubishi Tanabe Pharma Corporation and its consolidated subsidiaries in the Health Care segment, the Company's consolidated subsidiaries in Japan in the Chemicals and Polymers segments (excluding Mitsubishi Rayon Co., Ltd. and its consolidated subsidiaries), and the Company's overseas consolidated subsidiaries is principally calculated using the straight-line method. Other depreciation is principally calculated using the declining-balance method.

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.

Change in Method of Depreciation for Significant Depreciable Assets

In the Health Care Segment, Mitsubishi Tanabe Pharma Corporation and its domestic consolidated subsidiaries (hereafter, the "Mitsubishi Tanabe Pharma Group") previously calculated depreciation of property, plant and equipment primarily by the declining-balance method. (However, for buildings acquired on or after April 1, 1998 (not including equipment attached to the buildings), the straight-line method was used). From the current fiscal year, the Mitsubishi Tanabe Pharma Group has changed to the straight-line method.

New drugs launched in the previous fiscal year made a contribution to sales in the current fiscal year. In addition, the Mitsubishi Tanabe Pharma Group plans to launch multiple drugs of new types in the next fiscal year and thereafter. In the Mitsubishi Tanabe Pharma Group's operating environment, there are demands for the strengthening of safety measures after products are manufactured and sold. In this environment, the Mitsubishi Tanabe Pharma Group's policy is to rapidly collect and accumulate safety and efficacy data for the purpose of promoting the appropriate usage of these new drugs, and to conduct sales while formulating further safety measures as needed. Accordingly, the trend toward more-gradual growth in revenues/profits will steadily strengthen.

In addition, in October 2011 the Mitsubishi Tanabe Pharma Group formulated a medium-term management plan that covers the period to fiscal 2015 and announced aggressive upfront investment to strengthen its foundation and expand its business toward sustained growth. The Mitsubishi Tanabe Pharma Group undertakes full-scale implementation of this investment plan from the current fiscal year.

At this turning point, through deliberations regarding the reevaluation of the depreciation method, the Mitsubishi Tanabe Pharma Group confirmed that its product lines are expected to secure stable revenues/profits over the long term; that its property, plant and equipment are, in general, in stable operation; and that the upfront investment will contribute to further stable operation through consolidation and strengthening of production equipment.

Accordingly, in the judgment of the Mitsubishi Tanabe Pharma Group, the allocation of expenses through uniform depreciation over the useful life of the property, plant and equipment will enable the actual usage conditions of the Mitsubishi Tanabe Pharma Group's property, plant and equipment to be reflected appropriately. Therefore, the Mitsubishi Tanabe Pharma Group reevaluated the previous depreciation method and decided to use the straight-line method from the current fiscal year.

In comparison with the previous method, this change had the effect of increasing operating income by ¥2,637 million (\$28,053 thousand), and income before income taxes and minority interests in consolidated subsidiaries by ¥2,677 million (\$28,479 thousand), respectively.

Change in Method of Depreciation for Significant Depreciable Assets Accompanying Change in Corporate Tax Law

In accordance with the revised corporate tax law, from the current fiscal year, domestic consolidated subsidiaries that use the declining-balance method have changed the method of depreciation for property, plant and equipment acquired on or after April 1, 2012. Consequently, in comparison with the previous method, this change had the effect of increasing operating income by ¥1,637 million (\$17,415 thousand), and income before income taxes and minority interests in consolidated subsidiaries by ¥1,659 million (\$17,649 thousand), respectively. The effect of this change on segment information is described in Note 19 (Segment Information).

(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 ¥35,210 million (\$374,574 thousand) and ¥37,160 million are included in "Accrued expenses" in the accompanying consolidated balance sheets as of March 31, 2013 and 2012, 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 ¥1,627 million (\$17,309 thousand) and ¥1,461 million are included in "Other noncurrent liabilities" in the accompanying consolidated balance sheets as of March 31, 2013 and 2012, 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 ¥3,593 million (\$38,223 thousand) and ¥2,520 million are included in "Other noncurrent liabilities" in the accompanying consolidated balance sheets as of March 31, 2013 and 2012, 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 ¥3,172 million (\$33,745 thousand) and ¥3,622 million are included in "Other noncurrent liabilities" in the accompanying consolidated balance sheets as of March 31, 2013 and 2012, 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 ¥9,357 million (\$99,543 thousand) and ¥6,242 million are included in "Other current liabilities" and "Other noncurrent liabilities" in the accompanying consolidated balance sheets as of March 31, 2013 and 2012, respectively.

(k) Accrued Retirement Benefits and Pension Plans

Upon terminating their employment, employees of MCHC and its consolidated 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 consolidated subsidiaries in Japan may grant additional benefits. MCHC and some of its significant consolidated 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 Group 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 Group 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 Group 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 (\$13,543 thousand) and ¥1,273 million are included in "Other noncurrent liabilities" in the accompanying consolidated balance sheets as of March 31, 2013 and 2012, 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 ¥1,409 million (\$14,989 thousand) and ¥3,916 million are included in "Other noncurrent liabilities" in the accompanying consolidated balance sheets as of March 31, 2013 and 2012, 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 ¥7,426 million (\$79,000 thousand) and ¥10,185 million are included in "Other current liabilities" and "Other noncurrent liabilities" in the accompanying consolidated balance sheets as of March 31, 2013 and 2012, respectively.

(o) Provision for Losses on Disaster

Balances of ¥990 million (\$10,532 thousand) and ¥2,335 million are included in "Other current liabilities" in the accompanying consolidated balance sheets as of March 31, 2013 and 2012, 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

Provision is made to cover estimated future losses from environmental measures work. A balance of ¥2,341 million (\$24,904 thousand) is included in "Other noncurrent liabilities" in the accompanying consolidated balance sheets as of March 31, 2013, and a balance of ¥871 million is included in "Other current liabilities" in the accompanying consolidated balance sheets as of March 31, 2012.

(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 consolidated subsidiaries and affiliates are translated into 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 consolidated subsidiaries and affiliates are translated into yen at the average exchange rates in effect during the year.

Translation adjustments resulting from the process of translating the financial statements of foreign consolidated subsidiaries and affiliates into 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 Group 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 meeting specific matching criteria.

2. Hedging instruments and targets

The Group 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 Group similarly uses interest rate swaps to lower exposure to interest rate fluctuations in financing and funds management transactions. The Group also uses commodity futures contracts to hedge against the risks of fluctuations in the purchase costs of raw materials.

3. Hedging policy

The Group maintains a policy of limiting the use of derivative transactions to actual demand and does not engage in such transactions for speculative purposes. The Group 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 Group 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 Group decides on whether to engage in planned transactions after assessing whether or not such transactions are extremely feasible.

(t) Amortization of Goodwill

Goodwill is 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. and Qualicaps Co., Ltd. into wholly owned consolidated subsidiaries 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***Several Overseas Consolidated Subsidiaries' Year-ends Switched from December 31 to March 31***

During the fiscal year under review, Mitsubishi Tanabe Pharma Korea Co., Ltd. and 15 other companies changed their fiscal year-end from December 31 to March 31. The Company thus prepared consolidated financial statements based on the financial statements for those companies for the 12 months ended December 31, 2012, and three months through March 31, 2013.

The year-ends of Tianjin Tanabe Seiyaku Co., Ltd. and 5 other companies are December 31, but from this fiscal year the Company started to prepare financial statements presenting provisional settlements for those companies as of March 31.

"Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, May 17, 2012) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, May 17, 2012)**(1) Outline**

Under the revised accounting standard, actuarial gains and losses and past service costs, etc., after adjusting for tax effects, are recognized in the net assets section of the consolidated balance sheet and the deficit or surplus is recognized as a liability or asset. Also, in regard to the method of attributing the expected retirement benefit to periods, in addition to the straight-line basis, the benefit formula basis may now be applied. In addition, the method of determining the discount rate has also been revised.

(2) Date of application

The Group plans to adopt the accounting standard from the end of the fiscal year ending March 31, 2014. However, in regard to the revisions in the methods of calculating projected benefit obligations and service costs, plans call for adoption from the beginning of the fiscal year ending March 31, 2015.

(3) Effects of adoption of the accounting standard, etc.

The effect of the adoption of the accounting standard is currently being evaluated.

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 ¥94 to U.S.\$1.00, the approximate exchange rate prevailing on the Tokyo foreign exchange market at March 29, 2013. 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 Group recognizes impairment losses for idle assets by individual asset. In the fiscal year under review, the Group posted ¥7,298 million (\$77,638 thousand) in impairment losses as part of other expenses. 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 |
| Polyethylene manufacturing facility | Japan Polyethylene Corporation, Kawasaki Plant (Kawasaki City, Kawasaki Prefecture) | Machinery and equipment, Buildings, others | ¥1,976 | \$21,021 |
| Polypropylene manufacturing facility | Japan Polypropylene Corporation, Kawasaki Plant (Kawasaki City, Kawasaki Prefecture) | Machinery and equipment, Buildings, others | ¥1,911 | \$20,330 |

Composition of Impairment Losses

Polyethylene manufacturing facility

The impairment loss of ¥ 1,976 million (\$21,021 thousand) includes ¥1,194 million (\$12,702 thousand) for machinery and equipment, ¥769 million (\$8,181 thousand) for buildings, and ¥13 million (\$138 thousand) for others.

Polypropylene manufacturing facility

The impairment loss of ¥1,911 million (\$20,330 thousand) includes ¥1,021 million (\$10,862 thousand) for machinery and equipment, ¥875 million (\$9,309 thousand) for buildings, and ¥15 million (\$160 thousand) for others.

In regard to the polyethylene manufacturing facility and polypropylene manufacturing facility, due to sluggish domestic demand and other factors, profitability declined substantially and the possibility of recovery in the future was low. Accordingly, the decision was made to halt operations at these plants, and the book value was reduced to the recoverable amount. The recoverable amount was determined based on value in use. The discount rate is not presented because future cash flows before discounting are negative.

Note 4

Contingent Liabilities

MCHC and its consolidated subsidiaries were 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 | ¥4,543 | \$48,330 | ¥4,498 | \$47,851 |
| Stand-by guarantees | 174 | 1,851 | 174 | 1,851 |

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 Brazilian real, or ¥17,534 million (\$186,532 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.

In the following proceedings, the court ruled against Verbatim. However, dissatisfied with the ruling, Verbatim made a special appeal to Brazil's Supreme Court, requesting that the case be tried in that court. In June 2011, the Supreme Court dismissed the charges of trademark infringement filed against Verbatim, and overruled the lower court's order for Verbatim to pay the abovementioned damages. However, in April 2012 the plaintiff requested that the Supreme Court clarify its ruling, and the Company cannot deny the possibility that the plaintiff will oppose this ruling in the future.

Note 5

Selling, General and Administrative Expenses

For the years ended March 31, 2013 and 2012, the following items were recorded in the consolidated statements of income:

| | Millions of yen | | Thousands of U.S. dollars |
|--------------------------|-----------------|----------------|---------------------------|
| | March 31, 2013 | March 31, 2012 | March 31, 2013 |
| Transportation costs | ¥ 79,652 | ¥ 80,933 | \$ 847,362 |
| Labor costs | 124,108 | 126,422 | 1,320,298 |
| Research and development | 134,723 | 138,545 | 1,433,223 |

Notes: 1. Labor costs include a provision for bonuses of ¥12,182 million (\$129,596 thousand) and ¥13,759 million for the years ended March 31, 2013 and 2012, respectively.

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

Note 6

Supplementary
Information for
Consolidated
Statements of
Comprehensive
Income

| | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------|----------------|------------------------------|
| | March 31, 2013 | March 31, 2012 | March 31, 2013 |
| Net unrealized holding gain (loss) on other securities: | | | |
| Amount arising during the period | ¥ 29,353 | ¥ 46 | \$ 312,266 |
| Reclassification adjustment | (6,006) | 336 | (63,894) |
| Before tax effect | 23,347 | 382 | 248,372 |
| Tax effect | (10,643) | 286 | (113,223) |
| Net unrealized holding gain (loss) on other securities | ¥ 12,704 | ¥ 668 | \$ 135,149 |
| Gain (loss) on deferred hedges: | | | |
| Amount arising during the period | ¥ 1,818 | ¥ 143 | \$ 19,340 |
| Reclassification adjustment | 1,059 | 1,747 | 11,266 |
| Amount of acquisition cost adjustment | 57 | (211) | 606 |
| Before tax effect | 2,934 | 1,679 | 31,213 |
| Tax effect | (1,102) | (492) | (11,723) |
| Gain (loss) on deferred hedges | ¥ 1,832 | ¥ 1,187 | \$ 19,489 |
| Foreign currency translation adjustments: | | | |
| Amount arising during the period | ¥ 32,500 | ¥ (10,464) | \$ 345,745 |
| Reclassification adjustment | 82 | 197 | 872 |
| Before tax effect | 32,582 | (10,267) | 346,617 |
| Tax effect | — | — | — |
| Foreign currency translation adjustments | ¥ 32,582 | ¥ (10,267) | \$ 346,617 |
| Unfunded retirement benefit obligation with respect to a foreign subsidiary: | | | |
| Amount arising during the period | ¥ (49) | ¥ (1,861) | \$ (521) |
| Reclassification adjustment | — | — | — |
| Before tax effect | (49) | (1,861) | (521) |
| Tax effect | 19 | 1,016 | 202 |
| Unfunded retirement benefit obligation with respect to a foreign subsidiary | ¥ (30) | ¥ (845) | \$ (319) |
| Other comprehensive income (loss) for affiliates accounted for using equity method: | | | |
| Amount arising during the period | ¥ 4,726 | ¥ (1,054) | \$ 50,277 |
| Reclassification adjustment | 318 | 167 | 3,383 |
| Other comprehensive income (loss) for affiliates accounted for using equity method: | 5,044 | (887) | 53,660 |
| Other comprehensive income (loss), net | ¥ 52,132 | ¥ (10,144) | \$ 554,596 |

Supplementary Information for Consolidated Statements of Changes in Net Assets

(a) Type and Number of Outstanding Shares

| Type of shares | Year ended March 31, 2013 | | | |
|------------------------------|------------------------------|------------------------------------|------------------------------------|------------------------|
| | 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 |
| Issued stock: | | | | |
| Common stock | 1,506,288 | — | — | 1,506,288 |
| Total | 1,506,288 | — | — | 1,506,288 |
| Treasury stock: | | | | |
| Common stock ^{1, 2} | 31,989 | 1,241 | 177 | 33,053 |
| Total | 31,989 | 1,241 | 177 | 33,053 |

1. A 1,241 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 | 148 thousand |
| Purchase of shares held by untraceable shareholders | 1,055 thousand |
| Changes in equity | 37 thousand |
2. A 177 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 | 21 thousand |
| Withdrawal related to the exercise of stock options | 156 thousand |

(b) Warrants

| Description | Type of outstanding shares | Number of outstanding shares (Thousands) | | | Millions of yen | Thousands of U.S. dollars |
|---------------------------|----------------------------|--|---------------------|------------------------|-----------------|---------------------------|
| | | Balance at beginning of year | Increase (Decrease) | Balance at end of year | | |
| MCHC | Warrants as stock options | | — | | ¥565 | \$6,011 |
| Consolidated subsidiaries | — | | — | | — | — |
| Total | | | — | | ¥565 | \$6,011 |

(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 26, 2012 | Annual general meeting of shareholders | Common stock | ¥7,380 | \$78,511 | ¥5 | \$0.05 | March 31, 2012 | June 27, 2012 |
| November 1, 2012 | Board of Directors | Common stock | ¥8,856 | \$94,213 | ¥6 | \$0.06 | September 30, 2012 | December 4, 2012 |

(2) Dividends whose entitlement date was in the year ended March 31, 2013, 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 25, 2013 | Annual general meeting of shareholders | Common stock | ¥8,850 | \$94,149 | Retained earnings | ¥6 | \$0.06 | March 31, 2013 | June 26, 2013 |

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 8

Lease Transactions

At March 31, 2013 and 2012, as lessee, finance leases other than those deemed to transfer the ownership of the leased assets to the lessees were accounted for as operating leases, and the details were 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, 2013 | March 31, 2012 | March 31, 2013 |
| Machinery and equipment: | | | |
| Acquisition costs | ¥ 1,507 | ¥ 3,768 | \$16,032 |
| Accumulated depreciation | 1,375 | 3,262 | 14,628 |
| Accumulated impairment loss | — | — | — |
| Balance at year-end | ¥ 132 | ¥ 506 | \$ 1,404 |

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, 2013 | March 31, 2012 | March 31, 2013 |
| Due within one year | ¥ 84 | ¥ 345 | \$ 894 |
| Due after one year | 54 | 163 | 574 |
| | ¥ 138 | ¥ 508 | \$ 1,468 |
| Impairment loss on leased assets | ¥ — | ¥ 4 | \$ — |

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

| | Millions of yen | | Thousands of U.S. dollars |
|----------------------------------|-----------------|----------------|---------------------------|
| | March 31, 2013 | March 31, 2012 | March 31, 2013 |
| Paid lease fees | ¥280 | ¥1,261 | \$2,979 |
| Amortization expense amount | 4 | 4 | 43 |
| Depreciation expense amount | ¥276 | ¥1,257 | \$2,936 |
| 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, 2013 and 2012, 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, 2013 | March 31, 2012 | March 31, 2013 |
| Due within one year | ¥ 9,186 | ¥ 6,416 | \$ 97,723 |
| Due after one year | 22,765 | 22,372 | 242,181 |
| | ¥31,951 | ¥ 28,788 | \$339,904 |

At March 31, 2013 and 2012, as lessor, finance leases other than those deemed to transfer the ownership of the leased assets to the lessees were accounted for as operating leases, and the details were as follows:

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

| | Millions of yen | | Thousands of U.S. dollars |
|-----------------------------|-----------------|----------------|---------------------------|
| | March 31, 2013 | March 31, 2012 | March 31, 2013 |
| Buildings | | | |
| Acquisition costs | ¥920 | ¥921 | \$9,787 |
| Accumulated depreciation | 379 | 355 | 4,032 |
| Accumulated impairment loss | — | — | — |
| Balance at year-end | ¥541 | ¥566 | \$5,755 |

| | Millions of yen | | Thousands of U.S. dollars |
|-----------------------------------|-----------------|----------------|---------------------------|
| | March 31, 2013 | March 31, 2012 | March 31, 2013 |
| Machinery, equipment and vehicles | | | |
| Acquisition costs | ¥ 362 | ¥415 | \$ 3,851 |
| Accumulated depreciation | 281 | 292 | 2,989 |
| Accumulated impairment loss | — | — | — |
| Balance at year-end | ¥ 81 | ¥123 | \$ 862 |

Future minimum sublease income for the remaining lease periods

| | Millions of yen | | Thousands of U.S. dollars |
|---------------------|-----------------|----------------|---------------------------|
| | March 31, 2013 | March 31, 2012 | March 31, 2013 |
| Due within one year | ¥ 88 | ¥ 98 | \$ 936 |
| Due after one year | 405 | 505 | 4,309 |
| | ¥ 493 | ¥ 603 | \$ 5,245 |

Sublease income, amortization expense, depreciation expense and impairment loss

| | Millions of yen | | Thousands of U.S. dollars |
|----------------------------------|-----------------|----------------|---------------------------|
| | March 31, 2013 | March 31, 2012 | March 31, 2013 |
| Sublease income | ¥96 | ¥111 | \$1,021 |
| Amortization expense amount | — | — | — |
| Depreciation expense amount | 55 | 70 | 585 |
| 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, 2013 and 2012, 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, 2013 | March 31, 2012 | March 31, 2013 |
| Due within one year | ¥ 83 | ¥ 73 | \$ 883 |
| Due after one year | 356 | 420 | 3,787 |
| | ¥ 439 | ¥493 | \$4,670 |

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 trade 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, 2013, 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, 2013 and 2012, and estimated fair value are shown in the following table. The table below excludes instruments whose fair value is extremely difficult to determine.

| March 31, 2013 | Millions of yen | | |
|---|--------------------|--------------------|----------------|
| | Carrying value | Fair value | Difference |
| Cash and deposits | ¥ 115,980 | ¥ 115,980 | ¥ — |
| Trade receivables | 588,208 | 588,208 | — |
| Marketable and investment securities: | | | |
| Held-to-maturity debt securities | 16,417 | 15,993 | (424) |
| Shares of affiliates | 42,185 | 42,322 | 137 |
| Other marketable securities | 278,624 | 278,624 | — |
| Total assets | ¥1,041,414 | ¥ 1,041,127 | ¥ (287) |
| Trade payables | ¥ 416,980 | ¥ 416,980 | ¥ — |
| Short-term debt | 315,551 | 315,551 | — |
| Current portion of long-term debt | 150,026 | 150,026 | — |
| Bonds due in one year or less | 10,000 | 10,000 | — |
| Current portion of bonds with subscription rights to shares | 70,000 | 70,000 | — |
| Corporate bonds | 200,000 | 206,667 | 6,667 |
| Long-term debt* | 453,222 | 463,795 | 10,573 |
| Total liabilities | ¥ 1,615,779 | ¥ 1,633,019 | ¥17,240 |
| Derivatives transactions: | | | |
| Hedge accounting not applied | ¥ 9 | ¥ 9 | ¥ — |
| Hedge accounting applied | 2,732 | 2,732 | — |
| Total derivatives transactions | ¥ 2,741 | ¥ 2,741 | ¥ — |

* "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 | Millions of yen | | |
|--|-------------------|-------------------|------------------|
| | 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 | 249,574 | 249,574 | — |
| Current portion of long-term debt | 81,756 | 81,756 | — |
| 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, 2013 | Thousands of U.S. dollars | | |
|---|---------------------------|---------------------|-------------------|
| | Carrying value | Fair value | Difference |
| Cash and deposits | \$ 1,233,830 | \$ 1,233,830 | \$ — |
| Trade receivables | 6,257,532 | 6,257,532 | — |
| Marketable and investment securities: | | | |
| Held-to-maturity debt securities | 174,649 | 170,138 | (4,511) |
| Shares of affiliates | 448,777 | 450,234 | 1,457 |
| Other marketable securities | 2,964,085 | 2,964,085 | — |
| Total assets | \$11,078,872 | \$11,075,819 | \$ (3,053) |
| Trade payables | \$ 4,435,957 | \$ 4,435,957 | \$ — |
| Short-term debt | 3,356,926 | 3,356,926 | — |
| Current portion of long-term debt | 1,596,021 | 1,596,021 | — |
| Bonds due in one year or less | 106,383 | 106,383 | — |
| Current portion of bonds with subscription rights to shares | 744,681 | 744,681 | — |
| Corporate bonds | 2,127,660 | 2,198,585 | 70,925 |
| Long-term debt* | 4,821,511 | 4,933,989 | 112,479 |
| Total liabilities | \$17,189,138 | \$17,372,543 | \$183,404 |
| Derivatives transactions: | | | |
| Hedge accounting not applied | \$ 96 | \$ 96 | \$ — |
| Hedge accounting applied | 29,064 | 29,064 | — |
| Total derivatives transactions | \$ 29,160 | \$ 29,160 | \$ — |

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 10, Securities.

Liabilities

Trade payables, short-term debt, current portion of long-term debt, bonds due in one year or less, and current portion of bonds with subscription rights to shares

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

Corporate bonds

The market price of corporate bonds is based on the quoted market price.

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 12, 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 12, 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, 2013 | March 31, 2012 | March 31, 2013 |
| Unlisted shares | ¥99,367 | ¥103,254 | \$1,057,096 |
| Unlisted bonds | — | 3,000 | — |
| Investment securities | 2,278 | 2,003 | 24,234 |

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, 2013

| March 31, 2013 | 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 | ¥115,980 | ¥ — | ¥ — | ¥ — |
| Trade receivables | 588,208 | — | — | — |
| Marketable and investment securities | | | | |
| Held-to-maturity debt securities | | | | |
| (1) Government bonds | — | 2,295 | — | — |
| (2) Others | 595 | 3,500 | — | 10,000 |
| Other securities with maturities | | | | |
| (1) Government bonds | 14,000 | 48,000 | 700 | — |
| (2) Others | 70,850 | — | — | — |
| Total | ¥789,633 | ¥53,795 | ¥700 | ¥10,000 |

| March 31, 2012 | 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 | ¥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, 2013 | 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 | \$1,233,830 | \$ — | \$ — | \$ — |
| Trade receivables | 6,257,532 | — | — | — |
| Marketable and investment securities | | | | |
| Held-to-maturity debt securities | | | | |
| (1) Government bonds | — | 24,415 | — | — |
| (2) Others | 6,330 | 37,234 | — | 106,383 |
| Other securities with maturities | | | | |
| (1) Government bonds | 148,936 | 510,638 | 7,447 | — |
| (2) Others | 753,723 | — | — | — |
| Total | \$8,400,351 | \$572,287 | \$7,447 | \$106,383 |

4. Scheduled Repayments of Corporate Bonds, Long-Term Debt and Other Interest-Bearing Debt after March 31, 2013

| | Millions of yen | | | | | |
|---|-------------------------|--------------------------------------|---|--|---|----------------------|
| | Due in one year or less | Due after one year through two years | Due after two years through three years | Due after three years through four years | Due after four years through five years | Due after five years |
| March 31, 2013 | | | | | | |
| Short-term debt | ¥315,551 | ¥ — | ¥ — | ¥ — | ¥ — | ¥ — |
| Current portion of long-term debt | 150,026 | — | — | — | — | — |
| Bonds due in one year or less | 10,000 | — | — | — | — | — |
| Current portion of bonds with subscription rights to shares | 70,000 | — | — | — | — | — |
| Corporate bonds | — | 55,000 | 20,000 | 30,000 | 30,000 | 65,000 |
| Long-term debt | — | 110,924 | 133,595 | 64,589 | 91,949 | 52,165 |
| Total | ¥545,577 | ¥ 165,924 | ¥ 153,595 | ¥ 94,589 | ¥121,949 | ¥ 117,165 |

| | Millions of yen | | | | | |
|--|-------------------------|--------------------------------------|---|--|---|----------------------|
| | Due in one year or less | Due after one year through two years | Due after two years through three years | Due after three years through four years | Due after four years through five years | Due after five years |
| March 31, 2012 | | | | | | |
| Short-term debt | ¥249,574 | ¥ — | ¥ — | ¥ — | ¥ — | ¥ — |
| Current portion of long-term debt | 81,756 | — | — | — | — | — |
| Commercial paper | 40,000 | — | — | — | — | — |
| Bonds due in one year or less | 25,000 | — | — | — | — | — |
| Corporate bonds | — | 10,000 | 55,000 | 20,000 | 30,000 | 45,000 |
| Bonds with subscription rights to shares | — | 70,000 | — | — | — | — |
| Long-term debt | — | 145,734 | 108,095 | 81,595 | 71,594 | 130,780 |
| Total | ¥396,330 | ¥ 225,734 | ¥ 163,095 | ¥ 101,595 | ¥ 101,594 | ¥ 175,780 |

| | Thousands of U.S. dollars | | | | | |
|---|---------------------------|--------------------------------------|---|--|---|----------------------|
| | Due in one year or less | Due after one year through two years | Due after two years through three years | Due after three years through four years | Due after four years through five years | Due after five years |
| March 31, 2013 | | | | | | |
| Short-term debt | \$3,356,926 | \$ — | \$ — | \$ — | \$ — | \$ — |
| Current portion of long-term debt | 1,596,021 | — | — | — | — | — |
| Bonds due in one year or less | 106,383 | — | — | — | — | — |
| Current portion of bonds with subscription rights to shares | 744,681 | — | — | — | — | — |
| Corporate bonds | — | 585,106 | 212,766 | 319,149 | 319,149 | 691,489 |
| Long-term debt | — | 1,180,043 | 1,421,223 | 687,117 | 978,181 | 554,947 |
| Total | \$5,804,011 | \$ 1,765,149 | \$ 1,633,989 | \$ 1,006,266 | \$ 1,297,330 | \$ 1,246,436 |

