

**Mitsubishi Chemical Holdings Corporation**  
**Condensed Consolidated Financial Information**  
**for the Third Quarter of the Fiscal Year Ending March 31, 2008**



**1. Business Results for the Third Quarter of the Fiscal Year Ending March 31, 2008**  
**(Business period: April 1, 2007 to December 31, 2007)**

(Note 1)

	Millions of Yen		Thousands of U.S. Dollars
	The Third Quarter of the Current Fiscal Year	The Third Quarter of the Previous Fiscal Year	The Third Quarter of the Current Fiscal Year
	April 1, 2007 - December 31, 2007	April 1, 2006 - December 31, 2006	April 1, 2007 - December 31, 2007
<b>(1) Results of Operations:</b>			
			(Yen)
Net sales	2,161,748	1,936,096	18,962,702
Operating income	114,437	98,941	1,003,833
Income before income taxes and minority interests in consolidated subsidiaries	228,460	114,082	2,004,035
Net income	175,091	88,728	1,535,886
			(U.S. Dollars)
Net income per share	127.65	64.77	1.120

**(2) Segment Information:** (Note 3)

**[Net Sales by Segments]**

	Millions of Yen	Millions of Yen	Thousands of U.S. Dollars
Petrochemicals	1,077,326	937,180	9,450,228
Performance and Functional Products	686,004	674,743	6,017,579
<i>Performance Products</i>	391,069	388,562	3,430,430
<i>Functional Products</i>	294,935	286,181	2,587,149
Health Care	289,071	232,324	2,535,711
Others	109,347	91,849	959,184
Total	2,161,748	1,936,096	18,962,702

**[Operating Income (loss) by Segments]**

	Millions of Yen	Millions of Yen	Thousands of U.S. Dollars
Petrochemicals	19,230	18,518	168,684
Performance and Functional Products	41,965	43,582	368,114
<i>Performance Products</i>	25,875	24,883	226,974
<i>Functional Products</i>	16,090	18,699	141,140
Health Care	52,668	36,010	462,000
Others	8,534	6,947	74,860
Elimination & corporate costs	(7,960)	(6,116)	(69,825)
Total	114,437	98,941	1,003,833

Millions of Yen		Thousands of U.S. Dollars
The Third Quarter of the Current Fiscal Year	The Previous Fiscal Year Ended March 31, 2007	The Third Quarter of the Current Fiscal Year
December 31, 2007	March 31, 2007	December 31, 2007

**(3) Financial Position:**

	Millions of Yen	Millions of Yen	Thousands of U.S. Dollars
Total assets	2,848,667	2,318,832	24,988,307
Inventories	434,238	362,463	3,809,105
Property, plant and equipment and intangible assets	956,260	759,807	8,388,246
Short-term and long-term debt	813,312	739,673	7,134,316
Shareholders' equity	859,099	712,160	7,535,956
Ratio of shareholders' equity to total assets (%)	30.2	30.7	
			(U.S. Dollars)
Shareholders' equity per share	624.17	520.05	5.475

(%)

The Third Quarter of the Current Fiscal Year	The Third Quarter of the Previous Fiscal Year
April 1, 2007 - December 31, 2007	April 1, 2006 - December 31, 2006

**(4) Ratio of Net Income to:**

Shareholders' equity	22.3	13.1
Total assets	6.7	4.0
Net sales	8.0	4.5

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

**Notes:**

- The accompanying consolidated financial information has been prepared by using partially simplified accounting methods from those adopted for the latest fiscal year.
- From this period, a method of calculation of depreciation was changed due to a change of Japanese tax rule. This change decreased operating income by 8.4 billion yen, income before income taxes and minority interests in consolidated subsidiaries by 8.9 billion yen, and net income by 5.6 billion yen.
- From this period, three consolidated subsidiaries were reclassified to reflect performance more clearly in its strategic business areas. The figure of the third quarter of the previous fiscal year in the segment information was adjusted to the change.  
One of them was reclassified from the Functional Products to the Petrochemicals Segment.  
Two of them were reclassified from Others to the Petrochemicals Segment.
- The Corporation and its domestic consolidated subsidiaries maintain their accounting recorded in Japanese yen. The U.S. dollar amounts are included solely for convenience and have been translated, as a matter of arithmetical computation only, at the rate of 114 yen to US\$1, the approximate exchange rate prevailing in the Tokyo foreign exchange market at the end of December 2007. This translation should not be construed as a representation that the yen amounts actually represent, or have been, or could be, converted into U.S. dollars at this, or at any other rate.