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, 2013 and 2012, are summarized as follows:

| | Millions of yen | | | |
|-----------------------------------|-----------------|------------------------|-------------------------|----------------------|
| | Carrying value | Gross unrealized gains | Gross unrealized losses | Estimated fair value |
| March 31, 2013 | | | | |
| Held-to-maturity debt securities: | | | | |
| Government bonds | ¥ 2,318 | ¥386 | ¥ — | ¥ 2,704 |
| Corporate bonds | — | — | — | — |
| Other debt securities | 14,099 | 112 | (922) | 13,289 |
| | ¥16,417 | ¥498 | ¥(922) | ¥15,993 |

| | Millions of yen | | | |
|-----------------------------------|-----------------|------------------------|-------------------------|----------------------|
| | Carrying value | Gross unrealized gains | Gross unrealized losses | Estimated fair value |
| March 31, 2012 | | | | |
| 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 |

| | Thousands of U.S. dollars | | | |
|-----------------------------------|---------------------------|------------------------|-------------------------|----------------------|
| | Carrying value | Gross unrealized gains | Gross unrealized losses | Estimated fair value |
| March 31, 2013 | | | | |
| Held-to-maturity debt securities: | | | | |
| Government bonds | \$ 24,660 | \$4,106 | \$ — | \$ 28,766 |
| Corporate bonds | — | — | — | — |
| Other debt securities | 149,989 | 1,191 | (9,809) | 141,372 |
| | \$174,649 | \$5,298 | \$(9,809) | \$ 170,138 |

Other marketable 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, 2013 and 2012, are summarized as follows:

| | Millions of yen | | | | |
|------------------------------|-------------------|------------|-----------------|-------------|--------------|
| | Acquisition costs | Fair value | Net differences | (Breakdown) | |
| | | | | Gross gains | Gross losses |
| March 31, 2013 | | | | | |
| Other marketable securities: | | | | | |
| Equity securities | ¥ 90,610 | ¥144,624 | ¥54,014 | ¥65,786 | ¥(11,772) |
| Government bonds | 52,383 | 52,733 | 350 | 350 | — |
| Corporate bonds | 10,400 | 10,424 | 24 | 25 | (1) |
| Other debt securities | 70,843 | 70,843 | — | — | — |
| | ¥224,236 | ¥278,624 | ¥54,388 | ¥66,161 | ¥(11,773) |

| March 31, 2012 | Millions of yen | | | | |
|------------------------------|-------------------|------------|-----------------|-------------|--------------|
| | Acquisition costs | Fair value | Net differences | (Breakdown) | |
| | | | | Gross gains | Gross losses |
| Other marketable 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) |

| March 31, 2013 | Thousands of U.S. dollars | | | | |
|------------------------------|---------------------------|-------------|-----------------|-------------|--------------|
| | Acquisition costs | Fair value | Net differences | (Breakdown) | |
| | | | | Gross gains | Gross losses |
| Other marketable securities: | | | | | |
| Equity securities | \$ 963,936 | \$1,538,553 | \$574,617 | \$699,851 | \$ (125,234) |
| Government bonds | 557,266 | 560,989 | 3,723 | 3,723 | — |
| Corporate bonds | 110,638 | 110,894 | 255 | 266 | (11) |
| Other debt securities | 753,649 | 753,649 | — | — | — |
| | \$ 2,385,489 | \$2,964,085 | \$578,596 | \$703,840 | \$ (125,245) |

Sales of other securities for the fiscal year ended March 31, 2013 are shown below:

| Year ended March 31, 2013 | Millions of yen | | |
|---------------------------|-----------------|--------|--------|
| | Sales | Gains | Losses |
| | ¥12,711 | ¥6,670 | ¥368 |

| Year ended March 31, 2013 | Thousands of U.S. dollars | | |
|---------------------------|---------------------------|----------|---------|
| | Sales | Gains | Losses |
| | \$135,223 | \$70,957 | \$3,915 |

Investment securities of unconsolidated subsidiaries and affiliates at March 31, 2013 are shown below:

| At March 31, 2013 | Millions of yen | Thousands of U.S. dollars |
|-------------------|-----------------|---------------------------|
| | ¥115,276 | \$1,226,340 |

Note 11

Supplementary Cash Flow Information Cash and cash equivalents as of March 31, 2013 and 2012, are reconciled to the accounts reported in the consolidated balance sheets as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------|----------------|---------------------------|
| | March 31, 2013 | March 31, 2012 | March 31, 2013 |
| Cash and deposits | ¥115,980 | ¥114,778 | \$ 1,233,830 |
| Time deposits with maturities of more than three months | (4,453) | (2,919) | (47,372) |
| Cash equivalents included in securities ¹ | 41,593 | 21,196 | 442,479 |
| Cash and cash equivalents | ¥153,120 | ¥133,055 | \$ 1,628,936 |

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

Significant Non-cash transactions

In the fiscal year under review, the plasma fractionation operations of Benesis Corporation, a subsidiary of Mitsubishi Tanabe Pharma Corporation, were transferred. The assets and liabilities that were transferred are described below.

| | Millions of yen | Thousands of U.S. dollars |
|--|-----------------|---------------------------|
| | March 31, 2013 | March 31, 2013 |
| Current assets | ¥ 8,767 | \$ 93,266 |
| Noncurrent assets | 6,522 | 69,383 |
| Current liabilities | 1 | 11 |
| Noncurrent liabilities | 1 | 11 |
| Gain on transfer of operations | — | — |
| Compensation for transfer of operations | 15,287 | 162,628 |
| Cash and cash equivalents | — | — |
| Balance receivable for compensation for transfer of operations | 15,287 | 162,628 |

Assets and liabilities of company which became a consolidated subsidiary via stock acquisition

Increases in assets and liabilities due to Qualicaps Co., Ltd. becoming a consolidated subsidiary via stock acquisition are as follows:

| | Millions of yen | Thousands of U.S. dollars |
|------------------------|-----------------|---------------------------|
| | March 31, 2013 | March 31, 2013 |
| Current assets | ¥12,563 | \$133,649 |
| Noncurrent assets | 10,226 | 108,787 |
| Total assets | ¥22,789 | \$242,436 |
| Current liabilities | ¥17,219 | \$183,181 |
| Noncurrent liabilities | 1,759 | 18,713 |
| Total liabilities | ¥18,978 | \$201,894 |

1. These are provisional amounts that are reflected in the consolidated financial statements as of the end of the current fiscal year.

Derivative Financial Instruments and Hedge Accounting

Derivative Transactions
1. Unhedged Derivative Transactions
(1) Currency-related transactions

| Year ended March 31, 2013 | Millions of yen | | | |
|-------------------------------------|-----------------|-------------------------|------------|------------------------|
| | Notional value | Maturing after one year | Fair value | Appraised gains/losses |
| Off-market transactions | | | | |
| Forward exchange agreements | | | | |
| Put | | | | |
| U.S. dollars | ¥ 79 | ¥ — | ¥ 1 | ¥ 1 |
| Euros | 132 | — | (5) | (5) |
| British pounds | 42 | — | 0 | 0 |
| Won | 211 | — | 0 | 0 |
| Call | | | | |
| U.S. dollars | 3 | — | 0 | 0 |
| Euros | 2 | — | 0 | 0 |
| Thai baht | 128 | — | 0 | 0 |
| Currency swaps | | | | |
| Receive U.S. dollars, pay Euros | 5,454 | 4,545 | 183 | 183 |
| Receive U.S. dollars, pay Thai baht | 3,125 | 2,083 | (170) | (170) |

| Year ended March 31, 2012 | Millions of yen | | | |
|-------------------------------------|-----------------|-------------------------|------------|------------------------|
| | 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 Euros | 5,442 | 4,898 | 225 | 225 |
| Receive U.S. dollars, pay Thai baht | 3,744 | 2,808 | (91) | (91) |

| Year ended March 31, 2013 | Thousands of U.S. dollars | | | |
|-------------------------------------|---------------------------|-------------------------|------------|------------------------|
| | Notional value | Maturing after one year | Fair value | Appraised gains/losses |
| Off-market transactions | | | | |
| Forward exchange agreements | | | | |
| Put | | | | |
| U.S. dollars | \$ 840 | \$ — | \$ 11 | \$ 11 |
| Euros | 1,404 | — | (53) | (53) |
| British pounds | 447 | — | 0 | 0 |
| Won | 2,245 | — | 0 | 0 |
| Call | | | | |
| U.S. dollars | 32 | — | 0 | 0 |
| Euros | 21 | — | 0 | 0 |
| Thai baht | 1,362 | — | 0 | 0 |
| Currency swaps | | | | |
| Receive U.S. dollars, pay Euros | 58,021 | 48,351 | 1,947 | 1,947 |
| Receive U.S. dollars, pay Thai baht | 33,245 | 22,160 | (1,809) | (1,809) |

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

| | | Millions of yen | | |
|--------------------------------------|--|------------------|-------------------------|------------|
| Year ended March 31, 2013 | Main hedging targets | Notional amounts | Maturing after one year | Fair value |
| Hedge accounting method | | | | |
| Principle-based accounting | | | | |
| Forward exchange agreements | | | | |
| Put | | | | |
| U.S. dollars | Accounts receivable trade | ¥ 28 | ¥ — | ¥ 0 |
| Call | | | | |
| U.S. dollars | Accounts payable trade, etc. | 21,081 | 2,765 | 2,792 |
| Euros | Accounts payable trade, etc. | 20 | — | 0 |
| British pounds | Accounts payable trade, etc. | 60 | — | 0 |
| Thai baht | Accounts payable trade, etc. | 913 | — | 1 |
| Malaysian ringgit | Accounts payable trade, etc. | 1,070 | 261 | 180 |
| Currency swaps | | | | |
| Receive yen, pay U.S. dollars | Long-term debt | 2,780 | 2,780 | 54 |
| Hedge accounting method | | | | |
| Forward exchange deferral accounting | | | | |
| Forward exchange contracts | | | | |
| Put | | | | |
| U.S. dollars | Accounts receivable trade | 2,080 | — | |
| Euros | Accounts receivable trade | 1,141 | — | |
| Put | | | | |
| U.S. dollars | Accounts receivable trade (forecast transaction) | 250 | — | 1 |
| Euros | Accounts receivable trade (forecast transaction) | 805 | — | 23 |
| Call | | | | |
| U.S. dollars | Accounts payable trade (forecast transaction) | 421 | — | 15 |

| | | Millions of yen | | |
|--------------------------------------|---------------------------------|------------------|-------------------------|------------|
| Year ended March 31, 2012 | Main hedging targets | 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, etc. | 34,238 | — | |
| Euros | Accounts receivable trade, etc. | 10,041 | — | |
| Call | | | | |
| U.S. dollars | Accounts payable trade | 96 | 13 | |

| | | Thousands of U.S. dollars | | |
|--------------------------------------|---|---------------------------|-------------------------|------------|
| Year ended March 31, 2013 | Main hedging targets | Notional amounts | Maturing after one year | Fair value |
| Hedge accounting method | | | | |
| Principle-based accounting | | | | |
| Forward exchange agreements | | | | |
| Put | | | | |
| U.S. dollars | Accounts receivable trade | \$ 298 | \$ — | \$ 0 |
| Call | | | | |
| U.S. dollars | Accounts payable trade, etc. | 224,266 | 29,415 | 29,702 |
| Euros | Accounts payable trade, etc. | 213 | — | 0 |
| British pounds | Accounts payable trade, etc. | 638 | — | 0 |
| Thai baht | Accounts payable trade, etc. | 9,713 | — | 11 |
| Malaysian ringgit | Accounts payable trade, etc. | 11,383 | 2,777 | 1,915 |
| Currency swaps | | | | |
| Receive yen, pay U.S. dollars | Long-term debt | 29,574 | 29,574 | 574 |
| Hedge accounting method | | | | |
| Forward exchange deferral accounting | | | | |
| Forward exchange contracts | | | | |
| Put | | | | |
| U.S. dollars | Accounts receivable trade | 22,128 | — | |
| Euros | Accounts receivable trade | 12,138 | — | |
| Call | | | | |
| U.S. dollars | Accounts payable trade (forecast transaction) | 2,660 | — | 11 |
| Euros | Accounts payable trade (forecast transaction) | 8,564 | — | 245 |
| U.S. dollars | Accounts payable trade (forecast transaction) | 4,479 | — | 160 |

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

| | | Millions of yen | | |
|---|----------------------|------------------|-------------------------|------------|
| Year ended March 31, 2013 | Main hedging targets | 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 | ¥ 10,287 | ¥ 5,992 | ¥(344) |
| Special accounting procedures for interest rate swaps | | | | |
| Interest rate swaps | | | | |
| Pay fixed rate, receive floating rate | Long-term debt | 219,582 | 159,238 | |

| | | Millions of yen | | |
|---|----------------------|------------------|-------------------------|------------|
| Year ended March 31, 2012 | Main hedging targets | 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 | |

| | | Thousands of U.S. dollars | | |
|---|----------------------|---------------------------|-------------------------|------------|
| Year ended March 31, 2013 | Main hedging targets | 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 | \$ 109,436 | \$ 63,745 | \$(3,660) |
| Special accounting procedures for interest rate swaps | | | | |
| Interest rate swaps | | | | |
| Pay fixed rate, receive floating rate | Long-term debt | 2,335,979 | 1,694,021 | |

- 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

| | | Millions of yen | | |
|--|------------------------|------------------|-------------------------|------------|
| Year ended March 31, 2013 | Main hedging targets | Notional amounts | Maturing after one year | Fair value |
| Hedge accounting method | | | | |
| Principle-based accounting | | | | |
| Forward transactions for aluminum ingots | | | | |
| Put | Aluminum ingot trading | ¥189 | ¥— | ¥10 |

| | | Millions of yen | | |
|--|------------------------|------------------|-------------------------|------------|
| Year ended March 31, 2012 | Main hedging targets | 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 |

| | | Thousands of U.S. dollars | | |
|--|------------------------|---------------------------|-------------------------|------------|
| Year ended March 31, 2013 | Main hedging targets | Notional amounts | Maturing after one year | Fair value |
| Hedge accounting method | | | | |
| Principle-based accounting | | | | |
| Forward transactions for aluminum ingots | | | | |
| Put | Aluminum ingot trading | \$2,011 | \$— | \$106 |

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

Note 13

Pension and Severance Plans

At March 31, 2013 and 2012, 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, 2013 | March 31, 2012 | March 31, 2013 |
| Projected benefit obligation at end of year | ¥(561,031) | ¥(561,006) | \$ (5,968,415) |
| Fair value of plan assets at end of year | 448,115 | 417,212 | 4,767,181 |
| Funded status | (112,916) | (143,794) | (1,201,234) |
| Unrecognized transition amount under post-employment benefit accounting | 1,587 | 2,392 | 16,883 |
| Unrecognized actuarial loss | 16,261 | 64,366 | 172,989 |
| Unrecognized prior service cost | 7,736 | 10,592 | 82,298 |
| Net amount recognized | (87,332) | (66,444) | (929,064) |
| Prepaid pension expense | 39,381 | 58,073 | 418,947 |
| Accrued retirement benefits | (126,713) | (124,517) | (1,348,011) |

The components of net pension and severance cost for the years ended March 31, 2013 and 2012, were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|----------------|---------------------------|
| | March 31, 2013 | March 31, 2012 | March 31, 2013 |
| Service cost | ¥15,372 | ¥14,748 | \$163,532 |
| Interest cost | 12,165 | 13,474 | 129,415 |
| Expected return on plan assets | (10,899) | (9,961) | (115,947) |
| Amortization of transition amount under post-employment benefit accounting | 796 | 794 | 8,468 |
| Recognized actuarial loss (gain) | 18,699 | 19,554 | 198,926 |
| Amortization of prior service cost | 3,126 | 2,652 | 33,255 |
| Defined contribution plan cost | 4,673 | 4,886 | 49,713 |
| Net periodic pension cost | ¥43,932 | ¥46,147 | \$467,362 |

- 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 ¥575 million (\$6,117 thousand) and ¥656 million was recorded in addition to the amount of net periodic pension cost for the year ended March 31, 2013, and 2012, respectively.
 5. Main assumptions used for the years ended March 31, 2013 and 2012, were discount rates of 2.0% or 1.8% in both years, respectively and an expected return on plan assets of 2.5% or 2.0% in both years.

Note 14

Stock-Based Compensation Plan

Information on stock-based compensation plans at March 31, 2013, is shown below:

| | 2012 plan | 2012 plan |
|--------------------------|---|---|
| Grantees | 3 directors of MCHC | 1 executive officer of MCHC |
| Type of stock | Common stock | Common stock |
| Date of grant | September 12, 2012 | September 12, 2012 |
| Number of shares granted | 21,500 | 4,500 |
| Exercise price (yen) | 1 | 1 |
| Exercisable period | from September 13, 2012 to September 12, 2032 | from September 13, 2012 to September 12, 2032 |

| | 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 1 retiring director of MCHC | 4 directors of a subsidiary 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 2 retiring directors of MCHC | 1 director of a subsidiary 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 15

Income Taxes

At March 31, 2013 and 2012, significant components of deferred tax assets and liabilities were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|----------------|---------------------------|
| | March 31, 2013 | March 31, 2012 | March 31, 2013 |
| Deferred tax assets: | | | |
| Tax loss carryforwards | ¥ 150,392 | ¥ 152,099 | \$ 1,599,915 |
| Employees' retirement benefits | 41,203 | 34,441 | 438,330 |
| Accrued bonuses to employees | 12,900 | 13,544 | 137,234 |
| Write-downs of investment securities | 9,030 | 9,671 | 96,064 |
| Impairment loss on fixed assets | 7,628 | 7,642 | 81,149 |
| Loss on liquidation of subsidiaries and affiliates | 6,292 | 6,492 | 66,936 |
| Depreciation | 5,653 | 7,551 | 60,138 |
| Unrealized profit on sale of fixed assets | 4,252 | 4,835 | 45,234 |
| Other | 58,860 | 54,620 | 626,170 |
| Gross deferred tax assets | ¥ 296,210 | ¥ 290,895 | \$ 3,151,170 |
| Valuation allowance | (101,490) | (103,230) | (1,079,681) |
| Total deferred tax assets | ¥ 194,720 | ¥ 187,665 | \$ 2,071,489 |
| Deferred tax liabilities: | | | |
| Valuation of assets | ¥ (34,411) | ¥ (36,713) | \$ (366,074) |
| Accelerated tax depreciation | (26,489) | (22,041) | (281,798) |
| Valuation gain on investment securities | (21,414) | (11,245) | (227,809) |
| Tax deductible reserve | (4,406) | (3,349) | (46,872) |
| Other | (4,077) | (2,480) | (43,372) |
| Total deferred tax liabilities | ¥ (90,797) | ¥ (75,828) | \$ (965,926) |
| Net deferred tax assets | ¥ 103,923 | ¥ 111,837 | \$ 1,105,564 |

At March 31, 2013 and 2012, 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, 2013 | March 31, 2012 | March 31, 2013 |
| Deferred income taxes—current | ¥32,227 | ¥31,710 | \$342,840 |
| Deferred income taxes—noncurrent | 91,898 | 98,901 | 977,638 |
| Other current liabilities | (820) | (1) | (8,723) |
| Other noncurrent liabilities | (19,382) | (18,773) | (206,191) |

A reconciliation of the statutory tax rates to the effective tax rates for the years ended March 31, 2013 and 2012, was as follows:

| | March 31, 2013 | March 31, 2012 |
|--|-------------------|-------------------|
| Statutory tax rate | 38.0% | 40.6% |
| Increase (decrease) in taxes resulting from: | | |
| Increase in valuation allowance for cumulative losses of consolidated subsidiaries | 9.6 | 0.1 |
| Amortization of goodwill | 5.2 | 3.7 |
| Unrecognized tax effect on unrealized gain and losses | 2.1 | 1.0 |
| Permanent differences | 1.7 | 3.0 |
| Foreign tax credit | 0.8 | 0.5 |
| Tax credits for research and development costs | (4.9) | (4.9) |
| Difference of statutory tax rate in overseas subsidiaries | (4.5) | (7.4) |
| Equity in earnings of unconsolidated subsidiaries and affiliates | (1.4) | (4.7) |
| Valuation allowance | (0.3) | 2.5 |
| Decrease in deferred tax assets at year-end owing to tax system changes | — | 11.7 |
| Other | 2.1 | (4.4) |
| Effective tax rate | 48.4% | 41.7% |

Note 16

Business

Acquisition of Qualicaps Co., Ltd.

Combinations, Etc.

On December 25, 2012, MCHC entered into a share sale agreement with the Carlyle Group, the controlling shareholder of Qualicaps Co., Ltd. for all of the outstanding shares of Qualicaps. Through consolidated subsidiary MHCS Corporation, which was newly established on January 17, 2013, all of the outstanding shares of Qualicaps were acquired on March 1, 2013. As a result, Qualicaps became a consolidated subsidiary of the Company.

Qualicaps has established a position of leadership in the market for capsules for pharmaceuticals and health & nutrition products, which is expected to record stable growth, and the Company expects Qualicaps to make a contribution to stable profits. The Company believes that the proposed transaction will strengthen the existing businesses of both MCHC and Qualicaps. Qualicaps' global network of customers is highly complementary to MCHC's existing healthcare solutions and API businesses.

Business Combination through Acquisition

(1) Name and business of acquired company, main reason for business combination, date of business combination, legal form of business combination, percentage share of voting rights acquired

1. Name and business of acquired company

Name Qualicaps Co., Ltd.

Business Development, manufacturing and distribution of capsules for pharmaceutical and health & nutrition and pharmaceutical related equipment

2. Main reason for business combination

Refer to "Acquisition of Qualicaps Co., Ltd." above

3. Date of business combination

March 1, 2013

4. Legal form of business combination

Acquisition of shares for cash

5. Percentage share of voting rights acquired

100%

(2) Period of the acquired company's financial results included in the consolidated statement of income

Not applicable, because the deemed acquisition date is March 31, 2013

(3) Acquisition cost of the acquired company and breakdown of that cost

| | Millions of yen | Thousands of U.S. dollars |
|--|-----------------------|------------------------------|
| | March 31, 2013 | March 31, 2013 |
| Consideration for acquisition | ¥47,796 | \$508,468 |
| Expenses directly related to acquisition | 675 | 7,181 |
| Acquisition cost | ¥48,471 | \$515,649 |

(4) Amount of goodwill recognized, reason for recognition of goodwill, method of amortization, and period of amortization

1. Amount of goodwill recognized

¥44,660 million (\$475,106 thousand)

2. Reason for recognition of goodwill

Goodwill was recognized due to the difference between the Company's interest in the acquired company and the acquisition cost.

3. Method of amortization and period of amortization

Straight-line amortization over a period of 20 years

4. The amount of goodwill is the result of a provisional calculation.

The acquisition of these shares took place just before the close of the fiscal year, and therefore the allocation of the cost of acquisition had not been completed as of the end of the fiscal year. Consequently, MCHC accounted for some of the assets and liabilities of Qualicaps Co., Ltd. on a preliminary basis based on Paragraph 69 of ASBJ Guidance No. 10, "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures."

5. Amount of assets acquired and liabilities assumed on the date of business combination and breakdown thereof

| | Millions of yen | Thousands of U.S. dollars |
|--------------------------|-----------------------|------------------------------|
| | March 31, 2013 | March 31, 2013 |
| Current assets | ¥ 12,563 | \$133,649 |
| Noncurrent assets | 10,226 | 108,787 |
| Total assets | ¥ 22,789 | \$242,436 |
| Current liabilities | ¥ 17,219 | \$183,181 |
| Noncurrent liabilities | 1,759 | 18,713 |
| Total liabilities | ¥ 18,978 | \$201,894 |

These are provisional amounts that are reflected in the consolidated financial statements as of the end of the current fiscal year.

6. Approximate amounts of the effects on the consolidated statement of income for the current fiscal year, assuming the business combination was completed on the first day of the current fiscal year, and the method of calculating those approximate amounts

| | Millions of yen | Thousands of U.S. dollars |
|--|-----------------------|------------------------------|
| | March 31, 2013 | March 31, 2013 |
| Net sales | ¥ 19,233 | \$204,606 |
| Operating income | 2,301 | 24,479 |
| Income before income taxes and minority interests in consolidated subsidiaries | 2,869 | 30,521 |
| Net income | ¥ 940 | \$ 10,000 |

Notes: Method of Calculating Approximate Amounts

The amount of amortization of the goodwill that was recognized at the time of the acquisition, assuming that goodwill had arisen on the first day of the current fiscal year, has been added to the consolidated net sales and profit/loss information for Qualicaps Co., Ltd. for the period from January 1, 2012 to December 31, 2012. These approximate amounts have not been audited.