**2. The Prospects for the Current Fiscal Year (Announced on January 31, 2008)**

Considering the effect of the fire accident at the No. 2 Ethylene Plant of the Kashima Plant of the subsidiary company, Mitsubishi Chemical Corporation on December 21, 2007 and the consolidated financial results of the third quarter of the fiscal year ending March 31, 2008 (FY2007), reported today, Mitsubishi Chemical Holdings Corporation has revised its consolidated financial projections of FY2007.

Millions of Yen
<b>The Current Fiscal Year</b>
April 1, 2007 - March 31, 2008

Thousands of U.S. Dollars
<b>The Current Fiscal Year</b>
April 1, 2007 - March 31, 2008

(Millions of Yen)

Net sales	2,940,000
Operating income	123,000
Net income	161,000

25,789,474
1,078,947
1,412,281

**3. Others**

- Changes for important subsidiaries during the nine-month period ended December 31, 2007: Not applicable
- Application of simplified methods for accounting procedures: Applicable
- Changes in accounting procedures: Applicable (Please refer to "6. Others" at page 7 and 8 for details.)

## **4. Business Performance and Financial Position**

### **(1) Business Performance**

#### **Consolidated Performance**

In the third quarter of the fiscal year ending March 31, 2008 (From October 1, 2007 to December 31, 2007), the Japanese economy recovered despite some weaknesses, by increases in exports to Asia and mild capital investments, while there are some causes for concern such as crude oil prices soaring and hovering at a high level and gyrations of financial and capital markets due to the US subprime mortgage loan crisis.

As for the business environment of the Group, both domestic and overseas demands remained firm, while crude oil and naphtha still kept the high level of prices.

Under the above circumstances, the consolidated business results until the third quarter of the fiscal year ending March 31, 2008, resulted as follows. The net sales increased by ¥225.6 billion (11.7% increase) to ¥2,161.7 billion compared to the same period of the previous fiscal year by price adjustment of petrochemical products in response to raw material price hike and a merger between a consolidated subsidiary, Mitsubishi Pharma Corporation (now Mitsubishi Tanabe Pharma Corporation) and Tanabe Seiyaku Co., Ltd. as of October 2007. Operating income increased by ¥15.5 billion (15.7% increase) to ¥114.4 billion compared to the same period of the previous fiscal year by the above mentioned merger. Ordinary income increased by ¥10.4 billion (9.4% increase) to ¥120.7 billion compared to the same period of the previous fiscal year by the above mentioned merger. Net income increased by ¥86.4 billion (97.3% increase) to ¥175.1 billion compared to the same period of the previous fiscal year, as a result of influences by gains on share change balance in response to the above mentioned merger.

#### **Overview by Business Segments**

##### **Petrochemicals**

Net sales of the segment increased by ¥140.1 billion (15.0% increase) to ¥1,077.3 billion compared to the same period of the previous fiscal year. Operating income increased by ¥0.7 billion (3.8% increase) to ¥19.2 billion compared to the same period of the previous fiscal year owing to factors such as higher margins on products in general, in spite of weakened overseas market prices of purified terephthalic acid.

The production volume of ethylene, a major basic raw material was 976 thousand tons, a decrease by 1% compared to the same period of the previous fiscal year, due to the fire

accident at the No. 2 Ethylene Plant of the Kashima Plant of Mitsubishi Chemical Corporation. Net sales of the segment increased significantly by the fact that businesses in basic petrochemicals, industrial chemicals, synthetic fiber intermediates, and synthetic resins progressed favorably by the active demands in both domestic and overseas markets, sales price was adjusted in response to the raw material price hike and new facility operation of purified terephthalic acid.