Note 17

Per Share Information

| | Yen | U.S. dollars |
|-------------------|----------------|----------------|
| | March 31, 2013 | March 31, 2013 |
| Net assets | ¥553.54 | \$5.89 |
| Net income —Basic | 12.61 | 0.13 |
| —Diluted | 12.11 | 0.13 |

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 |
|---|-----------------------|------------------------------|
| | March 31, 2013 | March 31, 2013 |
| Net income per share | | |
| Net income | ¥ 18,596 | \$197,830 |
| Net income applicable to common shares | 18,596 | \$197,830 |
| Average number of common shares during period | 1,474,145 | — |
| | (thousands of shares) | |
| Increase in number of common shares: | 60,487 | — |
| Bonds with subscription rights to shares | 59,473 | — |
| Warrants | 1,014 | — |

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

| | Millions of yen | Thousands of U.S. dollars |
|--|--------------------|------------------------------|
| | March 31, 2013 | March 31, 2013 |
| Net assets per share | | |
| Total net assets | ¥1,203,316 | \$12,801,234 |
| Amounts deducted from total net assets: | 387,813 | 4,125,670 |
| Warrants | 565 | 6,011 |
| Minority interests in consolidated subsidiaries | 387,248 | 4,119,660 |
| Net assets applicable to common shares | 815,503 | 8,675,564 |
| Number of common shares at the end of the fiscal year used in calculation of net assets per share (thousands of shares) | 1,473,234 | — |

Note 18

Short-Term Debt and Long-Term Debt

At March 31, 2013 and 2012, short-term debt of MCHC and its consolidated subsidiaries consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|----------------|---------------------------|
| | March 31, 2013 | March 31, 2012 | March 31, 2013 |
| Short-term loans principally from banks and other financial institutions at average interest rate of: 0.816% at March 31, 2013, and 0.786% at March 31, 2012 | ¥315,551 | ¥249,574 | \$3,356,926 |
| Commercial paper | — | 40,000 | — |
| | ¥315,551 | ¥289,574 | \$3,356,926 |

At March 31, 2013 and 2012, long-term debt of MCHC and its consolidated subsidiaries consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars |
|--|------------------|----------------|---------------------------|
| | March 31, 2013 | March 31, 2012 | March 31, 2013 |
| Debt issued by MCHC: | | | |
| Bonds with subscription rights to shares due 2013 | ¥ 70,000 | ¥ 70,000 | \$ 744,681 |
| 0.499% notes due 2016 | 20,000 | 20,000 | 212,766 |
| 1.204% notes due 2021 | 10,000 | 10,000 | 106,383 |
| 0.366% notes due 2017 | 15,000 | — | 159,574 |
| 0.556% notes due 2019 | 10,000 | — | 106,383 |
| 0.439% notes due 2017 | 15,000 | — | 159,574 |
| 0.665% notes due 2019 | 10,000 | — | 106,383 |
| Debt issued by MCC: | | | |
| 1.80% notes due 2013 | ¥ — | ¥ 15,000 | \$ — |
| 1.16% notes due 2013 | 10,000 | 10,000 | 106,383 |
| 1.90% notes due 2014 | 10,000 | 10,000 | 106,383 |
| 2.02% notes due 2014 | 10,000 | 10,000 | 106,383 |
| 1.20% notes due 2014 | 15,000 | 15,000 | 159,574 |
| 2.01% notes due 2016 | 20,000 | 20,000 | 212,766 |
| 2.05% notes due 2016 | 10,000 | 10,000 | 106,383 |
| 2.03% notes due 2018 | 20,000 | 20,000 | 212,766 |
| 2.02% notes due 2019 | 10,000 | 10,000 | 106,383 |
| Debt issued by consolidated subsidiaries other than MCC, due 2019 or before at interest rates ranging from 1.07% to 1.94% at March 31, 2013, and 2012, respectively. | 25,000 | 35,000 | 265,957 |
| Loans, principally from banks and insurance companies due 2011 to 2025: | | | |
| Collateralized | 12,471 | 13,576 | 132,670 |
| Non-collateralized | 590,777 | 605,978 | 6,284,862 |
| | ¥ 883,248 | ¥ 874,554 | \$ 9,396,255 |
| Less current portion | (230,026) | (106,756) | (2,447,085) |
| | ¥ 653,222 | ¥ 767,798 | \$ 6,949,170 |

Note: The average interest rates of loans were as follows:

March 31, 2013
 Current portion 1.457%
 Less current portion 1.458%

At March 31, 2013, assets pledged as collateral and debt secured by such assets were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|-------------------|-----------------|----------------|---------------------------|
| | March 31, 2013 | March 31, 2013 | March 31, 2013 |
| Collateral assets | ¥97,917 | | \$1,041,670 |
| Secured debt | ¥17,208 | | \$ 183,064 |

Secured assets as of March 31, 2013 and 2012, are shown below:

| | Millions of yen | | Thousands of U.S. dollars |
|-------------------------|-----------------|----------------|---------------------------|
| | March 31, 2013 | March 31, 2012 | March 31, 2013 |
| Buildings | ¥ 9,145 | ¥ 27,784 | \$ 97,287 |
| Land | 12,337 | 20,751 | 131,245 |
| Machinery and equipment | 76,435 | 89,221 | 813,138 |
| Total | ¥ 97,917 | ¥137,756 | \$ 1,041,670 |

Secured liabilities as of March 31, 2013 and 2012, are shown below:

| | Millions of yen | | Thousands of U.S. dollars |
|-----------------|-----------------|----------------|---------------------------|
| | March 31, 2013 | March 31, 2012 | March 31, 2013 |
| Short-term debt | ¥ 8,812 | ¥ 6,187 | \$ 93,745 |
| Long-term debt | 8,112 | 11,850 | 86,298 |
| Trade payables | 284 | 119 | 3,021 |
| Total | ¥17,208 | ¥18,156 | \$ 183,064 |

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

| | Millions of yen | Thousands of U.S. dollars |
|---------------------|-----------------|---------------------------|
| | March 31, 2013 | March 31, 2013 |
| 2015 | ¥165,924 | \$ 1,765,149 |
| 2016 | 153,595 | 1,633,989 |
| 2017 | 94,589 | 1,006,266 |
| 2018 | 121,949 | 1,297,330 |
| 2019 and thereafter | 117,165 | 1,246,436 |
| | ¥653,222 | \$ 6,949,170 |

Note 19

Segment Information 1. Overview of Reporting Segments

The Company's reporting segments comprise financial information that can be segregated, and the Board of Directors 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, diagnostic, clinical testing products, and pharmaceutical formulation materials |
| 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

| 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 |
| | March 31, 2013 | March 31, 2012 | March 31, 2013 | March 31, 2013 | March 31, 2012 | March 31, 2013 |
| Electronics Applications | ¥ 118,194 | ¥133,774 | \$ 1,257,383 | ¥ 4,584 | ¥ 4,170 | \$ 48,766 |
| Designed Materials | 689,739 | 699,883 | 7,337,649 | 22,586 | 25,672 | 240,277 |
| Health Care | 514,379 | 502,480 | 5,472,117 | 1,990 | 2,099 | 21,170 |
| Chemicals | 903,637 | 1,007,495 | 9,613,160 | 158,419 | 141,995 | 1,685,309 |
| Polymers | 675,676 | 658,650 | 7,188,043 | 63,110 | 82,031 | 671,383 |
| Others | 186,952 | 205,886 | 1,988,851 | 120,555 | 144,444 | 1,282,500 |
| Subtotal | 3,088,577 | 3,208,168 | 32,857,202 | 371,244 | 400,411 | 3,949,404 |
| Adjustments | — | — | — | (371,244) | (400,411) | (3,949,404) |
| Total | ¥3,088,577 | ¥3,208,168 | \$32,857,202 | ¥ — | ¥ — | \$ — |

* Inter-segment sales and transfers are not included.

| REPORTING SEGMENT | Segment Earnings | | | Segment Assets | | |
|--------------------------|------------------|----------------|---------------------------|-----------------|----------------|---------------------------|
| | Millions of yen | | Thousands of U.S. dollars | Millions of yen | | Thousands of U.S. dollars |
| | March 31, 2013 | March 31, 2012 | March 31, 2013 | March 31, 2013 | March 31, 2012 | March 31, 2013 |
| Electronics Applications | ¥ (5,071) | ¥ (5,335) | \$ (53,947) | ¥ 117,618 | ¥ 123,432 | \$ 1,251,255 |
| Designed Materials | 22,521 | 25,628 | 239,585 | 746,981 | 749,585 | 7,946,606 |
| Health Care | 74,941 | 76,360 | 797,245 | 971,618 | 852,274 | 10,336,362 |
| Chemicals | (230) | 14,853 | (2,447) | 669,043 | 656,021 | 7,117,479 |
| Polymers | 111 | 23,795 | 1,181 | 715,731 | 687,767 | 7,614,160 |
| Others | 6,491 | 6,120 | 69,053 | 516,196 | 295,760 | 5,491,447 |
| Subtotal | 98,763 | 141,421 | 1,050,670 | 3,737,187 | 3,364,839 | 39,757,309 |
| Adjustments | (8,522) | (10,842) | (90,660) | (429,429) | (190,869) | (4,568,394) |
| Total | ¥90,241 | ¥130,579 | \$ 960,011 | ¥3,307,758 | ¥3,173,970 | \$35,188,915 |

| REPORTING SEGMENT | Depreciation and Amortization | | | Amortization of Goodwill | | |
|--------------------------|-------------------------------|----------------|---------------------------|--------------------------|----------------|---------------------------|
| | Millions of yen | | Thousands of U.S. dollars | Millions of yen | | Thousands of U.S. dollars |
| | March 31, 2013 | March 31, 2012 | March 31, 2013 | March 31, 2013 | March 31, 2012 | March 31, 2013 |
| Electronics Applications | ¥ 6,345 | ¥ 7,919 | \$ 67,500 | ¥ 244 | ¥ 243 | \$ 2,596 |
| Designed Materials | 44,702 | 48,269 | 475,553 | 3,253 | 3,489 | 34,606 |
| Health Care | 14,288 | 17,978 | 152,000 | 5,939 | 5,845 | 63,181 |
| Chemicals | 27,930 | 32,947 | 297,128 | 7 | (4) | 74 |
| Polymers | 30,661 | 32,029 | 326,181 | 2,381 | 2,473 | 25,330 |
| Others | 3,419 | 3,796 | 36,372 | 9 | 238 | 96 |
| Subtotal | 127,345 | 142,938 | 1,354,734 | 11,833 | 12,284 | 125,883 |
| Adjustments | 2,204 | 2,757 | 23,447 | — | — | — |
| Total | ¥129,549 | ¥145,695 | \$1,378,181 | ¥11,833 | ¥ 12,284 | \$125,883 |

| REPORTING SEGMENT | 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 |
| | March 31, 2013 | March 31, 2012 | March 31, 2013 | March 31, 2013 | March 31, 2012 | March 31, 2013 |
| Electronics Applications | ¥ — | ¥ — | \$ — | ¥ 6,011 | ¥ 6,177 | \$ 63,947 |
| Designed Materials | 8,581 | 16,309 | 91,287 | 56,302 | 47,464 | 598,957 |
| Health Care | 211 | 1,374 | 2,245 | 15,532 | 11,811 | 165,234 |
| Chemicals | 30,245 | 28,899 | 321,755 | 20,458 | 24,523 | 217,638 |
| Polymers | 33,819 | 29,293 | 359,777 | 24,185 | 18,060 | 257,287 |
| Others | 40,457 | 42,721 | 430,394 | 3,891 | 4,589 | 41,394 |
| Subtotal | 113,313 | 118,596 | 1,205,457 | 126,379 | 112,624 | 1,344,457 |
| Adjustments | — | — | — | 5,842 | 3,521 | 62,149 |
| Total | ¥113,313 | ¥118,596 | \$1,205,457 | ¥132,221 | ¥116,145 | \$1,406,606 |

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

Notes:

1. The Others category is a business segment excluded from reporting segments and mainly encompasses engineering, transportation, and warehousing operations.
2. Adjustments are as follows:
 - (1) The ¥8,522 million (\$90,660 thousand) adjustment for segment earnings or losses includes ¥7,608 million (\$80,936 thousand) in corporate costs not allocated to each reporting segment and ¥914 million (\$9,723 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 ¥429,429 million (\$4,568,394 thousand) includes corporate assets of ¥167,462 million (\$1,781,511 thousand) not allocated to reporting segments and inter-segment eliminations of ¥596,891 million (\$6,349,904 thousand).
 - (3) Adjustments to depreciation and amortization of ¥2,204 million (\$23,447 thousand) are corporate costs that are not allocated to reporting segments.
 - (4) Adjustments to increase in tangible and intangible fixed assets of ¥5,842 million (\$62,149 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. Mitsubishi Tanabe Pharma and its domestic consolidated subsidiaries have changed the method for depreciation of property, plant and equipment from the declining-balance method to the straight-line method. As a result, segment earnings of Health Care segment in the fiscal year ended March 31, 2013, was ¥2,637 million (\$28,053 thousand) higher than those calculated under the previous method.
5. Domestic consolidated subsidiaries that previously used the declining-balance method for depreciating property, plant and equipment have changed to depreciation methods based on the amended Corporation Tax Act for property, plant and equipment acquired on or after April 1, 2012. As a result, segment earnings of in the fiscal year ended March 31, 2013, were ¥1,107 million (\$11,777 thousand) higher than those calculated under the previous method in the Designed Materials segment, ¥147 million (\$1,564 thousand) higher in the Chemicals segment, ¥153 million (\$1,628 thousand) higher in the Polymers segment, and ¥230 million (\$2,447 thousand) higher in other segments.
6. In the fiscal year ended March 31, 2013, three consolidated subsidiaries were repositioned within the Group's operations, and were therefore transferred from the Polymers segment to the Designed Materials segment. Segment information for the fiscal year ended March 31, 2012, has been constructed in reflection of this change.
7. A portion of expenses for certain basic research activities not attributable to reporting segments previously included in adjustments under segment earnings is attributed to the Designed Materials segment starting in the fiscal year ended March 31, 2013, in light of research advancements. This portion of expenses for certain basic research activities amounted to ¥2,622 million (\$27,894 thousand) in the fiscal year ended March 31, 2012.

4. Related Information

Geographic Information

(1) Sales

| | Millions of yen | | | |
|----------------------------------|-------------------|-----------------|-----------------|-------------------|
| | Japan | PRC | Other | Total |
| Year ended March 31, 2013 | ¥1,980,998 | ¥301,649 | ¥805,930 | ¥3,088,577 |

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

| | Thousands of U.S. dollars | | | |
|----------------------------------|---------------------------|--------------------|--------------------|---------------------|
| | Japan | PRC | Other | Total |
| Year ended March 31, 2013 | \$21,074,447 | \$3,209,032 | \$8,573,723 | \$32,857,202 |

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, 2013 | ¥746,542 | ¥315,009 | ¥1,061,551 |

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

| | Thousands of U.S. dollars | | |
|----------------------------------|---------------------------|--------------------|---------------------|
| | Japan | Other | Total |
| Year ended March 31, 2013 | \$7,941,936 | \$3,351,160 | \$11,293,096 |

5. Information on Impairment Loss by Reporting Segment

| REPORTING SEGMENT | Impairment Loss | | |
|----------------------------|-----------------|----------------|---------------------------|
| | Millions of yen | | Thousands of U.S. dollars |
| | March 31, 2013 | March 31, 2012 | March 31, 2013 |
| Electronics Applications | ¥ 26 | ¥ 429 | \$ 277 |
| Designed Materials | 1,413 | 3,312 | 15,032 |
| Health Care | 1,094 | 3,344 | 11,638 |
| Chemicals | 543 | 2,318 | 5,777 |
| Polymers | 4,203 | 454 | 44,713 |
| Others | 19 | 364 | 202 |
| Corporate and Eliminations | — | — | — |
| Total | ¥7,298 | ¥10,221 | \$77,638 |

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

| REPORTING SEGMENT | Balance at year-end | | |
|----------------------------|---------------------|-----------------|---------------------------|
| | Millions of yen | | Thousands of U.S. dollars |
| | March 31, 2013 | March 31, 2012 | March 31, 2013 |
| Electronics Applications | ¥ 272 | ¥ 459 | \$ 2,894 |
| Designed Materials | 34,915 | 37,180 | 371,436 |
| Health Care | 102,799 | 59,826 | 1,093,606 |
| Chemicals | 34 | 41 | 362 |
| Polymers | 41,954 | 44,316 | 446,319 |
| Others ¹ | (37) | (22) | (394) |
| Corporate and Eliminations | — | — | — |
| Total | ¥179,937 | ¥141,800 | \$1,914,223 |

- Others were mainly data processing service operations.
- In the fiscal year ended March 31, 2013, three consolidated subsidiaries were repositioned within the Group's operations, and were therefore transferred from the Polymers segment to the Designed Materials segment. Segment information for the fiscal year ended March 31, 2012, has been constructed in reflection of this change.

Note 20

Significant Subsequent Event

Transactions under common control

Conversion of Aquamit B.V. (Head office: The Netherlands) into a wholly owned subsidiary by Mitsubishi Plastics, Inc.

Overview of transaction

- Name and business activities of combined company
Name: Aquamit B.V.
Business activities: Holding of stock in Quadrant AG (Head office: Switzerland)
- Date of business combination
May 21, 2013
- Legal form of business combination
Stock acquisition through cash payment
- Company name after business combination
No change
- Overview of transaction and purpose of transaction
Domestic consolidated subsidiary Mitsubishi Plastics, Inc., acquired 50% of the stock issued by Aquamit B.V. (holding company of consolidated subsidiary Quadrant AG) from the corporate group that founded Quadrant. As a result, Aquamit became a wholly owned subsidiary of Mitsubishi Plastics effective May 21, 2013. This transaction was conducted with the aim of expanding Quadrant's business and generating greater synergies with the operations of the Group. Acquisition cost and amount of goodwill are currently being calculated.

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, 2013, 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 its consolidated subsidiaries as at March 31, 2013, 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.

June 25, 2013
Tokyo, Japan

Ernst & Young ShinNihon LLC

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Major Subsidiaries and Affiliates

As of March 31, 2013

| Company Name | Major Products or Lines of Business | Capital | Equity Participation (%) |
|---|--|-------------------|--------------------------|
| Major Subsidiaries—Direct Investees | | | |
| • Mitsubishi Chemical Corporation | Manufacture and marketing of chemical 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 chemical 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 | | | |
| • Verbatim Americas, LLC | Marketing of recording media and computer peripheral equipment | U.S.\$87 million | 100.0 |
| • Verbatim Limited | Marketing of recording media and computer peripheral equipment | €3 million | 100.0 |
| Designed Materials segment | | | |
| • The Nippon Synthetic Chemical Industry Co., Ltd. | Manufacture and marketing of polymer processing products | ¥17.9 billion | 50.3 |
| • Nippon Kasei Chemical Co., Ltd. | Manufacture and marketing of inorganic chemical products | ¥6.5 billion | 52.8 |
| • J-Film Corporation | Manufacture and marketing of plastic films | ¥1.2 billion | 87.7 |
| • Quadrant AG | Processing and marketing of engineering plastic products | CHF27 million | 100.0 |
| • Mitsubishi Polyester Film, Inc. | Manufacture and marketing of polyester film | U.S.\$29 million | 100.0 |
| • Mitsubishi Polyester Film GmbH | Manufacture and marketing of polyester film | €160,000 | 100.0 |
| ■ Kodama Chemical Industry Co., Ltd. | Manufacturing and marketing of plastic products | ¥3.0 billion | 20.6 |
| Health Care Domain | | | |
| Health Care segment | | | |
| • API Corporation | Manufacture and marketing of active pharmaceutical ingredients and intermediates | ¥4.0 billion | 100.0 |
| • Mitsubishi Chemical Medience Corporation | Clinical testing and medical support services; marketing of in vitro diagnostic agents | ¥3.0 billion | 99.3 |
| • Qualicaps Co., Ltd. | Manufacture and marketing of capsules for pharmaceuticals and health food, and pharmaceutical processing equipment | ¥2.8 billion | 100.0 |
| Industrial Materials Domain | | | |
| Chemicals segment | | | |
| • Kansai Coke and Chemicals Co., Ltd. | Manufacture and marketing of coke | ¥6.0 billion | 51.0 |
| • 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 chemical derivatives | ¥6.2 billion | 36.3 |
| ■ Kashima-Kita Electric Power Corporation | Generation and supply of electric power | ¥6.0 billion | 41.2 |
| Polymers segment | | | |
| • 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 |
| • Lucite International Inc. | Manufacture and marketing of MMA monomers, acrylic resin boards and coating materials | U.S.\$363 million | 100.0 |
| • Lucite International UK Limited | Manufacture and marketing of MMA monomers, acrylic resin boards and coating materials | £20 million | 100.0 |
| Others | | | |
| • Mitsubishi Chemical Logistics Corporation | Logistics and warehouse services | ¥1.5 billion | 100.0 |
| • Mitsubishi Chemical Engineering Corporation | Engineering and construction services | ¥1.4 billion | 100.0 |
| ■ Taiyo Nippon Sanso Corporation | Manufacture and marketing of industrial gas | ¥27.0 billion | 15.1 |
| ■ Nitto Kako Co., Ltd. | Manufacture and marketing of rubber and plastic products | ¥1.9 billion | 36.9 |

• Consolidated subsidiaries

■ Affiliates accounted for by the equity method

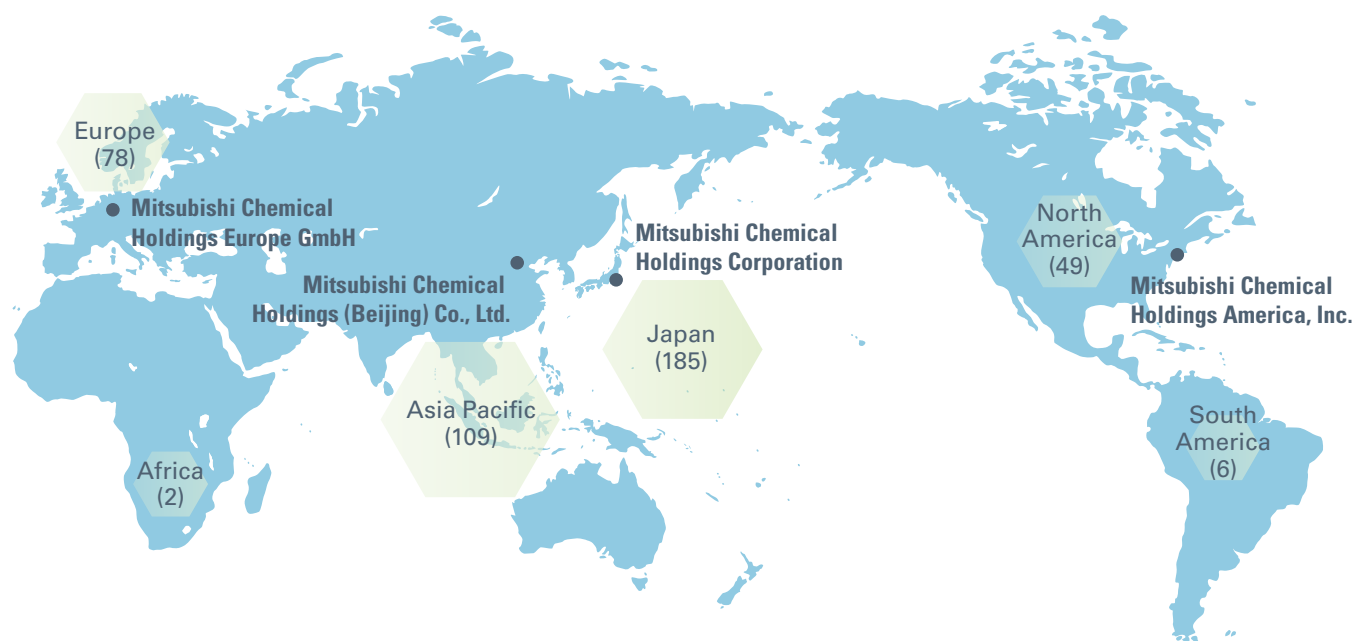
Notes: 1. Mitsubishi Chemical operates businesses that fall into the categories of Performance Products domain, Industrial Materials domain and Others.
2. Mitsubishi Tanabe Pharma operates businesses that fall into categories of Health Care domain.
3. Mitsubishi Plastics operates businesses that fall into the categories of Performance Products domain.
4. Mitsubishi Rayon operates businesses that fall into the categories of Performance Products domain, the Industrial Materials domain and Others.
5. The KAITEKI Institute conducts basic research activities which cannot be classified in any specific domain.
6. Capital reported for each of Verbatim Americas, Mitsubishi Polyester Film, and Lucite International represents paid-in capital.

Global Network

As of March 31, 2013

Number of Subsidiaries and Affiliates (Japan): 185

Number of Subsidiaries and Affiliates (Outside Japan): 244



Mitsubishi Chemical Holdings Corporation

1-1 Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8251, Japan
TEL: [+81] (0)3-6748-7200

Mitsubishi Chemical Holdings America, Inc.

655 Third Avenue, 15th Floor, New York, NY 10017, USA
TEL: [+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
TEL: [+86] (0)10-6590-8621

Mitsubishi Chemical Holdings Europe GmbH

Kasteler Strasse 45, 65203 Wiesbaden, Germany
TEL: [+49] (0)611-962-6923

Corporate Data / Stock Information

As of March 31, 2013

Mitsubishi Chemical Holdings Corporation

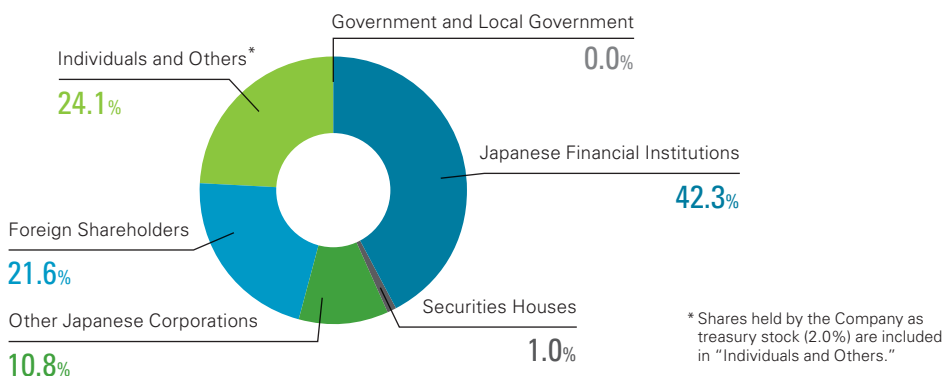
Address of the Head Office: 1-1 Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8251
 Establishment: October 3, 2005
 Paid-in Capital: ¥50,000 million
 Authorized Shares: 6,000,000,000
 Outstanding Shares: 1,506,288,107
 Number of Shareholders: 185,978
 General Meeting of Shareholders: Annually in June
 Stock 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

* The Osaka Securities Exchange was merged into the Tokyo Stock Exchange on July 16, 2013.

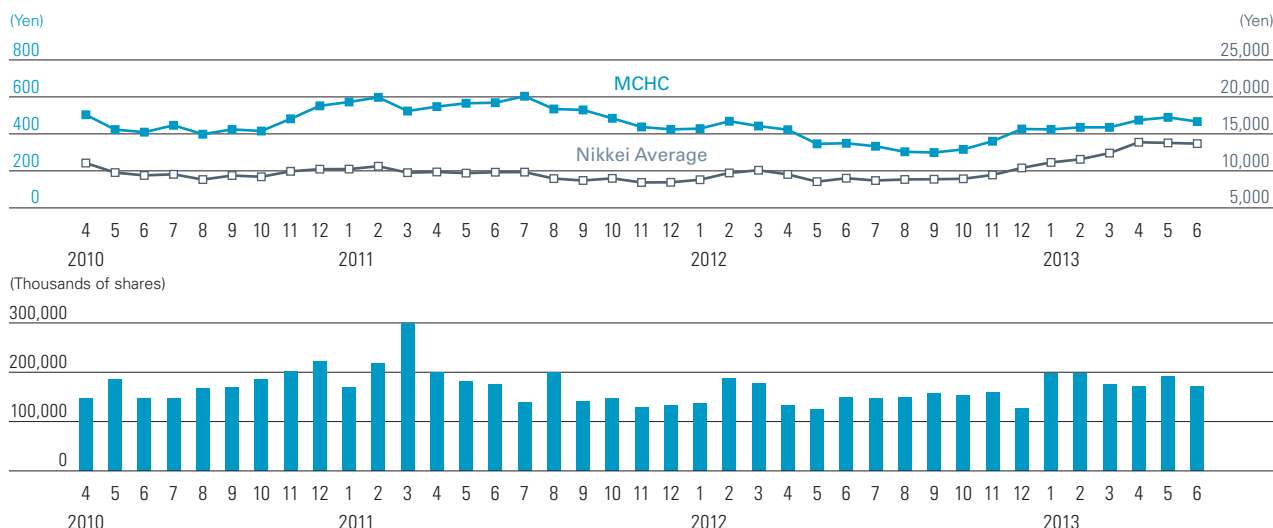
Major Shareholders

| Name | Number of Shares (Thousands) | Percentage (%) |
|--|------------------------------|----------------|
| The Master Trust Bank of Japan, Ltd. (Trust account) | 70,761 | 4.6 |
| Meiji Yasuda Life Insurance Company | 64,388 | 4.2 |
| Japan Trustee Services Bank, Ltd. (Trust account) | 61,321 | 4.0 |
| Takeda Pharmaceutical Company Limited | 51,730 | 3.4 |
| Nippon Life Insurance Company | 49,429 | 3.2 |
| The Bank of Tokyo-Mitsubishi UFJ, Ltd. | 41,105 | 2.7 |
| Tokio Marine & Nichido Fire Insurance Co., Ltd. | 34,184 | 2.2 |
| SSBT OD05 OMNIBUS ACCOUNT - TREATY CLIENTS | 31,020 | 2.0 |
| Taiyo Life Insurance Company | 24,708 | 1.6 |
| Japan Trustee Services Bank, Ltd. (Trust account 4) | 23,457 | 1.5 |

Stock Held by Investor Type



Stock Price Movement and Trading Volume



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THE KAITEKI COMPANY



KAITEKI REPORT 2013

MOS In-Depth Section



KAITEKI REPORT 2013 MOS IN-DEPTH SECTION

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MOS In-Depth Section

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Main Section

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Message from the President

To Our Stakeholders

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Review of Operations by Domain

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Health Care Domain

Industrial Materials Domain

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Management of Sustainability

Corporate Governance

Board of Directors, Corporate Auditors and Executive Officers

Financial Section

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Introduction of the MOS In-Depth Section

This MOS In-Depth Section gives details on the progress and performance of the Management of Sustainability (MOS) as an aim to improve sustainability for people, society, and the Earth as a part of the Mitsubishi Chemical Holdings Group's KAITEKI Management. In addition, it provides comprehensive information regarding environmental, social, and governance (ESG) issues.