A major action taken for the Petrochemicals Segment during the third quarter of the fiscal year ending March 31, 2008 is as follows:

- Japan Polychem Corporation decided to establish a new production facility for polypropylene compound in Thailand and India. (November 2007)

#### **Performance and Functional Products**

Net sales of the segment increased by ¥11.3 billion (1.7% increase) to ¥686.0 billion compared to the same period of the previous fiscal year. Operating income decreased by ¥1.6 billion (3.7% decrease) to ¥42.0 billion compared to the same period of the previous fiscal year owing to time lag in falling on price of the hiking raw material price.

In the area of information and electronics related products, with regard to the DVDs, net sales stayed at the same level as in the same period of the previous fiscal year, as price fall was offset by continuing increase in sales volume. With regard to printing supplies, such as organic photo conductor drums, toner, and chemical toner, while sales volume increased, the net sales stayed at the same level as in the same period of the previous fiscal year due to declining trend of sales prices. Favorable results in sales continued for food ingredients business. In the blast furnace coke business, sales volume resulted favorably due to domestic demands of steel remained firm, while net sales declined in conjunction with lowering of raw material coal costs.

In the functional products businesses, films, composite films and sheets progressed favorably, such as the protecting polyester films for liquid crystal displays. Plastic injection moldings for electronic applications, and composite materials and industrial application materials such as carbon fibers and alumina fibers increased net sales at a satisfactory pace.

Major actions taken for the Performance and Functional Products Segment during the third quarter of the fiscal year ending March 31, 2008 are as follows:

- Mitsubishi Plastics, Inc. completed a stock-for-stock exchange with Mitsubishi Chemical Holdings Corporation and became a wholly owned subsidiary of Mitsubishi Chemical Holdings Corporation. (October 2007)
- Mitsubishi Chemical Corporation expanded a production facility of electrolyte for Li-ion battery and started the production in the Yokkaichi Plant. (October 2007)
- Mitsubishi Plastics, Inc. developed the "livestock wastewater (dairy farm) treatment system" which purifies the hard-to-process livestock wastewater by effective microorganisms. (December 2007)

### **Health Care**

Net sales of the segment increased by ¥56.8 billion (24.4% increase) to ¥289.1 billion compared to the same period of the previous fiscal year. Operating income increased by ¥16.7 billion (46.3% increase) to ¥52.7 billion compared to the same period of the previous fiscal year, owing to the fact that sales increase of mainstay pharmaceuticals absorbed increase in R&D expenses.

In the pharmaceutical business, net sales increased compared to the same period of the previous fiscal year, due to the merger between Mitsubishi Pharma Corporation (now Mitsubishi Tanabe Pharma Corporation) and Tanabe Seiyaku Co., Ltd. and favorable sales growth was recorded by *Remicade*, an anti-TNF $\alpha$  monoclonal antibody; *Anplag*, an anti-Platelet agent; *Talion*, a treatment for allergic disorders; and *Urso*, an agent for improving hepatic, biliary and digestive functions. Business performances for clinical testing and support for drug discovery were satisfactory in general.

Major actions taken for the Health Care Segment during the third quarter of the fiscal year ending March 31, 2008 are as follows:

- Mitsubishi Pharma Corporation and Tanabe Seiyaku Co., Ltd. merged and started the operation as Mitsubishi Tanabe Pharma Corporation. (October 2007)
- Mitsubishi Tanabe Pharma Corporation received approval for anti-tumor necrosis factor (TNF)- $\alpha$  monoclonal antibody preparation *Remicade* for Drip Infusion 100 (generic name: infliximab) for extended indication of maintenance therapy for Crohn's disease. (November 2007)
- Mitsubishi Chemical Medience Corporation and Tokio Marine & Nichido Medical Service Co., Ltd. jointly established a consistent entrusted system on specified health checkup and health guidance for health insurance society. (October 2007)
- MOLECUCENCE Corporation and Protosera, Inc. agreed with collaboration on

biomarker search relating to personalized medicine for relatively common serious disease in Japanese. (October 2007)

### **Others**

Net sales increased by ¥17.4 billion (19.1% increase) to ¥109.3 billion compared to the same period of the previous fiscal year, and operating income slightly increased by ¥1.6 billion (22.8% increase) to ¥8.5 billion compared to the same period of the previous fiscal year.

Both engineering service and logistics progressed satisfactory.