In consideration for the environment and to disclose information to a larger number and wider range of stakeholders, the report is available as PDF files or on our website. We have also endeavored to make the report easy to understand, while taking advantage of the strengths of digital media.

Scope of the report

This report covers information relating to Mitsubishi Chemical Holdings Corporation (MCHC) and the MCHC Group.

It also includes past data in yearly graphs and other parts for Mitsubishi Rayon Co., Ltd., before it became a member of the MCHC Group in March 2010.

Data was collected according to the policies below.

Social data regarding employees: For the four core operating companies on a non-consolidated basis (excluding transferred employees).

Environmental data: For the four core operating companies on a non-consolidated basis and for Group companies inside Japan (Domestic MCHC Group).

"Group companies" refer to subsidiaries as defined by the Companies Act. These subjects are major production subsidiaries, and do not include non-production subsidiaries and production-related subsidiaries within the petrochemical complexes where the four core operating companies do not play a central role. Please see each company's CSR report for additional details.

We plan to disclose data about companies outside Japan in the future.

Period the report covers

Fiscal 2012 (April 2012–March 2013)

Some information in fiscal 2013 is included.

Report publication date

October 2013 (The previous report was published in September 2012)

For inquiries about this report

Contact form via MCHC's website

https://www.mitsubishichem-hd.co.jp/english/contact/contact_form.html

Communication Tools

The Mitsubishi Chemical Holdings Corporation (MCHC) Group is creating opportunities for dialogue with stakeholders about corporate activities pursuing the realization of *KAITEKI*, while providing a range of communication tools centered on this *KAITEKI* Report.

MCHC



Mitsubishi Chemical Holdings Corporation website

<http://www.mitsubishichem-hd.co.jp/english/index.html>

An outline of the MCHC Group, IR and CSR information, and timely news releases



IR NAVI

Easy-to-understand information for shareholders about management strategies and performance (published twice a year) (Japanese only)



KAITEKI Report

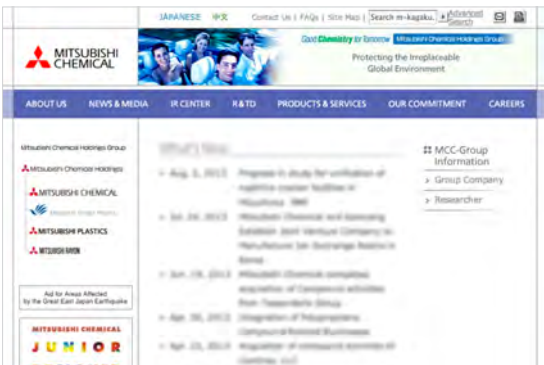
An annual report that summarizes and introduces MCHC's *KAITEKI* Management concepts in an easy-to-understand manner. The MOS In-Depth Section contains information regarding ESG (Environmental, Social, and Governance) issues.

Core Operating Companies

MCHC, as a holding company, is responsible for forming Groupwide strategies and policies, while the core operating companies play central roles in individual corporate activities. For specific information regarding core operating companies' activities, please see each company's website.

Mitsubishi Chemical Corporation (MCC)

http://www.m-kagaku.co.jp/index_en.htm



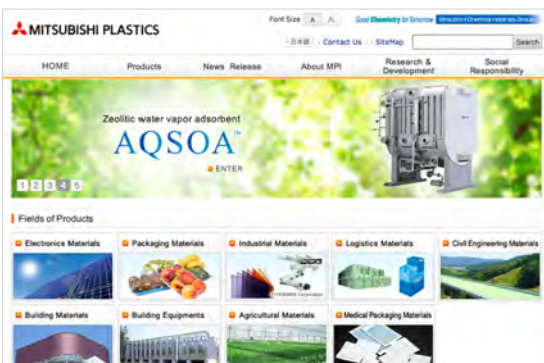
Mitsubishi Tanabe Pharma Corporation (MTPC)

<http://www.mt-pharma.co.jp/e/index.php>



Mitsubishi Plastics, Inc. (MPI)

<http://www.mpi.co.jp/english/>



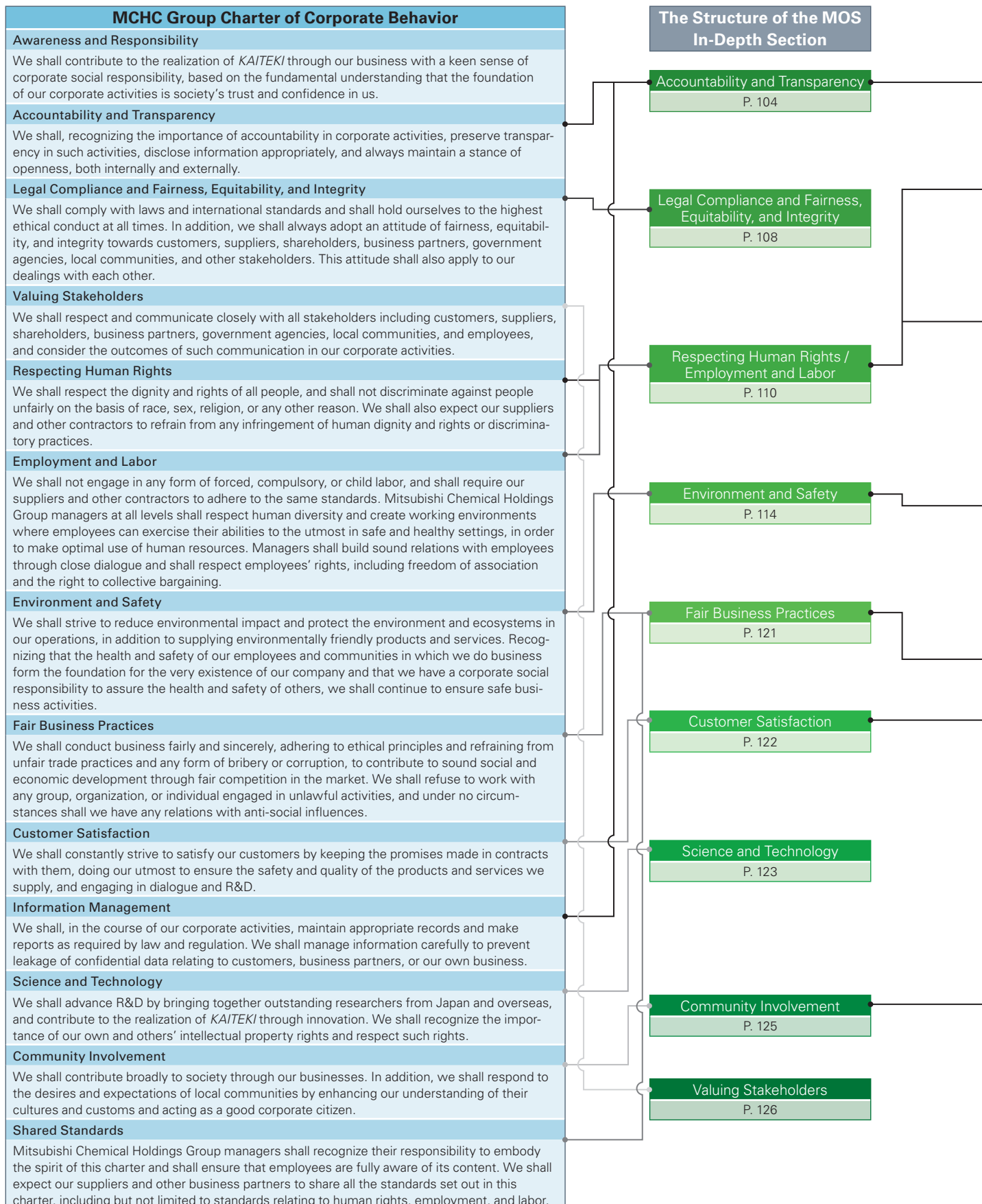
Mitsubishi Rayon Co., Ltd. (MRC)

<http://www.mrc.co.jp/english/>



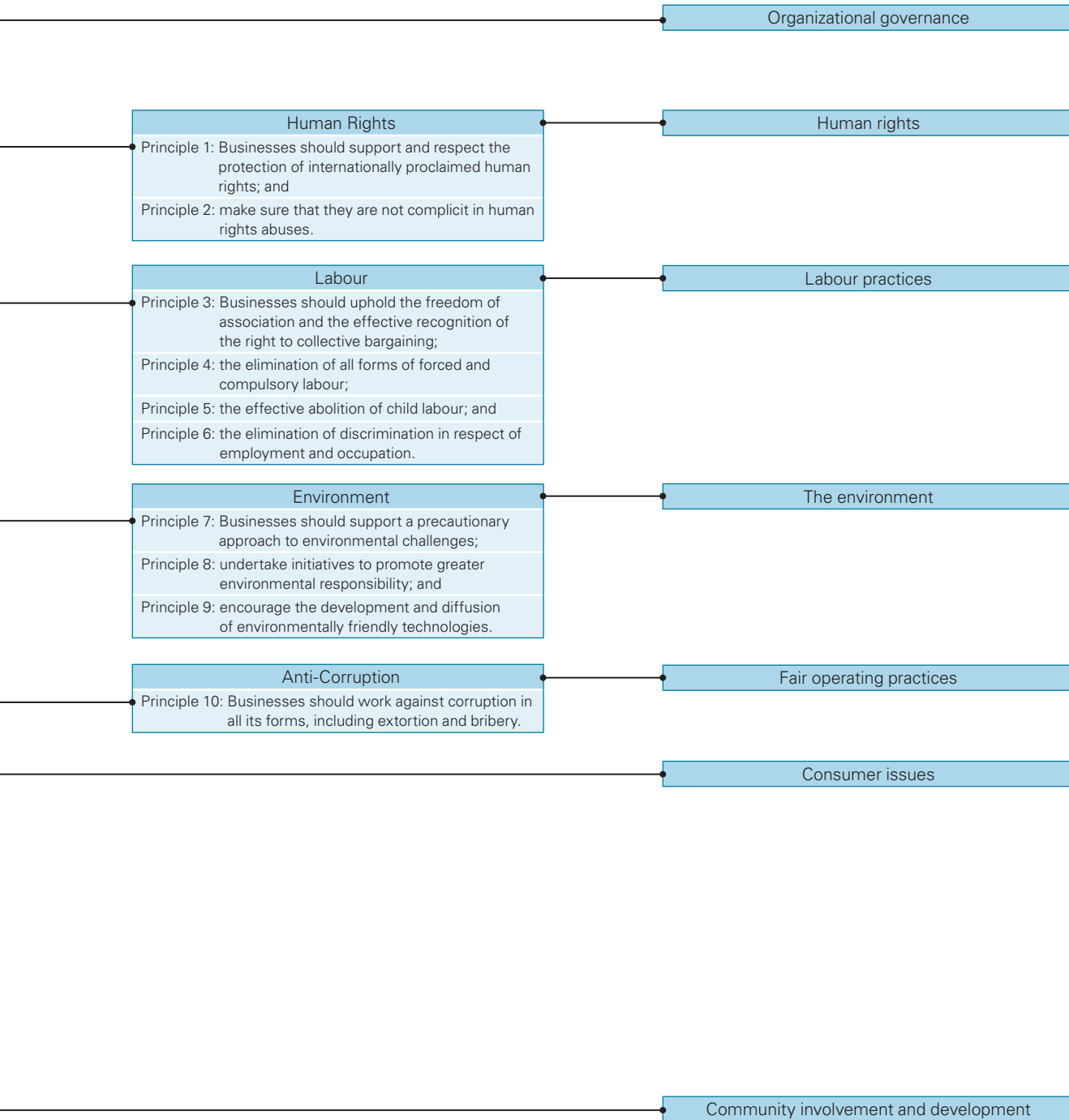
The Structure of the MOS In-Depth Section

The MCHC Group pursues the realization of *KAITEKI* through the implementation and reinforcement of a range of activities based on the MCHC Group Charter of Corporate Behavior. As a detailed report on those activities, the MOS In-Depth Section follows the structure of the Charter.



The 10 Principles of the UN Global Compact

ISO 26000 Core Subjects



Accountability and Transparency

We shall, recognizing the importance of accountability in corporate activities, preserve transparency in such activities, disclose information appropriately, and always maintain a stance of openness, both internally and externally.

Information Disclosure

Approach to Information Disclosure

As a corporate group that is open to society, the MCHC Group preserves transparency in its corporate activities, and provides appropriate information disclosure to further people's understanding of those activities.

In line with the regulations of Financial Instruments Exchange relating to timely disclosure, we accurately and appropriately disclose information relating to MCHC's financial status, business activities, and other management information to stakeholders, including shareholders and other investors, as well as proactively provide other information not covered by Tokyo Stock Exchange (TSE) timely disclosure rules through our press releases and our website.

Information Disclosure Methods

MCHC discloses information that is covered by TSE timely disclosure rules on TDnet, which is managed by TSE.

Also, after this timely disclosure we promptly provide the same information to the media through press releases and add it to the MCHC website.

Information that does not require timely disclosure is also accurately and fairly communicated to stakeholders through press releases and our website.

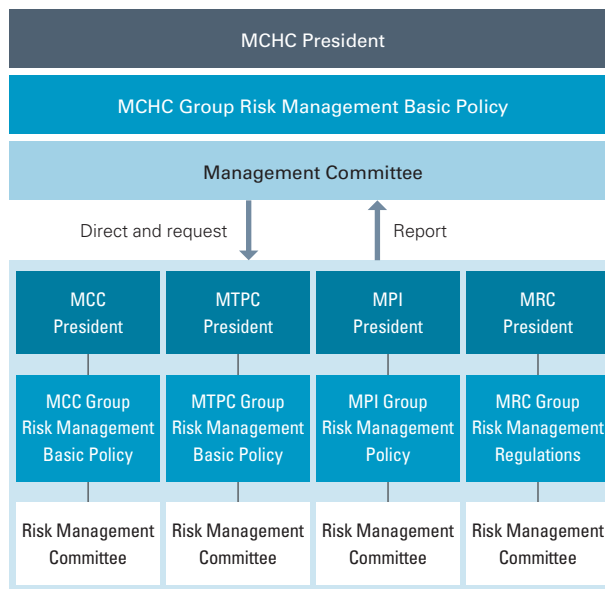
Risk Management

Risk Management: Basic Approach and Risk Management Systems

MCHC has continuously been committed to improving the MCHC Group's risk management systems and their operation, to both fulfill our social responsibilities and to maintain and enhance our corporate value. Under the risk management system headed by the President, MCHC has compiled the MCHC Group Risk Management Basic Policy and has been effectively implementing it in an effort to avoid serious risks and minimize any damage—whether human, economic, or social—associated with our business activities, should any such risks materialize.

Important matters, such as risk management policies within the MCHC Group and Groupwide measures in response to serious risks are discussed by the Management Committee and determined by the President based on the outcomes of discussions.

Risk Management System (as of June 30, 2013)



Risk Management Process

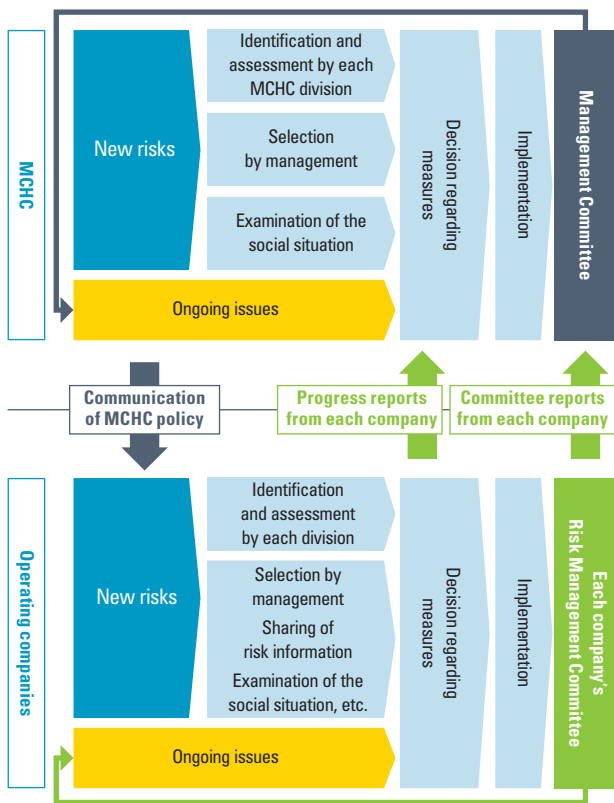
MCHC classifies potential risks into categories such as the external environment, which covers natural disasters, climate change, market trends, and laws and regulations; the business process, which includes financial and marketing activities; and the internal environment, such as governance and human resources. MCHC has implemented a risk management system and is working to minimize these risks. Every year, each MCHC division identifies these risks and examines countermeasures by ranking the risks based on an evaluation of the frequency of their occurrence and their impact, such as financial loss, human damage, or the degradation of social credibility in MCHC.

MCHC also singles out risks to focus on from those identified by the top management of MCHC and those that need to be addressed in light of the social situation, selecting risks that would have a substantial impact on the MCHC Group if they do occur. The details of, and countermeasures against, those risks are confirmed by the Management Committee.

Each of the four core operating companies has established a risk management system in line with the specific nature of its business activities. The four core operating companies also provide guidance and support to their subsidiaries to enable them to design and implement their risk management systems effectively.

MCHC considers that sharing information related to risks within the MCHC Group is important to further reinforce its risk management systems. MCHC therefore holds regular meetings with each of the core operating companies to enable them to exchange information regarding common matters such as risk management strategies.

Risk Management Process



Information Security Initiatives

In accordance with the MCHC Group Information Security Policy, MCHC aims to ensure that all employees of the MCHC Group are aware of the importance and responsibility involved in protecting information assets and to prevent such problems as the loss of society's trust and business interruption due to the leak or falsification of information. MCHC has also established the Information Security Committee to maintain and improve the effectiveness of information security. The committee works together with the Information Systems Security Subcommittee, centered on the Information Systems Division, steadily maintaining, managing, and improving Groupwide information security.

Furthermore, MCHC regularly implements the development and training of all Group employees, including overseas employees, to ensure that they have thorough knowledge of information management.

Maintaining and Bolstering the Soundness and Transparency of Management

The MCHC Group maintains a holding company system that segregates portfolio and operational management. From the perspective of integrating Group management, MCHC aims to ensure that decision making and implementation are efficient and timely, and clarifies management responsibility by abiding to the regulations of the Board of Directors, regulations of the Management Committee and other relevant rules and regulations. It is also ensuring compliance and risk management based on internal regulations such as the MCHC Group Charter of Corporate Behavior and the MCHC Group Compliance Code of Conduct.

The MCHC Board of Directors is comprised of members from the core operating companies who express a variety of opinions, based on different corporate cultures, and apply them to management decisions. Also, at the June 2013 General Meeting of Shareholders an external director was appointed as an independent officer to bring a broader perspective to bear on management decisions and to further strengthen management oversight. Additionally, all three external auditors are designated as independent officers, and we are enhancing the auditing system as well as maintaining and bolstering the soundness of our management through Group internal audits and other initiatives.

(Please see *KAITEKI Report 2013 Main Section, Yuho Securities Reports* (in Japanese), and the corporate governance report (in Japanese) for more details about corporate governance.)

Fiscal 2012 Major Risk Initiatives and Results

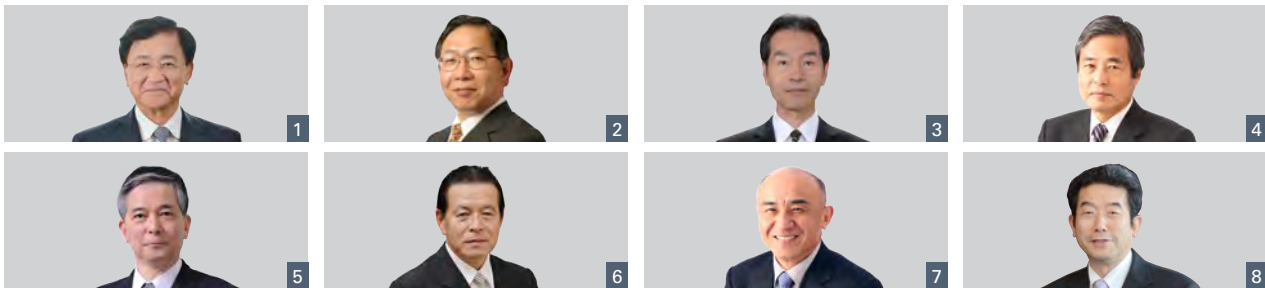
| Fiscal 2012 major risk areas | Initiatives and results |
|---|--|
| Developed business continuity plan (BCP) | <ul style="list-style-type: none"> Simulated that the MCHC Head Office was affected by a disaster and the Tokyo area was not functional and conducted drills for setting up a substitute head office and head office control center in Osaka. Conducted communication drills with operating company sites |
| Increased level of risk management operation at small-scale sites | <ul style="list-style-type: none"> Implemented a risk management network between MCHC Group companies in Taiwan, targeting the reinforcement of internal controls Started a project to build a model internal control system for overseas subsidiaries, starting with Thailand Verified and guided risk management in sales divisions |
| Developed information security management systems | <ul style="list-style-type: none"> Compiled guidelines for use of social media and raise awareness of guidelines throughout MCHC Established the Information Security Committee, revised regulations, and pursued other initiatives related to the development of security management systems |

Board of Directors' and Board of Auditors' Meetings

| | Number of meetings in fiscal 2012 | Average attendance rate in fiscal 2012 |
|---------------------------------------|-----------------------------------|--|
| Board of Directors' meetings | 18 | 99% |
| Board of Corporate Auditors' meetings | 14 | 98% |

Directors and Corporate Auditors

Directors



Representative Director,
President & Chief Executive Officer

1 Yoshimitsu Kobayashi

Dec. 1974 Joined Mitsubishi Kasei Industries Corporation (now MCC)
 Jun. 2003 Executive Officer of MCC
 Apr. 2005 Managing Executive Officer of MCC
 Jun. 2006 Member of the Board of MCHC
 Feb. 2007 Member of the Board of MCC
 Apr. 2007 Member of the Board, President and Chief Executive Officer of MCHC (current)
 Member of the Board, President and Chief Executive Officer of MCC (until Mar. 2012)
 Apr. 2009 Member of the Board, President and Chief Executive Officer of The KAITEKI Institute, Inc. (TKI) (current)
 Apr. 2012 to present
 Member of the Board, Chairman of MCC

Representative Director

2 Shotaro Yoshimura

Apr. 1972 Joined Mitsubishi Kasei Industries Corporation (now MCC)
 Jun. 2002 Corporate Auditor of Mitsubishi Pharma Corporation (now MTPC) (until Jun. 2007)
 Jun. 2003 Executive Officer of MCC
 Oct. 2005 Executive Officer of MCHC
 Apr. 2006 Managing Executive Officer of MCHC
 Managing Executive Officer of MCC
 Jun. 2006 Member of the Board of MCHC (current)
 Member of the Board of MCC (until Mar. 2012)
 Jun. 2008 Member of the Board of MTPC (until Jun. 2009)
 Jun. 2010 Senior Managing Executive Officer of MCHC
 Senior Managing Executive Officer of MCC (until Mar. 2012)
 Apr. 2012 to present
 Member of the Board, Deputy Chief Executive Officer of MCHC
 Member of the Board of MPI

Member of the Board

3 Noboru Tsuda

Apr. 1973 Joined Mitsubishi Kasei Industries Corporation (now MCC)
 Jun. 2005 Executive Officer of MCC (until Mar. 2009)
 Oct. 2005 Executive Officer of MCHC
 Apr. 2009 Managing Executive Officer of MCHC
 Apr. 2013 to present
 Senior Managing Executive Officer of MCHC
 Member of the Board of MRC

Member of the Board

4 Hiroaki Ishizuka

Apr. 1972 Joined Mitsubishi Kasei Industries Corporation (now MCC)
 Apr. 2007 Executive Officer of MCC
 Apr. 2009 Managing Executive Officer of MCC
 Jun. 2009 Member of the Board of MCC
 Apr. 2011 Senior Managing Executive Officer of MCC
 Apr. 2012 Member of the Board, President and Chief Executive Officer of MCC (current)
 Member of the Board of TKI (current)
 Jun. 2012 to present
 Member of the Board of MCHC

Member of the Board

5 Michihiro Tsuchiya

Apr. 1976 Joined Tanabe Seiyaku Co., Ltd. (now MTPC)
 Apr. 1999 Executive Officer of Tanabe Seiyaku
 Jun. 2001 Member of the Board of Tanabe Seiyaku
 Jun. 2003 Managing Director of Tanabe Seiyaku
 Jun. 2005 Member of the Board, Managing Executive Officer of Tanabe Seiyaku
 Jun. 2006 Member of the Board, Senior Managing Executive Officer of Tanabe Seiyaku
 Oct. 2007 Member of the Board, Deputy Chief Executive Officer of MTPC
 Jun. 2008 Member of the Board of MCHC (current)
 Jun. 2009 Member of the Board, President and Chief Executive Officer of MTPC (current)
 Apr. 2011 to present
 Member of the Board of TKI

Member of the Board

6 Takumi Ubagai

Apr. 1971 Joined MRC
 Jun. 2001 Member of the Board, Executive Officer of MRC
 Jun. 2004 Managing Director and Senior Executive Officer of MRC
 Jun. 2007 Member of the Board of MRC (until Mar. 2012)
 Senior Executive Officer of MRC (until Mar. 2012)
 Apr. 2012 Member of the Board, President and Chief Executive Officer of MPI (current)
 Member of the Board of TKI (current)
 Jun. 2012 to present
 Member of the Board of MCHC

Member of the Board

7 Hitoshi Ochi

Apr. 1977 Joined Mitsubishi Kasei Industries Corporation (now MCC)
 Jun. 2007 Executive Officer of MCHC
 Executive Officer of MCC (until Mar. 2010)
 Apr. 2009 Member of the Board of MPI (until Mar. 2011)
 Jun. 2009 Member of the Board of MCHC (until Jun. 2011)
 Jun. 2010 Managing Executive Officer of MCHC (until Mar. 2011)
 Member of the Board of MRC (until Jun. 2011)
 Apr. 2011 Member of the Board, Managing Executive Officer of MCC (until Mar. 2012)
 Apr. 2012 Member of the Board, President and Chief Executive Officer of MRC (current)
 Member of the Board of TKI (current)
 Jun. 2012 to present
 Member of the Board of MCHC

Member of the Board

8 Takeo Kikkawa*¹

Apr. 1987 Associate Professor, School of Business, Aoyama Gakuin University
 Oct. 1993 Associate Professor, Institute of Social Science, The University of Tokyo
 Apr. 1996 Professor, Institute of Social Science, The University of Tokyo
 Apr. 2007 Professor, Graduate School of Commerce and Management, Hitotsubashi University (current)
 Jun. 2013 to present
 Member of the Board of MCHC

*1 External director

Corporate Auditors



Corporate Auditor (Full-time)

1 Akira Nakata

Apr. 1981 Joined MRC
 Jun. 2008 Member of the Board, Executive Officer of MRC (until Mar. 2012)
 Jan. 2011 Executive Officer of MCHC (until Mar. 2012)
 Jun. 2012 to present
 Corporate Auditor of MCHC
 Corporate Auditor of MPI

Corporate Auditor (Full-time)

2 Kazuchika Yamaguchi

Apr. 1975 Joined Mitsubishi Kasei Industries Corporation (now MCC)
 Jun. 2007 Executive Officer of MCHC (until Mar. 2010)
 Executive Officer of MCC (until Mar. 2010)
 Jun. 2010 Corporate Auditor of MCHC (current)
 Corporate Auditor of MCC (current)
 Corporate Auditor of TKI (current)
 Jun. 2012 to present
 Corporate Auditor of MRC

Corporate Auditor (Full-time)

3 Takashi Nishida*²

Apr. 1976 Joined Mitsubishi Bank, Ltd. (now The Bank of Tokyo-Mitsubishi UFJ, Ltd.)
 Sep. 2002 Executive Officer of Mitsubishi Securities Co., Ltd. (now Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.)
 Jun. 2003 Managing Executive Officer of Mitsubishi Securities
 Jun. 2004 Executive Officer of Bank of Tokyo-Mitsubishi, Ltd. (now The Bank of Tokyo-Mitsubishi UFJ, Ltd.)
 Jun. 2007 Corporate Auditor of MCHC (current)
 Corporate Auditor of MCC (current)
 Corporate Auditor of Mitsubishi Pharma Corporation (now MTPC)
 Oct. 2007 to present
 Corporate Auditor of MTPC

Corporate Auditor

4 Rokuro Tsuruta*²

Apr. 1970 Appointed as a Prosecutor
 Apr. 2005 Superintending Prosecutor of Nagoya High Public Prosecutors Office (Retired in Jun. 2006)
 Jul. 2006 Registered as a Lawyer
 Apr. 2008 Corporate Auditor of MPI (until Jun. 2010)
 Jun. 2010 to present
 Corporate Auditor of MCHC
 Corporate Auditor of MCC

Corporate Auditor

5 Toshio Mizushima*²

Jan. 1969 Joined Tetsuzo Ota & Company
 Mar. 1970 Registered as a Certified Public Accountant
 Jun. 1988 Representative of Ota Showa Auditing
 May 1990 Board of Ota Showa Auditing
 May 2000 Vice Chairperson of Century Ota Showa & Co.
 May 2004 Chairperson of ShinNihon & Co. (now Ernst & Young ShinNihon LLC)
 Aug. 2008 Senior Advisor of Ernst & Young ShinNihon (until Jun. 2009)
 Jun. 2010 to present
 Corporate Auditor of MCHC

*² External corporate auditor

Legal Compliance and Fairness, Equitability, and Integrity

We shall comply with laws and international standards and shall hold ourselves to the highest ethical conduct at all times. In addition, we shall always adopt an attitude of fairness, equitability, and integrity towards customers, business partners, shareholders, government agencies, local communities, and other stakeholders. This attitude shall also apply to our dealings with each other.

Compliance

Basic Approach to Compliance

The MCHC Group recognizes compliance as the incorporation of such elements as corporate ethics and social boundaries, rather than focusing strictly on legal compliance. The MCHC Group regards compliance as one of its top management priorities in order to continue to be a company that people can trust. Therefore, the MCHC Group has compiled a range of regulations to underpin its operations, including the MCHC Group Charter of Corporate Behavior, the MCHC Group Compliance Code of Conduct, and the MCHC Group Compliance Promotion Policy.

To steadily incorporate compliance into the MCHC Group, MCHC has established an Internal Control Office to oversee compliance at MCHC, as well as either a Compliance Promotion Committee or a Corporate Ethics Committee at each of the core operating companies, under the supervision of a Chief Compliance Officer (CCO) appointed by the MCHC Board of Directors. In accordance with basic rules and other provisions, each of the core operating companies has formulated a code of conduct, compiled manuals and held trainings and seminars. Furthermore, the core operating companies also audit and monitor operations, have established and operate compliance hotline services, and report the status of their implementation to MCHC. MCHC supports these activities through such measures as assigning instructors to oversee training and producing training tools.

At overseas MCHC Group companies, we are now working to ensure and reinforce compliance and we have formulated codes of conduct and regulations in line with each country's legislation

and social norms, based on the MCHC Group Charter of Corporate Behavior as a common basic rule.

Fiscal 2012 Initiatives and Results

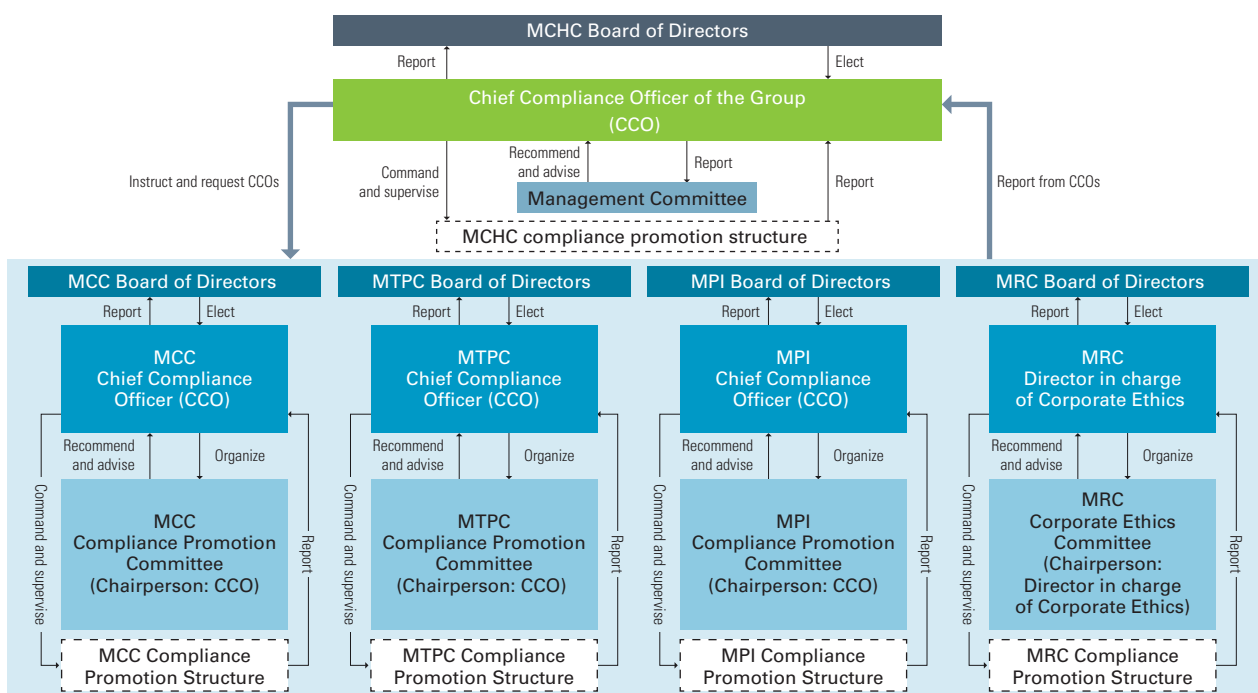
In October 2012, MCHC invited an outside speaker to give a lecture to officers from MCHC and CEOs and CCOs from MCHC Group companies. MCHC also organized training sessions for new officers at the MCHC Group companies in August and September.

Each of the core operating companies and its group companies also conduct comprehensive compliance training (for specific details of these activities, please see each core operating company's CSR report).

In addition, for the compliance perception survey conducted at each of our operating companies as part of monitoring, MCHC created common questions across the MCHC Group. The purpose of this survey is to find out to what extent our employees are informed of regulations in the Code of Conduct, and to what extent the code has been assimilated into the actions of our employees. The results of the survey show that their awareness of compliance has been increased. It was also found, however, that further improvements are needed concerning creating a working environment in which employees are free to express their opinions. As such, MCHC is formulating initiatives centered on managers that address how to better facilitate communication and further invigorate the workplace.

In fiscal 2013, MCHC is requesting the core operating companies to enhance compliance training through such activities as training designed specifically for each group of employees,

Compliance Promotion Structure



to upgrade the maintenance of individual training records, and to verify and improve methods for raising awareness of the various initiatives to strengthen and improve controls.

With regard to the MCHC Group’s overseas sites, MCHC held discussions with MCHC sites in the United States and the People’s Republic of China (PRC) concerning the implementation of internal controls and conducted trainings at various sites in each country. In areas where MCHC doesn’t have any operational sites, such as Southeast Asia, MCHC promoted the establishment of a system where a promotion leader in each country would implement internal controls and undertake relevant training. In October 2012, promotion leaders from Indonesia, Singapore, Thailand, India, Taiwan, and the PRC attended a Compliance Promotion Conference in Singapore, sharing knowledge and experience regarding internal controls that is useful for their activities in each country. To increase awareness of compliance issues, MCHC also held 19 training sessions in these countries for a total of around 500 managers and compliance representatives on the importance of “management accountability” and “global trends.” From now on MCHC will make sure that our sites in the United States, the PRC, Europe, and other areas exchange information and make use of our network to further implement internal controls within the MCHC Group.

Supervising and Reporting Systems

Auditing and Monitoring

MCHC conducts annual Control Self Assessments (CSA) at MCHC Group companies via MCHC’s Audit Office, to ascertain levels of compliance at each company based on a series of compliance-related questions.

Compliance Hotline Service

Within the MCHC Group, each of the core operating companies manages its own compliance hotline service, through which staff can talk with either the General Manager of the Internal Control Office or an outside attorney. MCHC also provides a compliance hotline service for staff at Group companies and is working to promote the service and ensure that it continues to operate efficiently.

To those employees seeking advice or filing reports, MCHC vows to keep the facts and contents of their consultation and reports confidential, and guarantees that they will not suffer any discriminatory or unjust treatment, including dismissal, on account of these facts. If anyone should act unjustly toward such an employee, that person will be disciplined in accordance with internal rules. An investigative team led by the General Manager of the Internal Control Office processes all information that is provided. If it is deemed that there is a problem, MCHC will take swift action to remedy the situation, under the supervision of the CCO.

Disclosure of Compliance Infractions and Unfair Practices

Necessary disclosure of compliance infractions and unfair practices in the MCHC Group will be completed appropriately via news releases on MCHC’s website or the core operating companies’ websites.

Compliance Training and Surveys Completed in Fiscal 2012

| | Training or other activities | People receiving training | Details | Results |
|----------|---|---|--|--|
| Domestic | MCHC Group compliance lecture (training for top management) | MCHC officers and CEOs and CCOs from MCHC Group companies | Lecture by outside speaker | Held once in October 2012 Attended by around 200 people |
| | Training for new officers at MCHC Group companies | New directors and executive officers at MCHC Group companies | Regarding the legal system as well as duties and responsibilities of directors | Held once each in August and September 2012 Attended by 79 people |
| | Compliance training at the core operating companies | Employees at the core operating companies and its group companies | Increasing awareness and knowledge through such initiatives as group training and e-learning | Please see the core operating companies’ CSR reports |
| | Compliance perception survey | MCHC Group employees | Confirming employees’ perception on compliance | • 43,699 respondents (91.6% response rate) • Third-party analysis completed in October 2012 |
| Overseas | Compliance training | The United States and Europe | Online training by job function and group training by topic | 80–98% online training completion rate for each course |
| | | Managers and compliance promotion officers at sites in Indonesia, Singapore, Thailand, India, Taiwan, and the PRC | Training on the importance of “management accountability” and “global trends” | Held a total of 19 times Attended by around 500 people |

Respecting Human Rights / Employment and Labor

We shall respect the dignity and rights of all people, and shall not discriminate against people unfairly on the basis of race, sex, religion or other protected status. We shall also expect our suppliers and other contractors to refrain from any infringement of human dignity and rights or discriminatory practices.

We shall not engage in any form of forced, compulsory, or child labor, and shall require our suppliers and other contractors to adhere to the same standards. Mitsubishi Chemical Holdings Group managers at all levels shall respect human diversity and create working environments where employees can exercise their abilities to the utmost in safe and healthy settings, in order to make optimal use of human resources. Managers shall build sound relations with employees through close dialogue and shall respect employees' rights, including freedom of association and the right to collective bargaining.

Respecting Human Rights

Basic Approach to Initiatives Concerning Human Rights and Labor Practices

The MCHC Group participates in the United Nations Global Compact and endeavors to comply with its 10 principles. Consequently, in compliance with international norms such as the Universal Declaration of Human Rights and the fundamental principles of the International Labour Organization with regard to labor, MCHC has developed the MCHC Group Charter of Corporate Behavior, the MCHC Group Compliance Code of Conduct, and other regulations.

The MCHC Group regards its employees as its most precious asset, and in the *APTSIS 15* medium-term management plan that is currently under way, MCHC has established elements concerning employees as stakeholders in one of the Management of Sustainability (MOS) Indexes, which serve as management indexes. MCHC has stipulated quantitative targets with these employee-related elements as a priority for policies and measures supporting employees within the Group.

Based on this kind of approach demonstrated by the MCHC Group, each of the Group companies develops activities autonomously in compliance with its own basic policies concerning human rights and employment while striving to respect the dignity and rights of individuals and to create decent work and working environments.

Basic Approach to Human Rights

1. We shall comply with the United Nations Global Compact and the MCHC Group Charter of Corporate Behavior, respect the dignity and rights of all people in every aspect of our corporate activities, and never engage in unjustifiable discrimination whatever the circumstances, whether race, gender, religion, or any other reason.
2. In the promotion of specific enlightenment activities, each Group company shall set policies and priority issues in an autonomous fashion. We shall consistently put into practice activities aimed at becoming a corporate group that offers a pleasant work environment, makes employees motivated, is accepted by society, and has a highly developed awareness of human rights. At the same time, we shall seek to work together as a group.

In line with this basic approach of respect for human rights, MCHC conducts awareness-raising activities for a broad range of human rights issues, including harassment and discrimination against people in certain social groups and issues pertaining to women, the disabled, and people with gender identity disorder. The MCHC Group also conducts activities to raise awareness and training for management and employees

related to respecting human rights for a total of around 20,000 people every year.

Overseas Group companies endeavor to comply with the laws applicable in each country, foster best practices concerning human rights, and raise the satisfaction levels of employees. They also strive to promote corporate activities associated with appropriate value chain management. MCHC has established subsidiaries to strengthen the supervisory functions of overseas Group companies in this regard. These subsidiaries are tasked with developing and strengthening the management of overseas Group companies.

Toward a Corporate Group Where Employees Are Motivated

MOS Index C-2-2: Improve Employee-Related Indexes

MCHC believes that if Group employees can feel satisfied in their work and lead fulfilling lives by growing through that experience, this can result in happiness for employees, increased corporate value for MCHC, and the realization of *KAITEKI*.

Therefore, each Group company is promoting initiatives in this regard with careful measures to raise the satisfaction levels of employees through human resource development and evaluation and through work styles.

Specifically, MCHC has established MOS Index C-2-2 that consists of the four following elements, sets targets on them, and is pursuing initiatives to improve employee satisfaction.

[MOS Index C-2-2]

1. Provide workplaces where various individuals are motivated
2. Provide workplaces where work and life can be balanced
3. Raise employee satisfaction (job, workplace, etc.)
4. Increase awareness of opportunities for self-growth and contributions to the society

1. Provide Workplaces Where Various Individuals Are Motivated

As the need to respond to globalization continues to rise, it is becoming increasingly important to make judgments from diverse points of view. For that purpose, diverse human resources are required, and from this perspective MCHC incorporates the following indicators designed to increase diversity as an element of MOS Index C-2-2.

- Increase appointment of women in leadership positions
- Provide further opportunities to local staff at major overseas subsidiaries

Increase Appointment of Women in Leadership Positions

MCHC has established the percentage of women out of employees recruited and the percentage of female managers as indicators for a workplace where all employees can shine, regardless of gender, to proactively push forward the increased appointment of women in leadership positions. MCHC has also set targets on these indicators based on each core operating company's current situation and is continually measuring progress.

Provide Further Opportunities to Local Staff at Major Overseas Subsidiaries

In its medium-term management plan, *APTSIS 15*, MCHC plans to increase overseas net sales as a percentage of total consolidated net sales from 36% in fiscal 2012 to more than 45% in fiscal 2015. Discovering, recruiting, cultivating, and providing opportunities to talented local staff at overseas subsidiaries is a major business challenge in response to globalization.

In October 2012, MCHC assessed the appointment situation for local staff, using this as a basis to set targets for fiscal 2015. MCHC is considering designing and operating a global human resources database Groupwide to understand the situation of and appropriately deploy management staff.



Providing global opportunities to employees

2. Provide Workplaces Where Work and Life Can Be Balanced

It is important both for employees and MCHC that all employees can also lead a fulfilling life outside of work through a work style that meets their needs. In the MCHC Group, a variety of programs designed for workplaces where work and life can be balanced are implemented. For example, Mitsubishi Chemical has such programs for supporting both work and personal life as childcare leave that can be taken until the child is three years old.



Return to work briefing session for employees who have taken childcare leave

MCHC implements the following indicators for work-life balance as an element of MOS Index C-2-2, and the core operating companies set targets on these indicators and are striving to achieve them.

- Reduce proportion of workers putting in long hours
- Raise the paid vacation utilization rate

3. Raise Employee Satisfaction (Job, Workplace, etc.)

Employee Survey

The MCHC Group is carrying out various measures to improve the employee-related indicators included in the MOS Indexes. To find out how much employees' awareness of these initiatives has increased and to further improve these initiatives, the MCHC Group began conducting an employee survey for all Group employees in fiscal 2011 to discover if there were any changes in employee awareness, including their satisfaction level.

In fiscal 2012, the survey was conducted for around 47,000 employees in Japan and the response rate was approximately 91.6%.

Staff responded by choosing one of five grades for satisfaction in elements such as job motivation, trust of superiors, workplace atmosphere, agreement with evaluation, and empathy with management policies, and these responses were scored and assessed. The Group average score was 3.75, an increase of 0.05 compared with the previous year.

Through the results of these surveys the core operating companies can understand progress and issues relating to their employee satisfaction initiatives and incorporate this data into personnel measures for further improvement.

4. Increase Awareness of Opportunities for Self-Growth and Contributions to the Society

MCHC implements the following three indicators designed to foster self-growth and make contributions to the society.

- Increase employee self-development rate
- Increase length of time per year employees spend on self-development
- Increase percentage of employees involved in volunteer activities

The data from the first MCHC Groupwide employee survey in October 2011 indicated that employees had a low awareness of opportunities for self-growth and making contributions to society. As a result, MCHC is pursuing initiatives at all its core operating companies, including holding interviews between employees and superiors regarding career plans and skills development to foster increased awareness of self-development.

MCHC is also supporting self-development as a company through the provision of language classes, such as English and Chinese, subsidizing distance learning, and other measures.

Employee Health

Regular efforts to maintain physical and mental health are important for a fulfilling business career. The MCHC Group conducts routine health checks of employees and their families and also provides health counseling based on the results in cooperation with each company’s health insurance association.

The MCHC Group also takes steps to maintain the mental health of its employees by distributing booklets, holding seminars, and introducing systems where employees can receive counseling from specialists.

Occupational Health and Safety

Raising Awareness to Prevent Work Accidents

MOS Index C-3-4: Reduce the Lost Time Injuries Frequency Rate

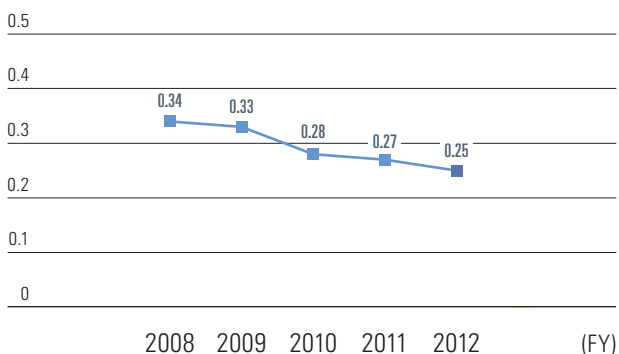
At Safety and Health Committee meetings held regularly at each site of the core operating companies, employees and management seriously discuss everything from policies and action plans drawn up with the situation at each of its sites in mind to specific on-site issues and initiatives for solving them, and reach agreements on these matters. Based on these meetings, at each workplace MCHC institutes multiple safety measures for operating facilities as well as measures for irregular operations, checking whether they are appropriately applied through auditing and inspections. At the same time, through training and communication at each workplace MCHC fosters a culture of safety and raises individual awareness of safety issues.

In fiscal 2013, the MCHC Group plans to implement the following initiatives at each of the operating companies to further reduce the lost time injuries frequency rate as stated in MOS Index C-3-4.

- Bolster auditing that emphasizes on-site inspections (prevention in advance rather than prevention of reoccurrence) and communication between head office and other sites
- Operate change management system for work procedures
- Compile and implement risk assessment rules for health impairment due to fires or chemical substances
- Continue to implement both tangible and intangible safety initiatives on the front lines of on-site operations
- Implement environmental safety training to encourage thinking before action and make workplaces safer

Lost Time Injuries Frequency Rate (Per One Million Hours)

(Domestic MCHC Group)



Relationship of Trust Between Management and Employees

Major MCHC Group companies hold central joint management councils with labor unions in accordance with each union’s collective agreement and they regularly take time to explain their management statuses and share management information with the unions.

When companies intend to make revisions to their systems that will result in changes to working conditions, they offer proposals to the labor unions as far in advance as possible, take sufficient time to engage in labor-management discussions over the proposed revisions, and amend the contents of the revisions as necessary based on the feedback received in the discussions in order to maintain relationships of trust between management and employees, which took a long time to cultivate.



MCC central joint management council

Social Data

As of March 31, 2013

| | | MCC | MTPC | MPI | MRC |
|--|----------------|-------|-------|-------|-------|
| Basic information | | | | | |
| Number of employees | | 5,778 | 4,850 | 2,803 | 3,370 |
| Number of employees by gender | Male | 5,154 | 3,870 | 2,474 | 2,913 |
| | Female | 624 | 980 | 329 | 457 |
| Number of employees by age group | 20s or younger | 857 | 353 | 399 | 593 |
| | 30s | 1,830 | 1,074 | 767 | 792 |
| | 40s | 1,914 | 2,094 | 1,008 | 1,142 |
| | 50s or older | 1,177 | 1,329 | 629 | 843 |
| Average age | | 40.6 | 43.7 | 41.6 | 41.8 |
| Number of new employees | | 98 | 92 | 36 | 137 |
| Number of people resigning | | 63 | 27 | 17 | 22 |
| Number of unionized employees | | 3,954 | 3,766 | 1,863 | 2,569 |
| Percentage of unionized employees | | 68.4 | 77.6 | 66.5 | 76.2 |
| Number of layoffs | | 0 | 0 | 0 | 0 |
| Diversity | | | | | |
| Percentage of female employees | | 10.8 | 20.2 | 11.7 | 13.6 |
| Percentage of female managers | | 5.7 | 8.7 | 1.4 | 4.7 |
| Percentage of employees with disabilities | | 2.1 | 2.0 | 1.2 | 1.8 |
| Number of employees rehired post-retirement | | 401 | 223 | 114 | 244 |
| Work-life balance | | | | | |
| Number of employees taking childcare leave | Total | 80 | 77 | 14 | 31 |
| | Male | 9 | 1 | 0 | 2 |
| | Female | 71 | 76 | 14 | 29 |
| Number of employees taking nursing care leave | | 5 | 0 | 0 | 1 |
| Acquisition rate of paid holidays | | 66 | 58 | 59 | 76 |
| Occupational health | | | | | |
| Health check response rate | | 99.6 | 99.4 | 97.9 | 99.9 |
| Lost time injuries frequency rate (per one million hours) | | 0.08 | 0 | 0.27 | 0.61 |
| Other | | | | | |
| Number of employees taking volunteer leave | | 38 | 6 | 2 | 15 |

Environment and Safety

We shall strive to reduce environmental impact and protect the environment and ecosystems in our operations, in addition to supplying environmentally friendly products and services. Recognizing that the health and safety of our employees and communities in which we do business form the foundation for the very existence of our company and that we have a corporate social responsibility to assure the health and safety of others, we shall continue to ensure safe business activities.

The Mitsubishi Chemical Holdings (MCHC) Group pursues initiatives in accordance with the Basic Policy on Safety and the Environment below.

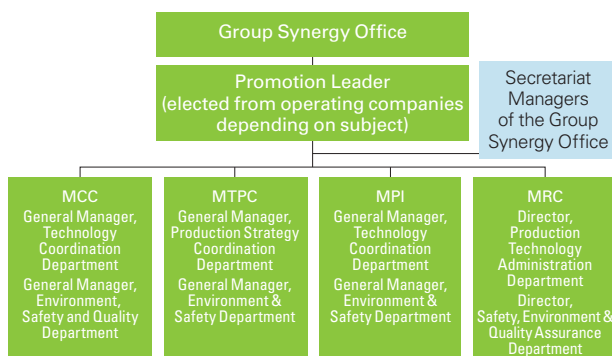
Basic Policy on Safety and the Environment

1. Safety lies at the foundation of the company's very existence, and ensuring safety is the company's social responsibility.
2. The company has a responsibility to ensure that its products are safe for customers and consumers, and to minimize the impact of its products on the environment.
3. The company has an obligation to conserve and improve the environment, and become an entity that is friendly to both people and the planet.

Management and Disclosure for Safety and the Environment Issues

The MCHC Group established the Group Synergy Office to develop and strengthen its foundations laterally among Mitsubishi Chemical, Mitsubishi Tanabe Pharma, Mitsubishi Plastics, and Mitsubishi Rayon. Under the leadership of this office, general managers responsible for the environment, safety, and production technologies at these four operating companies attend regularly convened Four-Company Production, Safety, and the Environment Cooperation Council (Four-Company Cooperation Council) meetings. At these meetings, attendees exchange detailed information and opinions about the policies, activities, and issues of each company's initiatives. They also check and evaluate the details of activities at individual companies and manage information to build a common awareness among the companies.

Structure of the MCHC Group's Four-Company Cooperation Council



Each MCHC Group company is tackling initiatives related to quality management systems and environmental management systems. 98%^{*1} of our production sites worldwide have acquired ISO 9001 certification, and 97%^{*2} have acquired ISO 14001 certification. Moreover, MCHC ensures effective environmental management by conducting internal and external audits of these production sites regularly.

Mindful of the importance of verifying and reporting on corporate activities from a global perspective in disclosure related to the environment and safety, the MCHC Group has disclosed information in a manner that is informed by the third generation of the Global Reporting Initiative(GRI)'s Sustainability Reporting

Guidelines. MCHC will further enhance the reliability of its disclosure by steadily extending it to include more organizations covered, increase disclosure elements, and heighten their precision.

*1. On a net sales basis. However, the Mitsubishi Tanabe Pharma Group is not included because it conducts management in accordance with the Good Manufacturing Practice.

*2. On a net sales basis.