### **Group in General**

Major actions taken for the Group in general other than above mentioned segments during the third quarter of the fiscal year ending March 31, 2008 are as follows:

- Mitsubishi Chemical Holdings Corporation cancelled its 300,000,000 shares out of 429,505,412 shares owned by the company as of October 31, 2007. (October 2007)
- Mitsubishi Chemical Holdings Corporation issued ¥70,000,000,000 zero coupon guaranteed convertible bonds due 2011 and ¥70,000,000,000 zero coupon guaranteed convertible bonds due 2013. (October 2007)

## **(2) Financial Position**

As it is mentioned in 3.-(1) Business Performance, the merger between Mitsubishi Pharma Corporation (now Mitsubishi Tanabe Pharma Corporation) and Tanabe Seiyaku Co., Ltd. as of October 2007 is treated as a reverse acquisition under the accounting standards for business combinations by an originally consolidated subsidiary, Mitsubishi Pharma Corporation. Therefore, assets and liabilities of Tanabe Seiyaku Co., Ltd. as of the end of September 2007 have been assumed in the consolidated balance sheet of Mitsubishi Chemical Holdings Corporation at fair value.

Total assets in the third quarter of the fiscal year ending March 31, 2008 increased by ¥529.9 billion to ¥2,848.7 billion compared to the fiscal year ended March 31, 2007, including ¥85.0 billion as goodwill caused by the merger and ¥117.6 billion as gains on share change balance.

### (3) Business Forecast

Business forecast announced on November 2, 2007 has been revised considering influences of the fire accident at the No. 2 Ethylene Plant of the Kashima Plant and the consolidated business performance for the third quarter of the fiscal year ending March 31, 2008.

#### Assumption for the revision

Fire accident at the No. 2 Ethylene Plant of the Kashima Plant of Mitsubishi Chemical Corporation

- The fire occurred on December 21, 2007, and the No. 2 Ethylene Plant was shut down.
- Income by insurance in response to effects mentioned below is not included.

Effects on business performance in the third quarter of the fiscal year ending March 31, 2008

	(Unit: billions of yen)
	Amount
Operating income*	(10.0)
Extraordinary loss**	(3.0)
Total	(13.0)

\*Loss by production reduction, decreased sales, and procurement of substitutes

\*\*Fixed costs corresponding to plant shutdown caused by the accident and low production ratio

### 5. Others

(1) Changes for important subsidiaries during the nine-month period ended December 31, 2007: Not applicable.

(2) Application of simplified methods for accounting procedures: Applicable.

As for corporate tax, simplified method for accounting procedure based on legal effective tax rate is employed. As for other small effect, simplified method for accounting procedure is partially introduced.

(3) Changes in accounting procedures: Applicable.

1) Change in accounting procedure

Effective as of the consolidated accounting period beginning April 2007, the Company

and its domestic subsidiaries have changed their depreciation procedure based on an amendment in corporation tax law for the tangible assets, acquired on and after April 1, 2007.

## 2) Additional information

As for tangible assets, acquired on and before March 31, 2007, differences between 5% equivalent of acquisition price and memorandum value are equally depreciated over 5 years from the year after tangible assets are thoroughly depreciated to the limits of depreciable amount.

As a result, the effects on financial results for the third quarter of the fiscal year ending March 31, 2008 compared to the results with conventional accounting procedures are the following:

Operating income: ¥8.373 billion decrease

Ordinary income and net income before income taxes: ¥8.920 billion decrease

## **6. Fire Accident at the No. 2 Ethylene Plant of the Kashima Plant**

In the fire broke out at the No. 2 Ethylene Plant of the Kashima Plant of Mitsubishi Chemical Corporation on December 21, four employees from associate companies died. We pray for the souls of the deceased employees in the fire accident, and extend our heartfelt sympathy and apology to their bereaved families. We also sincerely apologize for causing so much trouble to all who had been affected including neighboring residents, shareholders, and customers. The Group will make a concerted effort to carry out thorough safety management.

## Forward-Looking Statements

The forward-looking statements are based largely on company expectations and information available as of the date hereof, and are subject to risks and uncertainties, which may be beyond company control. Actual results could differ materially due to numerous factors, including without limitation, market conditions and the effects of industry competition. The company expectations for the forward-looking statements are described in page [2] and [7] hereof.