Disaster Prevention

Basic Approach

Reflecting the understanding that safety lies at the foundation of the MCHC Group's very existence, among the Management of Sustainability (MOS) Indexes, the MCHC Group sets out ensuring there are no material accidents or compliance violations as a benchmark it must meet without fail every year.

Disaster Prevention

MOS Index (Objective to be achieved): Achieve zero occurrences of material accidents and compliance violations
MOS Index C-3-1: Reduce facility-related accidents

Ensuring there are no material accidents is a target the MCHC Group must achieve. Furthermore, MCHC sets a target of reduction in facility-related accidents in the MOS Index.

Basically, each operating site endeavors to prevent facility-related accidents by ensuring the soundness of facilities and equipment and the proper operation through their appropriate maintenance as well as extensive education and training of their operators. If an accident occurs, we work to avoid recurrence by analyzing the cause, taking countermeasures, and verifying their effectiveness through inspections or maintenance patrols. Moreover, the MCHC Group works to prevent accidents by applying these countermeasures laterally to similar facilities and equipment or operations.

The Four-Company Cooperation Council addresses lateral initiatives among operating sites that transcend operating companies' boundaries. In fiscal 2012, Mitsubishi Chemical shared its process safety information database, which it currently operates, and process safety education with Mitsubishi Rayon and began helping Mitsubishi Rayon incorporate them.

Meanwhile, if an accident occurs, it is important that the MCHC Group minimizes the effect on society through rapid responses from senior management in regard to its accountability to local communities and its responsibility to supply products. Therefore,

the MCHC Group has established a system at sites in Japan and overseas that expedites the reporting of facility-related accidents, material problems, or industrial accidents to senior management.

Initiatives to Reduce Environmental Impact

MOS Index S-1-1: Reduce environmental impact by 30% from fiscal 2005 levels

Initiatives to Reduce Environmental Impact during Production

Mankind has taken significant strides forward thanks to technological progress. Its immense contribution includes dramatically lower mortality rates and higher standards of living. On the other hand, the negative aspects that have accompanied this progress cannot be ignored. It has increased pollutants and greenhouse gas emissions, causing environmental problems.

In response, the MCHC Group has endeavored to conduct corporate activities in consideration of the environment while contributing to technological development through its businesses by incorporating the MOS concept as a benchmark for business management and reducing emissions of substances that impact the environment.

Specifically, we identified substances that impact the environment. These are greenhouse gases (GHG), which contribute to climate change; nitrogen oxides (NOx) and sulfur oxides (SOx), which contribute to air pollution; nitrogen in wastewater, which contributes to water pollution; and volatile organic compounds (VOCs), which may affect human health adversely.

To make our emissions of these substances into a single, readily understandable benchmark, we prepared a unique environmental impact index that we calculate by giving CO₂ a relative value of 1. We then used this figure as a benchmark for initiatives to reduce environmental impact. (MOS Index S-1-1)

Launched in fiscal 2011, the MCHC Group's medium-term management plan, *APTSIS 15*, calls on the Group to reduce environmental impact by 30% from fiscal 2005 levels by fiscal 2015.

In fiscal 2012, by stepping up heat recovery and continuing other energy-saving activities and maintaining VOC reductions, we reduced environmental impact by 27% from fiscal 2005 levels. In fiscal 2013, we will continue pursuing the 30% reduction target by lowering CO₂ emissions through energy-saving initiatives.

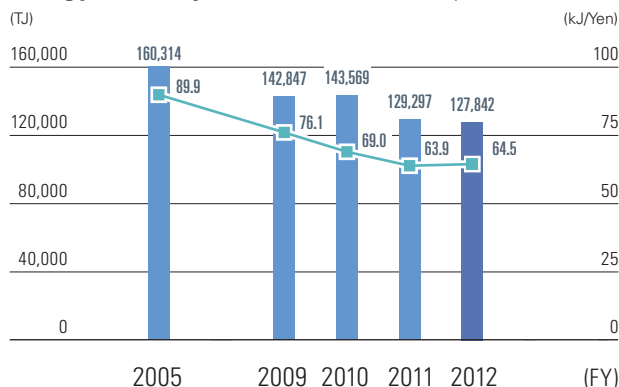
Initiatives to Reduce GHG Emissions and Energy Consumption

Among the environmental issues the chemical industry faces, tackling climate change must be its highest priority. Therefore, the MCHC Group has been making a concerted effort to reduce GHG emissions for many years. Under our medium-term management plan, *APTSIS 15*, we have incorporated two types of reduction into a management index and will implement them through the *KAITEKI* Project; one index is reduction of GHG emissions arising from our manufacturing and another is reduction resulting from providing products that generate lower emissions when used. One of this project's tasks, based on MOS Index S-1-1, is to reduce the GHG emissions of operating sites in Japan by 17% from fiscal 2005 levels.

Fiscal 2012 saw a significant 21% reduction in greenhouse gas emissions from fiscal 2005 levels. However, compared with fiscal 2011 they were up 6%. This was attributable to a pick-up in manufacturing and an increase in emissions from the purchased electricity resulting from a rise in the proportion of thermal power generation compared with the sluggish manufacturing in fiscal 2011 due to

the Great East Japan Earthquake and an economic slowdown.

Energy Consumption (Domestic MCHC Group)



■ Energy consumption (left)
 ■ Energy consumption per net sales (right)

Calculation Standards for Energy Consumption

Electricity consumption volumes are converted to joules using the coefficients stipulated by the Act on the Rational Use of Energy (9.97GJ/MWh for daytime use, 9.28GJ/MWh for nighttime use, and 9.76GJ/MWh for other use). In fiscal 2012, we adjusted the categories for activities to be included based on the Act on the Rational Use of Energy. Data for prior years has been restated in light of this change.

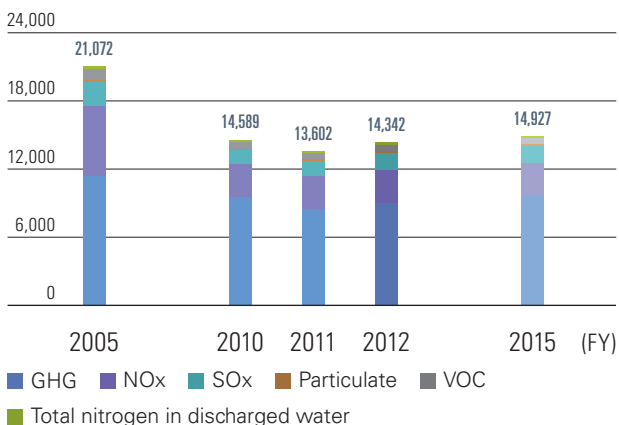
In fiscal 2012, energy intensity, which is energy consumed per unit of domestic net sales, was mostly unchanged. However, at our manufacturing sites, we are proactively improving energy intensity in accordance with the Japan Business Federation's voluntary target. We are reducing GHG emissions steadily by improving these energy-saving intensities.

In addition, operating companies are improving manufacturing processes and adapting logistics and sales activities to further reduce GHG emissions.

Recent years have seen calls for companies to identify and disclose not only GHG emissions stemming from their manufacturing but also those resulting from the delivery to plants of raw materials purchased, customers' use of products, and the disposal of products. These are known as Scope 3 emissions. In response, the MCHC Group identified its Scope 3 emissions in Japan and began disclosing them in fiscal 2012. Going forward, we intend to extend the reach of this initiative to include overseas companies. Furthermore, we plan to prepare a carbon footprint system that will calculate and disclose GHG emissions for individual products, from raw material purchasing through to delivery to customers.

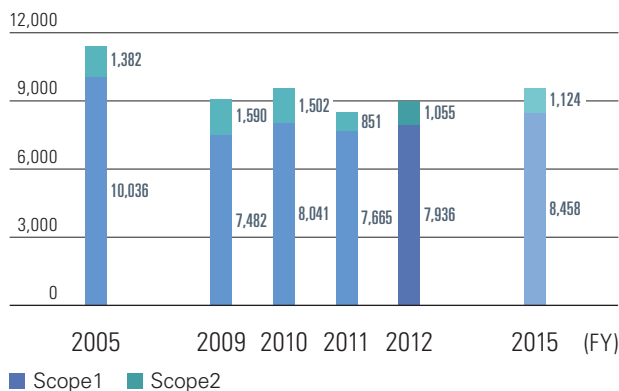
Moreover, from fiscal 2012 we began receiving third-party assurance for our disclosure of GHG emissions in Japan, including Scope 3 emissions.

Trend in MOS Index S-1-1 Results (Domestic MCHC Group)
(Environmental impact*)



* In-house comparative index scaling CO₂ to 1

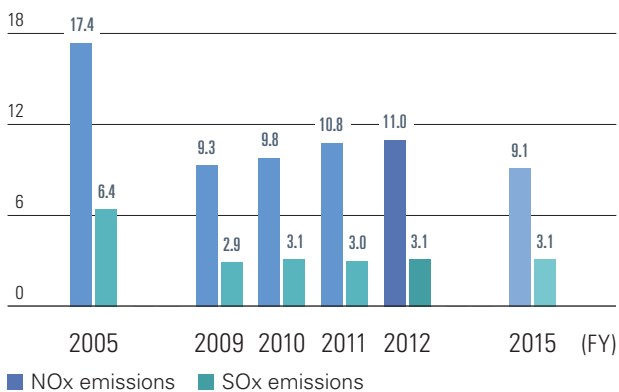
GHG Emissions (Domestic MCHC Group)
(Thousand tonnes of CO₂e)



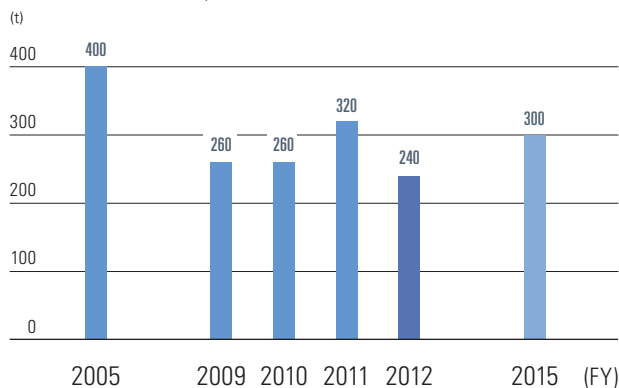
Calculation Standards for Greenhouse Gas Emissions

For greenhouse gases covered by the Act on the Rational Use of Energy and Act on Promotion of Global Warming Countermeasures, the Company's calculations are in accordance with the methods stipulated by these laws. For gases not covered by either law, the Company develops calculation methods for each individual gas based on considerations such as the balance of chemical reactions. In fiscal 2012, we adjusted the categories for activities to be included based on the Act on the Rational Use of Energy. Data for prior years has been restated in light of this change.

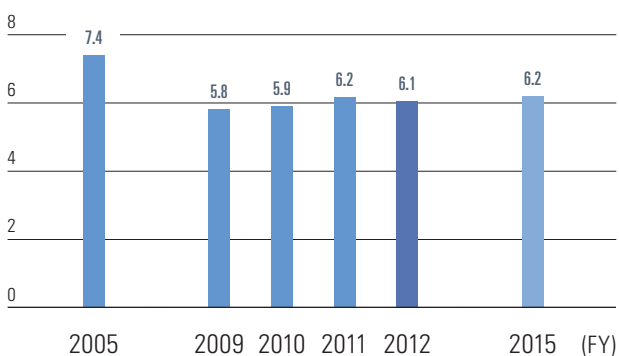
NOx/ SOx Emissions (Domestic MCHC Group)
(Thousand tonnes)



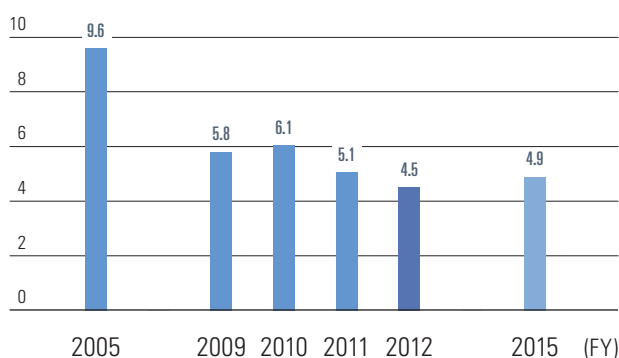
Particulate Emissions from Industrial Sources
(Domestic MCHC Group)
(t)



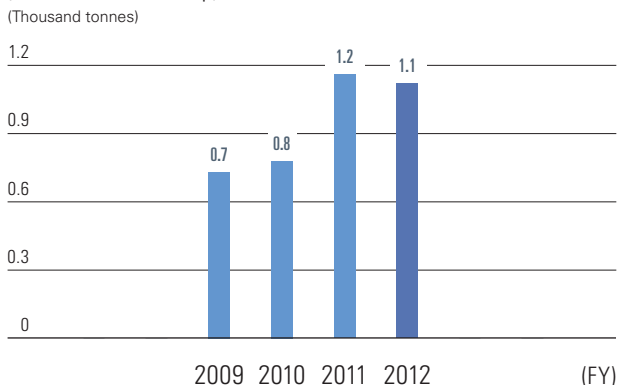
Total Nitrogen in Discharged Water (Domestic MCHC Group)
(Thousand tonnes)



VOC Emissions (Domestic MCHC Group)
(Thousand tonnes)



PRTR Chemical Substance Emissions
(Domestic MCHC Group)
(Thousand tonnes)



Scope 3 Emissions (Domestic MCHC Group)

| Scope 3 category | GHG emission volumes (million tCO ₂ e) |
|--|---|
| Purchased goods and services | 9.3 |
| Fuel- and energy-related activities not included in scope 1 or scope 2 | 0.8 |
| Use of sold products | 19.1 |
| End-of-life treatment of sold products | 11.2 |
| Total | 40.4 |

Emissions volumes are calculated in accordance with the Greenhouse Gas Protocol's Corporate Value Chain (Scope 3) Accounting and Reporting Standard as well as the World Business Council for Sustainable Development's Guidance for Accounting & Reporting Corporate GHG Emissions in the Chemical Sector Value Chain. The Company tracks and discloses emissions volumes for greenhouse gases emitted during the following activities. In relation to purchased goods and services, we track gas emissions from extraction, production and transportation of purchased raw materials. For fuel- and energy-related activities not included in scope 1 or scope 2, we track emission volumes associated with extraction, production and transportation of purchased fuel. In regard to use of sold products, gases emitted during combustion of sold fuel (coke, coke oven gas, etc.) are tracked. As for end-of-life treatment of sold products, emissions are tracked from combustion and decomposition reactions accompanying disposal of sold petrochemicals. Emissions covered under other categories of scope 3 are not disclosed as these emissions have been judged to be insignificant in volume.

Initiatives to Save Resources

Initiatives to Reduce Rare Metal Usage

MOS Index S-2-2: Reduce cumulative rare metal usage by 1,200 tons through the improvement of processes and innovation of products

At the MCHC Group, we are helping to counter resource depletion by reducing rare metal usage.

(1) Initiatives to reduce rare metal use in products

We will reduce the usage of particularly rare metals by switching to cathode materials for lithium ion batteries that include less of the particularly rare metal cobalt but realize the same or better performance.

(2) Initiatives to use less rare metals in manufacturing processes

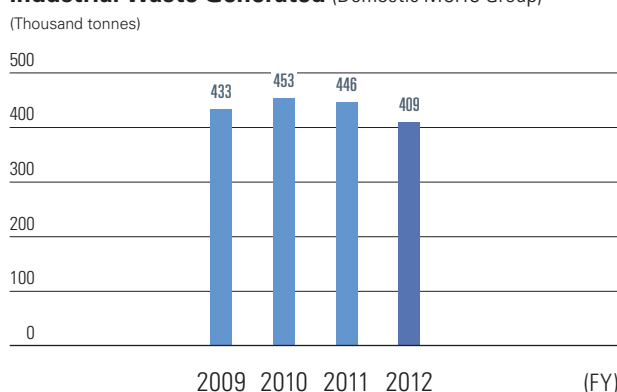
We are using less rare metals in catalysts while improving productivity.

Mainly through the two above-mentioned initiatives, we reduced the use of rare metals by 170 tons in fiscal 2012. Through continuation of these initiatives, we plan to reduce cumulative rare metal usage by 1,200 tons by fiscal 2015.

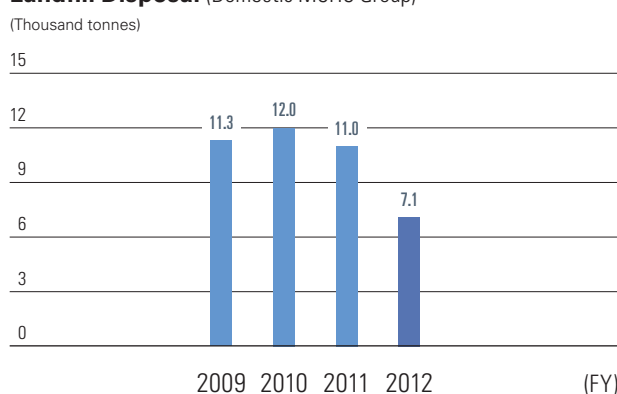
Initiatives to Reduce Waste

To contribute to the formation of a recycling society, the MCHC Group aims to reduce landfill waste and achieve zero emission by recycling and reducing waste generation. Because each business emits different types of waste, we are advancing initiatives based on separate targets and achievement plans for each operating company.

Industrial Waste Generated (Domestic MCHC Group)



Landfill Disposal (Domestic MCHC Group)



Initiatives to Preserve Water Resources

MOS Index S-2-4: Provide 900 million tons of reusable water through our products

The MCHC Group views preserving water resources as an important part of environmental preservation and advances initiatives accordingly.

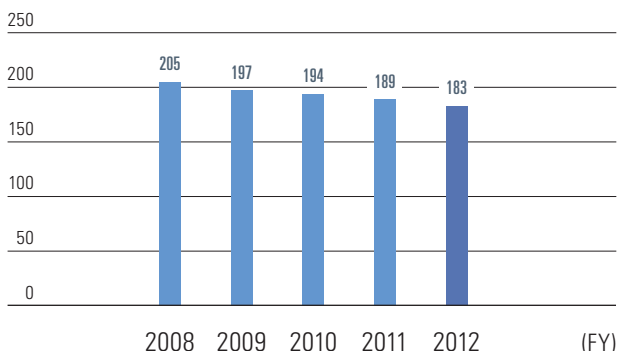
We make efforts to reduce our business activities' impact on water resources and to contribute to resolving water supply and demand issues through our products that help preserve water resources.

Efforts to reduce our impact on water resources include lowering water intake by reusing cooling water rigorously resulting in preserving water sources and managing wastewater quality appropriately resulting in maintaining water quality of seas and rivers.

Furthermore, to contribute to solving water supply and demand issues through our products, we develop and market products with water purification capabilities. Our products enable water resources that were unusable previously to be usable industrially and water that used to be discharged as sewage to be reusable within operating sites; as a result, we preserve water resources. As part of these initiatives, in fiscal 2013 we established "aiding the resolution of water problems through our products" as a new benchmark.

Water Usage (Domestic MCHC Group)*

*Excluding seawater
(Million tonnes)



Initiatives to Promote Biodiversity Preservation

The MCHC Group endorsed the Declaration of Biodiversity by *Keidanren** in 2010 and began focusing on how to reduce its business activities' effect on biodiversity. As the first stage of this initiative, we are conducting basic analysis to determine the effect of operations on ecosystems, which companies in the chemical industry should examine as a priority. Referring to the Japanese Ministry of the Environment's Guidelines for Private Sector Engagement in Biodiversity, we are reevaluating operating sites by adding evaluations of their effects on biodiversity to existing evaluations of environmental preservation. As a model establishment, we have evaluated Mitsubishi Chemical's Yokkaichi site, and in fiscal 2012 we evaluated Mitsubishi Rayon's Otake Production Center. We rechecked compliance with laws and regulations related to biodiversity and our activities that help preserve biodiversity, such as cleanup activities in the areas surrounding plants and the prevention of damage to ecosystems arising from invasive non-native species. In conjunction with these efforts, we analyzed the use of industrial water and the emissions of chemicals. These studies confirmed that the production sites do not have environmental impacts affecting biodiversity. Through our business activities and their life cycles, we will perform actions to preserve biodiversity.

* Declaration of Biodiversity by *Keidanren*: Issued in March 2009 by *Nippon Keidanren* (Japan Business Federation), this declaration comprises seven main goals, including calls to aim for corporate activities in harmony with the natural environment and to promote corporate management for sustainable resource use.

Use of Genetically Modified Organisms

Our use of genetic engineering technology including the handling and labeling of products that we manufacture using genetically modified organisms comply with the applicable laws and regulations of each country or region and appropriately established internal rules.

Initiatives to Realize Product Liability

Safety Management for Chemicals

MOS Index C-3-5: Confirm product safety according to GPS for 70% of products

In recent years, chemicals management has become more robust worldwide. An initiator of this trend was the 2002 World Summit on Sustainable Development (WSSD), often called the Earth Summit 2002 or Johannesburg Summit, which advocated chemicals management so that chemicals are produced and used in ways that minimize significant adverse impacts on human health and the environment as a 2020 goal.

Aiming to achieve the WSSD's 2020 goal, the International Council of Chemical Associations (ICCA) is promoting voluntary initiatives in the chemical industry under its Global Product Strategy (GPS)**1, which emphasizes risk-based chemicals management throughout supply chains and disclosure of risk management information on chemicals and products.

Sympathizing with the ICCA's stance, the MCHC Group launched GPS initiatives in fiscal 2009. Since then, we have been steadily assessing the risks inherent in the chemicals we manufacture, managing them appropriately based on assessment results, and compiling and publishing the results as GPS Safety Summaries.

By fiscal 2018, the MCHC Group aims to complete GPS assessments of its high priority chemicals. In addition, we have included an achievement percentage for GPS assessments as a benchmark: MOS Index C-3-5.

*1. This strategy calls on companies to minimize risks inherent in chemicals throughout supply chains by conducting risk assessments of their chemicals, implementing management approximately in light of risks identified, and releasing information on the safety and risks of products to customers and society at large.

Initiatives to Manage and Provide Chemical Information of Products

MOS Index S-3-1: Achieve an 80% toxic substance inspection rate on purchased items

The MCHC Group believes information on the chemicals that products contain is critical for their use and disposal. Accordingly, based on a unique green purchasing investigation system, we investigate the toxic substances included in products purchased from suppliers. (MOS Index S-3-1)

Also, in Japan and overseas we are steadily advancing efforts to provide Safety Data Sheets^{*2} pursuant to the Globally Harmonized System of Classification and Labeling of Chemicals^{*3}.

*2. Documents including information on chemicals' properties and hazardousness and related safety measures and emergency measures that companies provide when transferring chemicals or products to other companies

*3. An internationally harmonized system of classification criteria and labeling methods relating to the hazardousness of chemicals

Initiatives for Logistics

With a view to achieving efficient logistics in line with the concept of *KAITEKI*, the MCHC Group is further improving logistics efficiency, energy-saving, and safety.

In energy-saving efforts, we aim to realize environment-friendly logistics by promoting the improvement of loading ratios and a modal shift to railway freight transport. In addition, the Group is encouraging its 10 Group companies that are specified consigners under Japan's Partially Amended Act on the Rational Use of Energy to share information on measures. In another initiative, we are working with logistics companies to reduce CO₂ emissions by upgrading equipment. For example, this initiative is introducing dedicated ships installed with friend fins or contra-rotating propellers.

As for safety, the Group uses Safety Data Sheets to conduct education on the properties of products it deals with and how to handle them, and we share safety information throughout the Group. We have built systems to prevent sudden accidents during transit and storage by sharing information internally on the properties of particularly hazardous chemicals, their transportation routes, and other aspects of logistics.

Environmental Accounting

The MCHC Group takes measures to preserve the environment, including the strengthening of measures to reduce emissions of air pollutants and wastewater management measures. In fiscal 2012, the MCHC Group invested ¥3.7 billion and recognized expenses of ¥35.4 billion in relation to such measures. Going forward, we intend to continue environmental preservation initiatives.

Participation in Development of International Standards and Public Policy

As a member of the Japan Chemical Industry Association (JCIA), MCHC is involved in investigating and researching safety and environmental issues and developing related countermeasures. Through its activities with JCIA, we participate in the management of the ICCA. In this capacity, we work to solve issues common to chemical companies worldwide, such as chemicals management and climate change countermeasures.

Also, we are directly involved in creating an international framework for managing, disclosing, and communicating information regarding chemicals, which the Joint Article Management Promotion-consortium (JAMP) is promoting.

Furthermore, in fiscal 2012 we participated in the following initiatives.

- Chaired the ICCA's Energy & Climate Change Leadership Group. Prepared technological roadmap, life cycle assessment guidelines, and participated in COP18* side event.
- Participated in the ICCA's Chemical Policy & Health Leadership Group as a member. Developed guidelines on the methods of assessing risks associated with chemicals and participated in activities to spread GPS initiatives in Asia.
- In the World Business Council for Sustainable Development's chemical sector project, participated in development of operational guidelines for the chemical sector on calculating GHG emissions under Greenhouse Gas Protocol Scope 1, 2, and 3.
- In the World Economic Forum's chemical sector project, participated in development of basic guidelines for sustainability management in the chemical industry.

* COP18: 18th Conference of the Parties to the United Nations Framework Convention on Climate Change, held in Qatar in 2012

Environmental Data

Environmental data of domestic plants in fiscal 2012

| | MCHC Group | MCC | MTPC | MPI | MRC |
|--|------------|---------|-------|-------|--------|
| Greenhouse gas (GHG) | | | | | |
| GHG emissions (thousand tonnes of CO ₂ e) | 8,991 | 7,277 | 123 | 360 | 1,231 |
| Energy | | | | | |
| Energy consumption (TJ) | 127,842 | 105,229 | 2,332 | 8,142 | 12,139 |
| Direct consumption (TJ) | 108,707 | – | – | – | – |
| Coal (TJ) | 18,548 | – | – | – | – |
| Oil (TJ) | 9,725 | – | – | – | – |
| Gas (TJ) | 13,317 | – | – | – | – |
| Byproduct gas and oil (TJ) | 67,117 | – | – | – | – |
| Indirect consumption (TJ) | 19,135 | – | – | – | – |
| Electric power (TJ) | 17,257 | – | – | – | – |
| Steam power (TJ) | 1,878 | – | – | – | – |
| Water | | | | | |
| Water usage (million tonnes) (excluding seawater) | 183 | 102 | 8 | 14 | 59 |
| Water discharge (million tonnes) (excluding seawater) | 103 | 40 | 8 | 14 | 42 |
| Water discharge into ocean (million tonnes) | – | 22 | 2 | 14 | – |
| Water discharge into lake and river (million tonnes) | – | 14 | 5 | 0 | – |
| Water discharge into sewage (million tonnes) | – | 4 | 1 | 0 | – |
| Industrial waste and recycling | | | | | |
| Industrial waste generated (thousand tonnes) | 409 | 270 | 18 | 36 | 85 |
| Landfill disposal (thousand tonnes) | 7.1 | 4.3 | 0.1 | 0.03 | 2.7 |
| PRTR chemical substance emissions (tonnes) | 1,115 | 320 | 5 | 120 | 670 |
| NO _x emissions (tonnes) | 10,960 | 9,170 | 51 | 79 | 1,660 |
| SO _x emissions (tonnes) | 3,140 | 2,340 | 8 | 2 | 790 |
| COD emissions (tonnes) | 2,096 | 1,210 | 43 | 13 | 830 |
| Particulate emissions (tonnes) | 240 | 130 | 1 | 6 | 103 |
| Total phosphorus (tonnes) | 81 | 63 | 2 | – | 17 |
| Total nitrogen (tonnes) | 6,067 | 5,460 | 30 | 17 | 560 |
| VOC emissions (tonnes) | 4,530 | 3,060 | 170 | 420 | 880 |
| Environmental accounting | | | | | |
| Environmental protection cost | | | | | |
| Investment amount (million yen) | 3,672 | 1,514 | 281 | 1,221 | 656 |
| Expense amount (million yen) | 35,434 | 25,912 | 1,215 | 4,448 | 3,859 |
| Economic effect of environmental protection measures (million yen) | | | | | |
| | – | – | 72 | 1,565 | 1,145 |

There were no significant environmental accidents or leakage. No hazardous wastes as defined by the Basel Convention were transported.

Fair Business Practices

We shall conduct business fairly and sincerely, adhering to ethical principles and refraining from unfair trade practices and any form of bribery or corruption, to contribute to sound social and economic development through fair competition in the market. We shall refuse to work with any group, organization or individual engaged in unlawful activities, and under no circumstances shall we have any relations with anti-social influences.

Corruption and Bribery Prevention

The MCHC Group, in conformity with the MCHC Group Compliance Code of Conduct, promotes the prevention of corruption and bribery and regularly conducts internal training and awareness-raising activities.

The MCHC Group also holds local training regarding corruption and bribery in overseas locations centered on Asia, making every effort to prevent these practices.

Antimonopoly Measures

The Antimonopoly Act is made up of three main principles, which are the prohibition of private monopolization, the prohibition of unreasonable restraints on trade such as cartels and bid-rigging, and the prohibition of unfair trade practices. The Act aims to promote the development of market economies through free and fair competition and is a fundamental rule to comply with in conducting business activities.

The MCHC Group understands the deep importance of compliance with the Antimonopoly Act and is working to ensure this compliance. As specific actions for ensuring fair competition, compliance with the Act is promoted in the MCHC Group Compliance Code of Conduct and the following initiatives are implemented at the core operating companies.

1. Implementation and compliance with relevant standards such as fair trading standards, Antimonopoly Act compliance manuals, and rules for attending the meetings of industrial groups.
2. Management and overseeing of Antimonopoly Act compliance by bodies including the Antimonopoly Act Compliance Subcommittee, a special subcommittee of the Compliance Promotion Committee.
3. Conducting of various training sessions regarding the Antimonopoly Act, such as workshops and lectures by lawyers and others.

Measures against Anti-Social Forces

The MCHC Group promotes avoidance of relationships with anti-social forces in the MCHC Group Compliance Code of Conduct, and avoids any relationship of this kind throughout the organization. In each of the operating companies, there are regular training and awareness-raising activities for employees, and through close partnerships with relevant administrative organizations each company gathers information regarding anti-social forces and performs checks on its business partners.

Initiatives for CSR-Based Procurement

MOS Index S-3-1: Achieve 80% of purchased items surveyed for toxic substances

MOS Index S-3-2: Achieve 90% purchasing of raw materials and packaging according to CSR guidelines

Basic Approach

The MCHC Group is fulfilling its social responsibility by solving the issues of its procurement and purchasing one by one from the viewpoint of its whole supply chain. In accordance with the basic policy regarding the MCHC Group Charter of Corporate Behavior given below, based on the understanding that all business partners are valued equal partners, with which relationships of mutual trust should be maintained, the MCHC Group pursues the realization of a sustainable society.

The MCHC Group Charter of Corporate Behavior Shared Standards (extract)

We shall expect our suppliers and other business partners to share all the standards set out in this charter, including but not limited to standards relating to human rights, employment, and labor.

In the MCHC Group, based on the policies at each company regarding purchasing and procurement according to the CSR guidelines, each company is making improvements related to such issues as human rights, labor practices, and the environment. To boost progress in these initiatives, MCHC has developed indicators designed to encourage green procurement and CSR-based procurement in the MOS Indexes, which have been operational since fiscal 2010.

Each of the operating companies has established a green procurement survey system through its individual efforts and makes surveys of purchased items to check for toxic substances. MCHC has set a target of 80% of purchased items surveyed by fiscal 2015 on the MOS Index for green procurement. This is for the MCHC Group's aims to use only purchased items that meet quality standards and to take every possible measure to ensure product safety.

MCHC has also set a target of 90% for purchasing in accordance to the CSR guidelines by fiscal 2015 on the MOS Index for CSR-based procurement.

Since fiscal 2008, the suppliers for each of the operating companies have completed CSR questionnaires and the MCHC Group continues to use its influence to make progress toward CSR-based procurement. The MCHC Group will progressively provide feedback on the results of these questionnaires to suppliers and make visits with them regarding standards, thereby building even stronger relationships of trust through dialogues.

Customer Satisfaction

We shall constantly strive to satisfy our customers by keeping the promises made in contracts with them, doing our utmost to ensure the safety and quality of the products and services we supply, and engaging in dialogue and R&D.

Improving Customer Satisfaction: The Customer Satisfaction Survey

The MCHC Group performs a Customer Satisfaction Survey in order to reflect customer opinions on business activities for the improvement of products and services.

In the first year of the survey, fiscal 2012, MCHC surveyed Japanese corporate customers through the core operating companies.

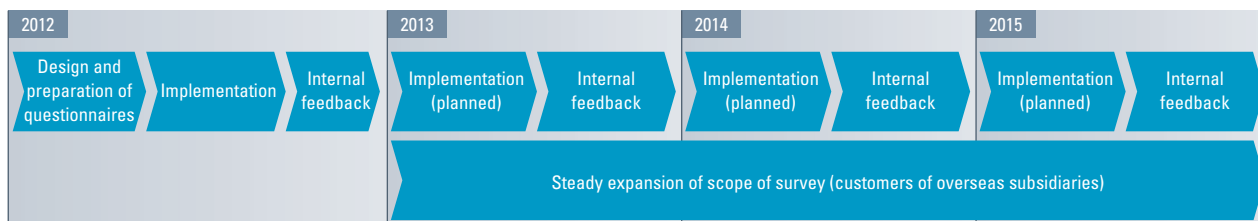
The survey was made up of core questionnaires covering the functions and quality of products and services, while also including various other aspects, such as the Group's response to problems and other inquiries, reduction of environmental impact, and resource and energy savings. The many replies from customers were counted by each of the companies or by the whole MCHC Group, shared among relevant personnel including top

management, and are being applied in each division to further improve products and services.

The survey also includes questionnaires regarding awareness of and sympathy with the concept of *KAITEKI* that the MCHC group advocates and the Management of Sustainability (MOS) approach in order to improve the Group's brand value and to pursue the realization of *KAITEKI* together with customers by utilizing its results.

The MCHC Group plans to continue to carry out the survey every year and successively expand its scope to include overseas customers.

Stages in the Customer Satisfaction Survey



Dialogue with Customers

Mitsubishi Plastics' multilayer coextruded film *DIAMIRON* is highly customizable and is used in a wide range of fields, particularly packaging for ham, sausage, and other food. To meet customer needs, Mitsubishi Plastics repeatedly designs new products as necessary in addition to analyzing, assessing, and providing information about the film.

In fiscal 2012, Mitsubishi Plastics launched a new product with the groundbreaking function that makes resealing possible, which increases convenience for customers.

The MCHC Group will continue to cultivate new markets and develop new products based on customer needs.

KAITEKI Square Showroom

In October 2012, MCHC opened the showroom *KAITEKI* Square within its Head Office building as a venue for dialogue with customers and suppliers. *KAITEKI* Square comprises three areas: 1) the special exhibition zone focusing on science and technology's role in solving 21st century social issues; 2) the permanent exhibition zone that introduces the MCHC Group's technological and integrated abilities through exhibitions of products and technologies that the Group is focusing on in its efforts to realize *KAITEKI*; and 3) a concept zone for experiencing future society through films and interactive exhibits.

In the six months from October 2012 to March 2013, there were 9,507 visitors. MCHC looks forward to hosting many more visitors, including customers, suppliers, and members of the public, to make it an even better communication space for people to think about the future.



Science and Technology

We shall advance R&D by bringing together outstanding researchers from Japan and overseas, and contribute to the realization of *KAITEKI* through innovation. We shall recognize the importance of our own and others' intellectual property rights and respect such rights.

Creating Innovation

Approach to Creating Innovation

Today, as life cycles for products and services are getting shorter it is becoming more difficult to create highly competitive innovation from unique technologies and services. In order to create innovation at the speed that is now demanded, it is necessary for the MCHC group to integrate processes, products, and systems for technologies and services.

Examples of Initiatives for Fostering Innovation and Their Results

Based on this approach, the MCHC Group is increasing synergies between its four core operating companies and emphasizing the forming of wide-ranging and flexible partnerships with outside entities.

With open innovation and our concept of "open shared business" as key phrases, through collaboration with a variety of industries and government institutions, as well as academia, we aim to continue creating highly competitive innovation.

Examples of Partnerships with Industries, Academia, and Governments

- In June 2012, the research results for a composite material development project*1 at NEDO*2 in which Mitsubishi Rayon is participating received a JEC*3 Innovation Award 2012 in the Automotive category. In this project, we are developing the new composite material carbon fiber reinforced thermoplastics (CFRTP) with the aim of making mass-produced cars lighter.

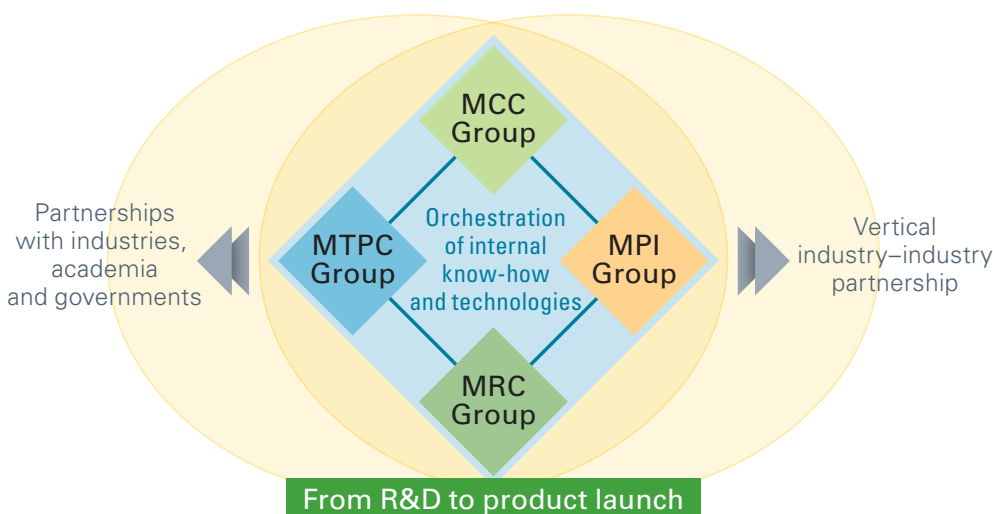
*1. "Development of Sustainable Hyper Composite Technology" Project leader: Professor Jun Takahashi, Tokyo University; Participating companies: Toray Industries, Mitsubishi Rayon, Toyobo, and Takagi Seiko

*2. NEDO: New Energy and Industrial Technology Development Organization

*3. JEC: Journals and Exhibitions on Composites, the sponsor of the world's largest composites show, which is held to promote composite molding technologies (Head office in Paris)

- In November 2012, the Japan Technological Research Association of Artificial Photosynthetic Chemical Process (ARPCChem) started with the participation of Mitsubishi Chemical and the Artificial Photosynthesis Project was launched. This is a Future Pioneering Project in partnership with the Ministry of Economy, Trade and Industry (METI) and the Ministry of Education, Culture, Sports, Science and Technology (MEXT), and its aim is to achieve a 10% level of energy conversion efficiency—the rate at which the manufacturing of raw materials for chemicals becomes economically viable—through a process in which solar power would dissolve water.
- Mitsubishi Tanabe Pharma has set up an industry-academia joint research course at Nagoya University, making use of the academic research environment and cultivating researchers at the same time as targeting breakthrough creation of innovative new drugs from drug discovery targets.

MCHC Group's Open Innovation



Examples of Industry–Industry Partnerships

- Mitsubishi Chemical, through joint research with Pioneer Corporation, has produced long-life (57,000 hours) and highly efficient (56 lm/W) organic light emitting diode (OLED) lighting panels using the wet coating process. Taking this research to the next stage, both companies have set up a testing facility with the aim of developing mass production technologies.
- Mitsubishi Chemical and the French company Faurecia are conducting joint R&D to pursue the development of the bio-mass polybutylene succinate (PBS) that is suitable for automotive interior parts by 2014.
- Mitsubishi Plastics in cooperation with Sunray developed the world's longest chromed surface carbon roller (9.2-meters) using pitch-based carbon fiber. Roller users such as film and paper manufacturers can significantly improve their productivity by using this product.
- Mitsubishi Chemical, through joint research with Oji Holdings Corporation, manufactured the world's first ultrathin 4-nanometer transparent continuous sheets using cellulose fibers. The sheets are expected to be used for large displays and photovoltaic (PV) modules.
- In October 2012, MCHC joined the general incorporated association, the Forum for Innovative Regenerative Medicine. This forum comprises mainly corporations in the fields of pharmaceuticals, materials and components, equipment, and insurance and was incorporated to quickly establish social systems to ensure safe and stable access to the benefits of research into regenerative medicine. It seeks not only to complete cures for the illnesses that many medical patients suffer from but also strives to safeguard the national interest, contribute to international society, and pave the way for the commercialization of new regenerative medicine techniques with the purpose of building a social consensus on their application.

Example of Investment in Venture Funds

MCHC invests in clean technology venture funds in such areas as next-generation energy, energy conservation, renewable resources, and environmental technologies.

Through these funds, we are strengthening existing companies as well as creating new businesses.

Use of Public Programs and Certification Programs

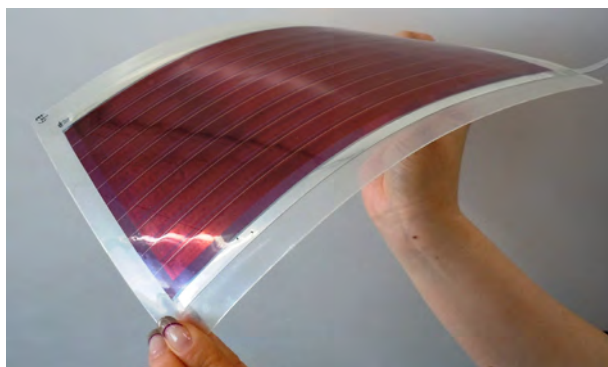
In fiscal 2012, the MCHC Group received a total of ¥843 million as trust money, subsidies, and other forms of financial support for R&D from national and local governments. This includes a total of ¥652 million from NEDO for projects aiming to establish sustainable technologies (including green sustainable chemical processes, high-efficiency lighting, and organic photovoltaic (OPV) modules).

We have established pilot facilities targeting mass production of OPV modules and are implementing trial production using roll-to-roll (R2R) processing, which makes it possible to supply low-cost products. In regard to high-efficiency lighting, with a view to reduce the cost of LED lighting, we have successfully tested mass production using a new process for gallium nitride (GaN) substrates, a material used in lighting, and expect to begin mass production in the second half of fiscal 2013.

Respect for Intellectual Property

When the MCHC Group discovers new technologies, products, or services, it protects that value legally by gaining intellectual property (IP) rights through patenting or other methods. We take appropriate measures when our IP rights are infringed by other parties. At the same time, we respect the valid IP rights of other parties, performing sufficient preliminary surveys to ensure we do not infringe any rights and pursue initiatives such as developing substitute technologies or technological workarounds so that we do not use the IP in question or we acquire usage rights from the other party.

We also target expansion of operating revenue in the MCHC Group as a whole, furthering IP synergies between Group companies by strengthening competitiveness and increasing R&D productivity as a result of the leveraging of IP between Group companies. At the same time, by utilizing each Group company's IP in mutually complementary ways, we aim to maintain the value of IP throughout the Group and to assert and protect our rights against third parties.



OPV module

Community Involvement

We shall contribute broadly to society through our business. In addition, we shall respond to the desires and expectations of local communities by enhancing our understanding of their cultures and customs and acting as a good corporate citizen.

Corporate Citizenship Activities

Having set out a Groupwide policy for corporate citizenship activities, MCHC participates as a Group in community activities, provides support for employee volunteer activities, and opens

up recreation and welfare facilities to the local community. We are also active in providing support, such as donations to various organizations and research institutions, subsidies for research activities, and aid for areas affected by disasters.

The MCHC Group Corporate Citizenship Activities Policy

As good corporate citizens, the MCHC Group has been striving for realizing *KAITEKI* with better understanding the culture and customs in communities and countries where we operate. Furthermore, we have been active in responding to real needs and demands of the communities through various manner including our business activities where we locating.

Approach

- Conduct corporate citizenship activities in communities and countries where we operate from a viewpoint of sustainability (green), health, and comfort.
- Deepen our understanding of social needs through communication with various stakeholders and other organizations.
- Conduct activities together with employees and encourage their positive participation.
- Support employees in their volunteer activities.

Corporate Citizenship Activities

Supporting Areas Affected by the Great East Japan Earthquake: "Let's go to Tokyo!"

As part of activities supporting recovery in the Tohoku region, with the cooperation of the non-profit organization Good Neighbors Japan*, the MCHC Group held the event, "Let's go to Tokyo!" for the first time. Elementary school students and their parents or guardians (a total of 68 people) from the city of Kamaishi and the town of Otsuchi in Iwate Prefecture, which suffered severely from the tsunami caused by the Great East Japan Earthquake, were invited to Tokyo, visiting Tokyo Disneyland and Kasai Rinkai Aquarium as well as MCHC's science experimental classes and showrooms.

The MCHC Group has also made donations and provided relief supplies to help disaster-affected areas and has supported volunteer activities by its employees in these areas. This event has provided the children who were invited from Tohoku to Tokyo with the opportunity to deepen their understanding of the MCHC Group and its business while at the same time lifting their spirits.



* A member of the international organization Good Neighbors International, which supports education, provides humanitarian and development assistance, and conducts emergency relief activities in over 20 countries around the world.

Table for Two Program

The MCHC Group endorses the activities of Table for Two, which seeks to simultaneously resolve the issues of starvation in developing countries and obesity and lifestyle diseases in developed countries. From November 2012, we began a program where some of the meals sold at our Head Office include a ¥20 donation, which is enough to pay for one meal in developing countries. To date, we have made donations equivalent to around 6,000 meals for schools.

Social Contributions through Our Products

After the Great East Japan Earthquake in 2011, due to the effects of the tsunami the whole of Sendai Airport in Miyagi Prefecture was flooded for a long time. Although emergency drainage led to recovery, in order to control flood-related risks it was necessary to implement flood-control measures in the surrounding area. One of these measures was to perform river improvement work for the Kawauchisawa River which flows near the airport, and Mitsubishi Plastics Infratec's soil erosion prevention block mat *GOBIMAT* was used in this project, contributing to recovery in the disaster-affected area.

Soil Erosion Prevention Block Mat *GOBIMAT*

GOBIMAT is a block mat composed of multiple concrete blocks and highly durable filter sheets. Suitable for any shape of ground surface, it has excellent characteristics in the prevention of surface soil erosion. As it can be installed directly to the ground surface, it greatly increases efficiency of installment. It can also be combined with vegetation planting work.



Kawauchisawa River with *GOBIMAT* installed



Product diagram (standard type)

Valuing Stakeholders

We shall respect and communicate closely with all stakeholders including customers, suppliers, shareholders, business partners, government agencies, local communities, and employees, and consider the outcomes of such communication in our corporate activities.

Building a Harmonious Relationship through Dialogue with Stakeholders

At the MCHC Group, we are determined to engage in open communications with all of our stakeholders and build a relationship with them. This will be the driving force that will enable us to realize *KAITEKI*. To this end, we will make use of various communication tools, provide opportunities to communicate with stakeholders in various corporate settings, and engage in other communication activities.



MCHC Analysts Meeting

Stakeholder Communication at a Glance

| | Basic Approach | Communication Tools | Communication Opportunities |
|--|---|--|---|
| Customers and Business Partners | We shall develop relationships of trust by communicating with our customers and business partners, and contribute to realizing <i>KAITEKI</i> together. | <ul style="list-style-type: none"> Website News releases <i>KAITEKI</i> Report Product pamphlets Safety Data Sheets Advertising Corporate brochures Call center | <ul style="list-style-type: none"> Sales activities Purchasing activities Customer satisfaction survey <i>KAITEKI</i> Forum (Technology forum) <i>KAITEKI SQUARE</i> <i>KAITEKI CAFE</i> Exhibitions, etc. |
| Shareholders | We shall preserve transparency in our corporate activities, disclose information appropriately to shareholders and investors, and increase their understanding of our corporate activities. | <ul style="list-style-type: none"> Website Financial results Operating summaries Analysts meeting materials <i>KAITEKI</i> Report <i>IR NAVI</i> (Shareholder newsletters) <i>Yuhō</i> Securities Reports | <ul style="list-style-type: none"> Analysts meeting General meeting of shareholders Investor briefing session Site tours Overseas IR roadshow Other IR activities, etc. |
| Local Communities | We shall show respect for cultures and customs in the regions where we conduct corporate activities, contribute to local communities through our corporate activities, and aim to gain their trust. | <ul style="list-style-type: none"> Website <i>KAITEKI</i> Report <i>IR NAVI</i> Site reports of the core operating companies | <ul style="list-style-type: none"> Plant tours Meetings with local residents' associations <i>KAITEKI CAFE</i> Science experimental classes, etc. |
| Employees | We shall respect the dignity and rights of all people, and strive to create decent work and working environments. | <ul style="list-style-type: none"> Intranet <i>Chemi-Pal</i> (MCHC Group house journals) Core operating company house journals | <ul style="list-style-type: none"> Employee awareness survey Labor-management consultations Employee evaluation interviews, etc. |



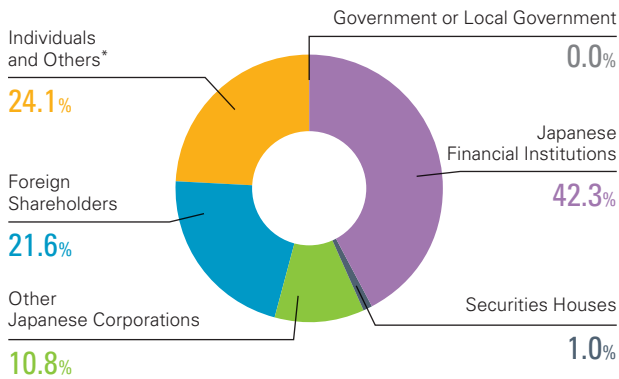
KAITEKI CAFE



Science experimental class

Communication with Investors and Analysts

Stock Held by Investor Type (as of March 31, 2013)



* Shares held by the Company as treasury stock (2.0%) are included in "Individuals and Others."

Communication with Individual Investors

MCHC has been holding briefing sessions for individual investors since fiscal 2008, in order to give them a more in-depth understanding of our operations and performance. In fiscal 2012, sessions were held in Hiroshima, Kobe, and Tokyo. Each of the sessions raises numerous questions regarding current and future business development, and offers an invaluable opportunity to communicate with investors.

Communication with Institutional Investors and Analysts

We actively engage in dialogue with institutional investors and analysts on a continual basis, making the most of communication technology, for instance, by holding online question and answer sessions for institutional investors and analysts at the time of announcement of our quarterly results.

In addition to analysts meetings, which provide more detailed explanations about our management plans, main operations, and other specific strategies, we also organize activities such as tours of our production sites, to enable investors and analysts to gain a better understanding of what we do here at the MCHC Group. As well, to keep overseas shareholders and institutional investors informed, the President and Chief Financial Officer (CFO) of MCHC regularly travel overseas to provide details on our management strategies and performance. In fiscal 2012, the CFO visited overseas institutional investors.

Ideas for Shareholders' Meetings

To enable as many of our shareholders as possible to exercise their voting rights and attend our shareholders' meetings, MCHC avoids holding meetings on peak days when many other companies traditionally hold theirs. We also send out notices to convene shareholders' meetings as early as possible, announce meetings via MCHC's website, produce English-language documents, and have implemented an electronic voting system.

More than 800 shareholders attended our 8th Annual Shareholders' Meeting on June 25, 2013.

Providing Information to Customers and Business Partners

At the MCHC Group, we provide a wide range of corporate information, mainly through our website, including information about our products and services; information about research and technology development; information for shareholders and investors; information about our CSR and environmental activities; and our corporate profile. In addition, divisions at each operating company have provided communication tools for stakeholders that are closely related to them.



Evaluation by Outside Parties

The following are external evaluations of initiatives taken by the MCHC Group.

Products and Technologies

| Fiscal Year | Recipient | Name of Award | Award Granted for | Award Granted by |
|-------------|---|---|--|--|
| 2012 | MCC, Mitsubishi Chemical Group Science and Technology Research Center, Inc. | Minister of Education, Culture, Sports, Science and Technology Award | Red phosphor | Japan Institute for Promoting Invention and Innovation |
| | MCC | Environmental Technology Prize | Red phosphor | Japan Chemical Industry Association |
| | MRC (NEDO composite material development project) | JEC Innovation Award 2012 (Automotive category) | New composite material carbon fiber reinforced thermoplastics (CFRTP) | JEC (Journals and Exhibitions on Composites) |
| | MTPC | The 37th Inoue Harushige Prize | <i>Imusera</i> , a pharmaceutical for multiple sclerosis | Japan Science and Technology Agency |
| | MPI | The 15th Ozone Layer Protection and Global Warming Prevention Awards, Minister of Environment Award | AQSOA adsorption chiller | Nikkan Kogyo Shimbun |
| | MCC | | Developed DTP process | |
| | Mitsubishi Chemical Engineering Corporation / Kansai Coke and Chemicals Co., Ltd. | Engineering Promotion Special Award | Heating control system for private enterprise in Shanxi Province, China | Engineering Advancement Association of Japan |
| | MCC | GSC Minister of Economy, Trade and Industry Award | Development and industrialization of innovative catalytic process to manufacture ethylene glycol | Green & Sustainable Chemistry Network |
| 2013 | MCC | JCIA Technology Awards, Grand Prize | Development and industrialization of innovative catalysis process to manufacture ethylene glycol | Japan Chemical Industry Association |
| | MRC | JCIA Technology Awards, Special Technology Prize | Development and industrialization of <i>Genopal</i> , high-precision fiber-type DNA chip | |
| | MCC, Yokkaichi Plant | Responsible Care Award | Zero-emission wastes | |

Foundation Supporting Corporate Activities

| Fiscal Year | Recipient | Name of Award | Award Granted for | Award Granted by |
|-------------|---|--|--|---|
| 2012 | MPI | Governor's Commendation for Fiscal 2012 Excellent Handling of Hazardous Materials at Site at 22nd Yamaguchi Prefectural Hazardous Material Safety Congress | | Governor of Yamaguchi Prefecture |
| | PT. Mitsubishi Chemical Indonesia | The Platinum Award, most prestigious of the GKPM Awards | CSR activities | Minister of Social Welfare, Indonesia |
| | MCC, Yokkaichi Plant | Green Cross Award | Yasuhiko Samura, Environmental Safety Department | Japan Industrial Safety and Health Association |
| | MCC, Mizushima Plant | | Masataka Sasaki, Environment, Safety, and Quality Department | |
| | MPI, Hiratsuka Plant | | Mitsuo Ginbayashi, Environment, Safety, and Quality Department | |
| MCHC | Nikkei Sangyo Shimbun Advertising Award | "Orchestration" advert | Nikkei, Inc. | |
| 2013 | Mitsubishi Polyester Film | 2013 Smart Business Recycling Award | Recycling activities | South Carolina Department of Health and Environmental Control |

Management

| Fiscal Year | Recipient | Name of Award | Award Granted for | Award Granted by |
|-------------|---|-----------------------------------|-------------------|--------------------|
| 2012 | President & Chief Executive Officer, Yoshimitsu Kobayashi | CEO Corporate Communication Award | | Keizai Koho Center |

Independent Assurance Report



Independent Assurance Report

To the President and CEO of Mitsubishi Chemical Holdings Corporation

Purpose and Scope

We were engaged by Mitsubishi Chemical Holdings Corporation (the "Company") to provide limited assurance on its KAITEKI Report 2013 MOS In-Depth Section (the "Report") for the fiscal year ended March 31, 2013. The purpose of our assurance engagement was to express our conclusion, based on our assurance procedures, on whether the energy consumption, greenhouse gas emissions and scope 3 emissions of Mitsubishi Chemical Holdings Corporation Group companies in Japan for the period from April 1, 2012 to March 31, 2013 included in the Report (the "Indicators") are prepared, in all material respects, in accordance with the Company's reporting criteria.

The content of the Report is the responsibility of the Company's management. Our responsibility is to carry out a limited assurance engagement and to express our conclusion based on the work performed.

Criteria

The Company applies its own reporting criteria as described in the Report. These are derived, among others, from the Act on the Rational Use of Energy, Act on Promotion of Global Warming Countermeasures, GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard and WBCSD Guidance for Accounting & Reporting Corporate GHG Emissions in the Chemical Sector Value Chain. We used these criteria to evaluate the Indicators.

Procedures Performed

We conducted our engagement in accordance with 'International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information' issued by the International Auditing and Assurance Standards Board, and the 'Practical Guidelines for the Assurance of Sustainability Information' of the Japanese Association of Assurance Organizations for Sustainability Information ("J-SUS").

The limited assurance engagement on the Report consisted of making inquiries, primarily of persons responsible for the preparation of information presented in the Report, and applying analytical and other procedures. The level of assurance provided is thus not as high as that provided by a reasonable assurance engagement. Our assurance procedures included:

- Interviews with the Company's responsible personnel to obtain an understanding of its policy for the preparation of the Report.
- Reviews of the Company's reporting criteria.
- Inquiries about the design of the systems and methods used to collect and process the Indicators.
- Analytical reviews of the Indicators.
- Examining, on a test basis, evidence supporting the generation, aggregation and reporting of the Indicators in conformity with the Company's reporting criteria, and also a recalculation of the Indicators.
- Visit to Mitsubishi Chemical Corporation's domestic factory selected on the basis of a risk analysis.
- Evaluating the overall statement in which the Indicators are expressed.

Conclusion

Based on the procedures performed, as described above, nothing has come to our attention that causes us to believe that the Indicators in the Report are not prepared, in all material respects, in accordance with the Company's reporting criteria as described in the Report.

We have no conflict of interest relationships with the Company that are specified in the Code of Ethics of J-SUS.

KPMG AZSA Sustainability Co., Ltd.

KPMG AZSA Sustainability Co., Ltd.
Tokyo, Japan
October 15, 2013

Third-Party Opinion



Toshihiko Goto

Chief Executive Officer, Sustainability Forum Japan
Executive Director, Global Compact Network Japan

We are in an era of revolution following the agricultural and industrial revolutions. I call it “sustainability revolution”. As existing business models continually become obsolete, as stated in the 30-year theory for corporations, we can find many examples of success and failure in attempts at change driven by innovation and other methods. In my understanding of *KAITEKI* Management, MCHC is not simply changing to face the next 30 years, but rather the Company is linking opportunities for its massive corporate group with a historic revolution in a prime example of active focus on CSR. I have not heard of any other corporate groups except for family-owned company groups which base their strategies on philosophical considerations in the way that MCHC does. I look forward to seeing the development of *KAITEKI*. Risk management processes are the foundation for progressive management, but I believe that how the identification, assessment, and development of measures for risks related to climate change and market trends are conducted will be the most important part of future non-financial disclosure and reporting, such as CSR and Integrated reporting. Awareness of the business environment until 2025 in *APTSIS 15* is fundamental.

KAITEKI Value will be maximized through the three axes of MOS, MOT, and MOE, and I highly praise the creation of indexes for the former two, when usually only the latter MOE is quantified. I also have high expectations for continual improvements in their accuracy. In addition, I can see that the concept of selection and concentration comes through adding Growth Model types to business portfolio management.

Incidentally, now most corporate value is found in intangible assets, which are generally divided into assets relating to innovation, organizations, and human resources.

I can see that MCHC implements many innovation initiatives including organizational reform and R&D investments, and cross-organizational initiatives such as synergy units based on the concepts of orchestration and the appointment of Mission Coordinators. Regarding human resources, the direction and initiatives given in the report are appropriate, with no sense of incongruity. However, as synergy is the key to implementing *KAITEKI* Management, it is necessary for employees to be highly motivated. It would be even better to be able to see the motivated faces of your employees. Also, I believe it will take time to achieve global diversity in your company. As the construction of a global human resources database is being planned, I would like MCHC to prepare a long-term policy on diversity and a roadmap looking ahead to, for example, 2030–2040. I feel that diversity is another key to the implementation of *KAITEKI* Management.

It is not necessarily easy to see in the report what the Group companies other than the four core operating companies are doing in terms of CSR activities. Fundamentally, with mainly only B to B business, there has been little need to interact with society in general until now, but as the overseas proportion of net sales increases, naturally what happens at Group companies and also in the value chain cannot help but influence the Group as a whole.

Finally, to allow as many people as possible to read this report I think it would be good to add explanations of technical vocabulary.

Response to Opinions Received



Noboru Tsuda

Senior Managing Executive Officer
Mitsubishi Chemical Holdings Corporation

We very much appreciate Mr. Goto’s opinions on our *KAITEKI* Report.

As we revised *APTSIS 15* in fiscal 2012, we also added new MOS Indexes and readjusted goals for fiscal 2015 at the same time as applying combined and quantitative results in MOS and MOE Indexes to the evaluation. We are also creating MOT Indexes. While lending a sincere ear to society’s demands, we will continue to evolve *KAITEKI* Management further.

Regarding Mr. Goto’s suggestions, we will not only enhance and disclose fundamental data, but also disclose initiatives and examples of “My Own MOS”, which display the boundless enthusiasm of organizations and employees, case studies of Group companies’ activities, and other examples of initiatives in the value chain. Additionally, we will create approachable and easy-to-understand reports.

GRI Guidelines Reference Table

* Pages 1-37 are available as the Main Section in print form as well as PDF form.

| Item | Indicators | Section | Page(s) |
|----------------------------------|--|--|---|
| 1. Strategy and Analysis | | | |
| 1.1 | Statement from the most senior decisionmaker of the organization (e.g., CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and its strategy. | Message from the President | P. 6-11* |
| 1.2 | Description of key impacts, risks, and opportunities. | KAITEKI Management Message from the President Management of Technology Management of Sustainability | P. 2-3* P. 6-11* P. 26-27* P. 28-31* |
| 2. Organizational Profile | | | |
| 2.1 | Name of the organization. | Corporate Data / Stock Information | P. 37* |
| 2.2 | Primary brands, products, and/or services. | Product Overview | P. 22-25* |
| 2.3 | Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures. | Major Subsidiaries and Affiliates Global Network | P. 35* P. 36* |
| 2.4 | Location of organization's headquarters. | Corporate Data / Stock Information | P. 37* |
| 2.5 | Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report. | Global Network | P. 36* |
| 2.6 | Nature of ownership and legal form. | Corporate Data / Stock Information | P. 37* |
| 2.7 | Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries). | Major Subsidiaries and Affiliates Global Network Corporate Data / Stock Information | P. 35* P. 36* P. 37* |
| 2.8 | Scale of the reporting organization, including: <ul style="list-style-type: none"> • Number of employees; • Number of operations; • Net sales (for private sector organizations) or net revenues (for public sector organizations); • Total capitalization broken down in terms of debt and equity (for private sector organizations); and • Quantity of products or services provided. | Financial / Non-Financial Highlights Corporate Data / Stock Information | P. 4-5* P. 37* |
| 2.9 | Significant changes during the reporting period regarding size, structure, or ownership including: <ul style="list-style-type: none"> • The location of, or changes in operations, including facility openings, closings, and expansions; and • Changes in the share capital structure and other capital formation, maintenance, and alteration operations (for private sector organizations). | History Major Subsidiaries and Affiliates Corporate Data / Stock Information | P. 0* P. 35* P. 37* |
| 2.10 | Awards received in the reporting period. | Evaluation by Outside Parties | P. 128 |
| 3. Report Parameters | | | |
| Report Profile | | | |
| 3.1 | Reporting period (e.g., fiscal/calendar year) for information provided. | Editorial Policy Introduction of the MOS In-Depth Section | P. 1* P. 100 |
| 3.2 | Date of most recent previous report (if any). | Introduction of the MOS In-Depth Section | P. 100 |
| 3.3 | Reporting cycle (annual, biennial, etc.) | Introduction of the MOS In-Depth Section | P. 100 |
| 3.4 | Contact point for questions regarding the report or its contents. | Editorial Policy Introduction of the MOS In-Depth Section | P. 1* P. 100 |
| Report Scope and Boundary | | | |
| 3.5 | Process for defining report content, including: <ul style="list-style-type: none"> • Determining materiality; • Prioritizing topics within the report; and • Identifying stakeholders the organization expects to use the report. | Editorial Policy Introduction of the MOS In-Depth Section Valuing Stakeholders | P. 1* P. 102-103 P. 126 |
| 3.6 | Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). | Introduction of the MOS In-Depth Section | P. 100 |
| 3.7 | State any specific limitations on the scope or boundary of the report. | Introduction of the MOS In-Depth Section | P. 100 |
| 3.8 | Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations. | Not applicable | – |
| 3.9 | Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report. | Initiatives to Reduce GHG Emissions and Energy Consumption | P. 115-117 |
| 3.10 | Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods). | Introduction of the MOS In-Depth Section | P. 100 |

| Item | Indicators | Section | Page(s) |
|---|---|---|---|
| 3.11 | Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report. | Not applicable | – |
| GRI Content Index | | | |
| 3.12 | Table identifying the location of the Standard Disclosures in the report. | GRI Guidelines Reference Table | P. 131-136 |
| Assurance | | | |
| 3.13 | Policy and current practice with regard to seeking external assurance for the report. If not included in the assurance report accompanying the sustainability report, explain the scope and basis of any external assurance provided. Also explain the relationship between the reporting organization and the assurance provider(s). | Independent Assurance Report | P. 129 |
| 4. Governance, Commitments, and Engagement | | | |
| Governance | | | |
| 4.1 | Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight. | Corporate Governance | P. 32-33* |
| 4.2 | Indicate whether the Chair of the highest governance body is also an executive officer (and, if so, their function within the organization's management and the reasons for this arrangement). | Corporate Governance | P. 32-33* |
| 4.3 | For organizations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/or non-executive members. | Board of Directors, Corporate Auditors, and Executive Officers Directors and Corporate Auditors | P. 34* P. 106-107 |
| 4.4 | Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body. | Corporate Governance | P. 32-33* |
| 4.5 | Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance). | Corporate Governance | P. 32-33* |
| 4.6 | Processes in place for the highest governance body to ensure conflicts of interest are avoided. | Corporate Governance | P. 32-33* |
| 4.7 | Process for determining the composition, qualifications, and expertise of the members of the highest governance body and its committees, including any consideration of gender and other indicators of diversity. | Corporate Governance Maintaining and Bolstering the Soundness and Transparency of Management | P. 32-33* P. 105 |
| 4.8 | Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation. | KAITEKI Management Message from the President Management of Technology Management of Sustainability The Structure of the MOS In-Depth Section | P. 2-3* P. 6-11* P. 26-27* P. 28-31* P. 102-103 |
| 4.9 | Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles. | KAITEKI Management | P. 2-3* |
| 4.10 | Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance. | KAITEKI Management Corporate Governance | P. 2-3* P. 32-33* |
| Commitments to External Initiatives | | | |
| 4.11 | Explanation of whether and how the precautionary approach or principle is addressed by the organization. | Risk Management Occupational Health and Safety Management and Disclosure for Safety and the Environment Issues Disaster Prevention Initiatives to Realize Product Liability | P. 104-105 P. 112 P. 114 P. 114 P. 118-119 |
| 4.12 | Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses. | KAITEKI Management Respecting Human Rights Initiatives to Promote Biodiversity Preservation Initiatives to Realize Product Liability Participation in Developing of International Standards and Public Policy | P. 2-3* P. 110 P. 118 P. 118-119 P. 119 |
| 4.13 | Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization: <ul style="list-style-type: none"> • Has positions in governance bodies; • Participates in projects or committees; • Provides substantive funding beyond routine membership dues; or • Views membership as strategic. | Participation in Developing of International Standards and Public Policy Creating Innovation | P. 119 P. 123-124 |

| Item | Indicators | Section | Page(s) |
|------|---|---|--------------------------------------|
| 4.14 | List of stakeholder groups engaged by the organization. | <i>KAITEKI</i> Management Valuing Stakeholders | P. 2-3* P. 126 |
| 4.15 | Basis for identification and selection of stakeholders with whom to engage. | <i>KAITEKI</i> Management The Structure of the MOS In-Depth Section | P. 2-3* P. 102-103 |
| 4.16 | Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group. | Dialogue with Customers <i>KAITEKI</i> Square Showroom Corporate Citizenship Activities Valuing Stakeholders | P. 122 P. 122 P. 125 P. 126 |
| 4.17 | Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting. | Third-Party Opinion | P. 130 |

5. Management Approach and Performance Indicators

Economic

Disclosure on Management Approach

| | | | |
|--|-----------------------|---|---------------------|
| | Goals and Performance | Message from the President | P. 6-11* |
| | Policy | <i>KAITEKI</i> Management Message from the President | P. 2-3* P. 6-11* |

Economic Performance Indicators

Aspect: Economic Performance

| | | | | |
|-----|------|---|---|---------------------|
| EC1 | CORE | Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments. | Financial / Non-Financial Highlights Message from the President <i>Yuko</i> Securities Report | P. 4-5* P. 6-11* |
| EC2 | CORE | Financial implications and other risks and opportunities for the organization's activities due to climate change. | Management of Sustainability | P. 28-31* |
| EC3 | CORE | Coverage of the organization's defined benefit plan obligations. | – | – |
| EC4 | CORE | Significant financial assistance received from government. | Use of Public Programs and Certification Programs | P. 124 |

Aspect: Market Presence

| | | | | |
|-----|------|---|---|---|
| EC5 | ADD | Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation. | – | – |
| EC6 | CORE | Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation. | – | – |
| EC7 | CORE | Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation. | – | – |

Aspect: Indirect Economic Impacts

| | | | | |
|-----|------|--|----------------------------------|--------|
| EC8 | CORE | Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement. | Corporate Citizenship Activities | P. 125 |
| EC9 | ADD | Understanding and describing significant indirect economic impacts, including the extent of impacts. | – | – |

Environmental

Disclosure on Management Approach

| | | | |
|--|-------------------------------|--|--|
| | Goals and Performance | Management of Sustainability | P. 28-31* |
| | Policy | <i>KAITEKI</i> Management Basic Policy on Safety and the Environment | P. 2-3* P. 114 |
| | Organizational Responsibility | <i>KAITEKI</i> Management Management and Disclosure for Safety and the Environment Issues | P. 2-3* P. 114 |
| | Training and Awareness | <i>KAITEKI</i> Management Management and Disclosure for Safety and the Environment Issues | P. 2-3* P. 114 |
| | Monitoring and Follow-Up | <i>KAITEKI</i> Management Management of Sustainability Compliance Management and Disclosure for Safety and the Environment Issues | P. 2-3* P. 28-31* P. 108-109 P. 114 |

Environmental Performance Indicators

Aspect: Materials

| | | | | |
|-----|------|---|---|---|
| EN1 | CORE | Materials used by weight or volume. | – | – |
| EN2 | CORE | Percentage of materials used that are recycled input materials. | – | – |

| Item | Indicators | Section | Page(s) |
|---|------------|---|--|
| Aspect: Energy | | | |
| EN3 | CORE | Direct energy consumption by primary energy source. | Environmental Data P. 120 |
| EN4 | CORE | Indirect energy consumption by primary source. | Environmental Data P. 120 |
| EN5 | ADD | Energy saved due to conservation and efficiency improvements. | Initiatives to Reduce GHG Emissions and Energy Consumption P. 115-117 |
| EN6 | ADD | Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives. | Organic Photovoltaic Modules and Materials Management of Sustainability P. 17* P. 28-31* |
| EN7 | ADD | Initiatives to reduce indirect energy consumption and reductions achieved. | Initiatives to Reduce GHG Emissions and Energy Consumption P. 115-117 |
| Aspect: Water | | | |
| EN8 | CORE | Total water withdrawal by source. | Environmental Data P. 120 |
| EN9 | ADD | Water sources significantly affected by withdrawal of water. | – – |
| EN10 | ADD | Percentage and total volume of water recycled and reused. | – – |
| Aspect: Biodiversity | | | |
| EN11 | CORE | Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas. | – – |
| EN12 | CORE | Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas. | – – |
| EN13 | ADD | Habitats protected or restored. | – – |
| EN14 | ADD | Strategies, current actions, and future plans for managing impacts on biodiversity. | Initiatives to Promote Biodiversity Preservation P. 118 |
| EN15 | ADD | Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk. | – – |
| Aspect: Emissions, Effluents, and Waste | | | |
| EN16 | CORE | Total direct and indirect greenhouse gas emissions by weight. | Environmental Data P. 120 |
| EN17 | CORE | Other relevant indirect greenhouse gas emissions by weight. | Initiatives to Reduce GHG Emissions and Energy Consumption P. 115-117 |
| EN18 | ADD | Initiatives to reduce greenhouse gas emissions and reductions achieved. | Initiatives to Reduce GHG Emissions and Energy Consumption Environmental Data P. 115-117 P. 120 |
| EN19 | CORE | Emissions of ozone-depleting substances by weight. | – – |
| EN20 | CORE | NO, SO, and other significant air emissions by type and weight. | Initiatives to Reduce Environmental Impact Environmental Data P. 115-116 P. 120 |
| EN21 | CORE | Total water discharge by quality and destination. | Environmental Data P. 120 |
| EN22 | CORE | Total weight of waste by type and disposal method. | Initiatives to Save Resources Environmental Data P. 117 P. 120 |
| EN23 | CORE | Total number and volume of significant spills. | Environmental Data P. 120 |
| EN24 | ADD | Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally. | Environmental Data P. 120 |
| EN25 | ADD | Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff. | Initiatives to Promote Biodiversity Preservation P. 118 |
| Aspect: Products and Services | | | |
| EN26 | CORE | Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation. | Management of Sustainability P. 28-31* |
| EN27 | CORE | Percentage of products sold and their packaging materials that are reclaimed by category. | – – |
| Aspect: Compliance | | | |
| EN28 | CORE | Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations. | Compliance P. 108-109 |
| Aspect: Transport | | | |
| EN29 | ADD | Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce. | Initiatives to Reduce Environmental Impact P. 115-116 |
| Aspect: Overall | | | |
| EN30 | ADD | Total environmental protection expenditures and investments by type. | – – |

| Item | Indicators | Section | Page(s) |
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| Labor Practices and Decent Work | | | |
| Disclosure on Management Approach | | | |
| | Goals and Performance | Management of Sustainability | P. 28-31* |
| | Policy | KAI/TEKI Management Toward a Corporate Group Where Employees Are Motivated | P. 2-3* P. 110-111 |
| | Organizational Responsibility | KAI/TEKI Management Toward a Corporate Group Where Employees Are Motivated | P. 2-3* P. 110-111 |
| | Training and Awareness | KAI/TEKI Management Toward a Corporate Group Where Employees Are Motivated | P. 2-3* P. 110-111 |
| | Monitoring and Follow-Up | KAI/TEKI Management Management of Sustainability Compliance | P. 2-3* P. 28-31* P. 108-109 |
| Labor Practices and Decent Work Performance Indicators | | | |
| Aspect: Employment | | | |
| LA1 | CORE Total workforce by employment type, employment contract, and region, broken down by gender | Social Data | P. 113 |
| LA2 | CORE Total number and rate of new employee hires and employee turnover by age group, gender, and region. | Social Data | P. 113 |
| LA3 | ADD Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations. | Toward a Corporate Group Where Employees Are Motivated | P. 110-111 |
| LA15 | CORE Return to work and retention rates after parental leave, by gender. | – | – |
| Aspect: Labor/Management Relations | | | |
| LA4 | CORE Percentage of employees covered by collective bargaining agreements. | Social Data | P. 113 |
| LA5 | CORE Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements. | Relationship of Trust Between Management and Employees | P. 112 |
| Aspect: Occupational Health and Safety | | | |
| LA6 | ADD Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs. | Social Data | P. 113 |
| LA7 | CORE Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region and by gender. | Social Data | P. 113 |
| LA8 | CORE Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases. | Employee Health | P. 112 |
| LA9 | ADD Health and safety topics covered in formal agreements with trade unions. | – | – |
| Aspect: Training and Education | | | |
| LA10 | CORE Average hours of training per year per employee by gender, and by employee category. | – | – |
| LA11 | ADD Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings. | Toward a Corporate Group Where Employees Are Motivated | P. 110-111 |
| LA12 | ADD Percentage of employees receiving regular performance and career development reviews, by gender. | Toward a Corporate Group Where Employees Are Motivated | P. 110-111 |
| Aspect: Diversity and Equal Opportunity | | | |
| LA13 | CORE Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity. | Social Data | P. 113 |
| LA14 | CORE Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation. | – | – |
| Human Rights | | | |
| Disclosure on Management Approach | | | |
| | Goals and Performance | Management of Sustainability | P. 28-31* |
| | Policy | KAI/TEKI Management Respecting Human Rights | P. 2-3* P. 110 |
| | Organizational Responsibility | KAI/TEKI Management Respecting Human Rights | P. 2-3* P. 110 |
| | Training and Awareness | KAI/TEKI Management Respecting Human Rights | P. 2-3* P. 110 |
| | Monitoring, follow-up and remediation | KAI/TEKI Management Management of Sustainability Compliance | P. 2-3* P. 28-31* P. 108-109 |

| Item | Indicators | Section | Page(s) |
|--|------------|--|--|
| Human Rights Performance Indicators | | | |
| Aspect: Investment and Procurement Practices | | | |
| HR1 | CORE | Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening. | – |
| HR2 | CORE | Percentage of significant suppliers, contractors and other business partners that have undergone human rights screening, and actions taken. | – |
| HR3 | ADD | Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained. | Respecting Human Rights P. 110 |
| Aspect: Non-Discrimination | | | |
| HR4 | CORE | Total number of incidents of discrimination and actions taken. | Compliance P. 108-109 |
| Aspect: Freedom of Association and Collective Bargaining | | | |
| HR5 | CORE | Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights. | – |
| Aspect: Child Labor | | | |
| HR6 | CORE | Operations and significant suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor. | Compliance Respecting Human Rights Initiatives for CSR-Based Procurement P. 108-109 P. 110 P. 121 |
| Aspect: Forced and Compulsory Labor | | | |
| HR7 | CORE | Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor. | Compliance Respecting Human Rights Initiatives for CSR-Based Procurement P. 108-109 P. 110 P. 121 |
| Aspect: Security Practices | | | |
| HR8 | ADD | Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations. | – |
| Aspect: Indigenous Rights | | | |
| HR9 | ADD | Total number of incidents of violations involving rights of indigenous people and actions taken. | – |
| Aspect: Assessment | | | |
| HR10 | CORE | Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments. | – |
| Aspect: Remediation | | | |
| HR11 | CORE | Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms. | – |

| Society | | | |
|--|------|--|---|
| Disclosure on Management Approach | | | |
| | | Goals and Performance | Management of Sustainability P. 28-31* |
| | | Policy | KAITEKI Management Corporate Citizenship Activities P. 2-3* P. 125 |
| | | Organizational Responsibility | KAITEKI Management Corporate Citizenship Activities P. 2-3* P. 125 |
| | | Training and Awareness | KAITEKI Management Corporate Citizenship Activities P. 2-3* P. 125 |
| | | Monitoring and Follow-Up | KAITEKI Management Management of Sustainability Compliance P. 28-31* P. 108-109 |
| Society Performance Indicators | | | |
| Aspect: Local Communities | | | |
| SO1 | CORE | Percentage of operations with implemented local community engagement, impact assessments, and development programs. | – |
| SO9 | CORE | Operations with significant potential or actual negative impacts on local communities. | – |
| SO10 | CORE | Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities. | – |
| Aspect: Corruption | | | |
| SO2 | CORE | Percentage and total number of business units analyzed for risks related to corruption. | Risk Management P. 104-105 |
| SO3 | CORE | Percentage of employees trained in organization's anti-corruption policies and procedures. | Compliance P. 108-109 |
| SO4 | CORE | Actions taken in response to incidents of corruption. | Compliance P. 108-109 |

| Item | Indicators | Section | Page(s) | |
|---|------------|--|--|------------------------------------|
| Aspect: Public Policy | | | | |
| SO5 | CORE | Public policy positions and participation in public policy development and lobbying. | Participation in Developing of International Standards and Public Policy | P. 119 |
| SO6 | ADD | Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country. | – | – |
| Aspect: Anti-Competitive Behavior | | | | |
| SO7 | ADD | Total number of legal actions for anticompetitive behavior, anti-trust, and monopoly practices and their outcomes. | Compliance | P. 108-109 |
| Aspect: Compliance | | | | |
| SO8 | CORE | Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations. | Compliance | P. 108-109 |
| Product Responsibility | | | | |
| Disclosure on Management Approach | | | | |
| | | Goals and Performance | Management of Sustainability | P. 28-31* |
| | | Policy | KAITEKI Management Initiatives to Realize Product Liability | P. 2-3* P. 118-119 |
| | | Organizational Responsibility | KAITEKI Management Initiatives to Realize Product Liability | P. 2-3* P. 118-119 |
| | | Training and Awareness | KAITEKI Management Initiatives to Realize Product Liability | P. 2-3* P. 118-119 |
| | | Monitoring and Follow-Up | KAITEKI Management Management of Sustainability Compliance | P. 2-3* P. 28-31* P. 108-109 |
| Product Responsibility Performance Indicators | | | | |
| Aspect: Customer Health and Safety | | | | |
| PR1 | CORE | Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures. | Initiatives to Realize Product Liability | P. 118-119 |
| PR2 | ADD | Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes. | – | – |
| Aspect: Product and Service Labeling | | | | |
| PR3 | CORE | Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements. | Initiatives to Realize Product Liability | P. 118-119 |
| PR4 | ADD | Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes. | Compliance | P. 108-109 |
| PR5 | ADD | Practices related to customer satisfaction, including results of surveys measuring customer satisfaction. | Improving Customer Satisfaction: The Customer Satisfaction Survey | P. 122 |
| Aspect: Marketing Communications | | | | |
| PR6 | CORE | Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship. | Providing Information to Customers and Business Partners | P. 127 |
| PR7 | ADD | Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes. | – | – |
| Aspect: Customer Privacy | | | | |
| PR8 | ADD | Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data. | Compliance | P. 108-109 |
| PR9 | CORE | Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services. | Compliance | P. 108-109 |



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