

**Mitsubishi Chemical Holdings Corporation**  
**Condensed Consolidated Financial Information**  
**for the First Half of the Fiscal Year Ending March 31, 2011**



**1. Business Results for the First Half of the Fiscal Year Ending March 31, 2011**

(Business period: April 1, 2010 to September 30, 2010)

Millions of Yen	
The First Half of the Current Fiscal Year	The First Half of the Previous Fiscal Year
April 1, 2010 - September 30, 2010	April 1, 2009 - September 30, 2009

Thousands of U.S. Dollars
The First Half of the Current Fiscal Year
April 1, 2010 - September 30, 2010

**(1) Results of Operations:**

Net sales	1,564,658	1,145,807
Operating income (loss)	111,393	2,071
Income (loss) before income taxes and minority interests in consolidated subsidiaries	93,889	(2,069)
Net income (loss)	43,976	(2,567)
		(Yen)
Net income (loss) - Basic per share	32.04	(1.86)
Net income (loss) - Diluted per share	29.48	—

18,626,881
1,326,107
1,117,726
523,524
(U.S. Dollars)
0.38
0.35

**(2) Segment Information:**

**[Net Sales by Segment]**

Electronics Applications	80,561	78,521
Designed Materials	326,837	181,067
Health Care	251,818	249,623
Chemicals	435,249	371,794
Polymers	362,730	194,344
Others	107,463	70,458
Total	1,564,658	1,145,807

959,060
3,890,917
2,997,833
5,181,536
4,318,214
1,279,321
18,626,881

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

Electronics Applications	3,247	(2,532)
Designed Materials	20,815	2,891
Health Care	44,623	31,886
Chemicals	21,891	(2,552)
Polymers	24,288	(26,418)
Others	597	2,621
Adjustments	(4,068)	(3,825)
Total	111,393	2,071

38,655
247,798
531,226
260,607
289,143
7,107
(48,429)
1,326,107

Millions of Yen	
The First Half of the Current Fiscal Year	The Previous Fiscal Year Ended March 31, 2010
September 30, 2010	March 31, 2010

Thousands of U.S. Dollars
The First Half of the Current Fiscal Year
September 30, 2010

**(3) Financial Position:**

Total assets	3,297,869	3,355,097
Inventories	477,913	474,732
Property, plant and equipment and intangible assets	1,336,985	1,381,418
Short-term and long-term debt	1,384,367	1,454,126
Shareholders' equity*	694,625	673,574
Ratio of shareholders' equity to total assets (%)	21.0	20.0

39,260,345
5,689,440
15,916,488
16,480,560
8,269,345

\* Net assets excluding share subscription rights and minority interests

		(Yen)
Shareholders' equity per share	505.22	490.99

	(U.S. Dollars)
6.02	

The First Half of the Current Fiscal Year	The First Half of the Previous Fiscal Year
April 1, 2010 - September 30, 2010	April 1, 2009 - September 30, 2009

**(4) Cash Flows:**

	(Millions of Yen)	(Millions of Yen)	
Net cash provided by operating activities	144,078	20,093	1,715,214
Net cash used in investing activities	(70,712)	(92,518)	(841,810)
Net cash provided by (used in) financing activities	(62,385)	(32,203)	(742,679)
Cash and cash equivalents at end of the period	117,245	124,151	1,395,774

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

		(%)
Shareholders' equity**	6.4	(2.4)
Total assets**	1.3	(0.6)
Net sales	2.8	(3.0)

\*\* Based on the average of the beginning and ending balances of the respective periods.

**Notes:**

- 1 The accompanying consolidated financial information has been prepared by using partially simplified accounting methods from those adopted for the latest fiscal year.
- 2 From this period, the segmentation was changed due to a change of Japanese accounting standard. The figures of the first half of the previous fiscal year in the segment information were reclassified according to the change.
- 3 From this period, the Company has applied accounting standard for asset retirement obligations. This change decreased operating income by 91 million yen and income before income taxes and minority interests in consolidated subsidiaries by 1,692 million yen.
- 4 From this period, the Company has changed the depreciation method of property, plant and equipment from the declining balance method to the straight-line method mainly adopted by the Company's consolidated subsidiaries of Chemicals and Polymers segments in Japan excluding Mitsubishi Rayon Co., Ltd. and its subsidiaries which became a consolidated subsidiaries of the Company on March 30, 2010. This change increased operating income and income before income taxes and minority interests in consolidated subsidiaries by 7,454 million yen.
- 5 The Company 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 84 yen to US\$1, the approximate exchange rate prevailing in the Tokyo foreign exchange market at the end of September 2010. 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 Forecasts for the Current Fiscal Year**

	Millions of Yen	Thousands of U.S. Dollars
	The Current Fiscal Year	The Current Fiscal Year
	April 1, 2010 - March 31, 2011	April 1, 2010 - March 31, 2011
Net sales	3,190,000	37,976,190
Operating income	203,000	2,416,667
Net income	75,000	892,857

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

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

##### **Consolidated Performance for the First Half of the Fiscal Year Ending March 31, 2011 (fiscal 2010): Six months ended September 30, 2010**

##### **Overview of General Performance**

In the first half of fiscal 2010, the Japanese economy was on a recovery trend with the upturn in consumer spending and capital expenditure and an increase in exports to particularly Asia, although there were concerns about the sharp appreciation of the yen and the overseas economic downturn.

The business environment for the Mitsubishi Chemical Holdings Group was generally favorable, owing to an increase in sales price and a recovery in demand in the Performance Products domain and the Industrial Materials domain, and steady performance of demand amid ongoing trend of medical spending constraint in the Health Care domain.

Under the circumstances, the consolidated results for the first half of fiscal 2010 were as follows. Net sales increased by ¥418.9 billion, or 36.6%, to ¥1,564.7 billion compared to the same period of fiscal 2009, on account of the increase in sales price and the recovery in demand in the Performance Products domain and the Industrial Materials domain, as well as that Mitsubishi Rayon Co., Ltd. became a consolidated subsidiary in March 2010. Operating income increased by ¥109.3 billion to 111.4 billion compared to the same period of fiscal 2009. Ordinary income was ¥106.4 billion, improved by ¥111.0 billion from a loss of ¥4.6 billion in the same period of fiscal 2009. Net income was ¥44.0 billion, improved by ¥46.6 billion from a loss of ¥2.6 billion in the same period of fiscal 2009.

##### **(2) Overview of Business Segments**

*Note: In the following section, all comparisons are with the same period of the previous fiscal year unless stated otherwise.*

##### **Electronics Applications Segment, Performance Products Domain**

##### **(Recording media, Information and electronics-related materials, Imaging supplies)**

Net sales in this segment increased by ¥2.1 billion, or 2.7%, to ¥80.6 billion. Operating income increased by ¥5.7 billion to ¥3.2 billion.

In recording media, net sales stayed at the same level as in the same period of fiscal 2009 due

primarily to increased sales volumes of portable hard disk drives and flash memory devices, despite lower DVD volumes and prices. In electronics related materials, net sales increased due primarily to an increase in sales volumes of display materials. In imaging supplies, net sales increased due primarily to an increase in sales volumes of organic photo conductor (OPC) drums, toners, and chemical toners.

Major initiatives in the Electronics Applications segment during the first half of fiscal 2010 included:

- Mitsubishi Kagaku Media Co., Ltd. constructed new production facilities to increase its production of Blu-ray Discs (BDs) at Mitsubishi Chemical Infonics Pte Ltd in Singapore and began operations. (Monthly production capacity for BDs was increased from 400,000 discs to 1.3 million discs.) (April)
- Mitsubishi Kagaku Media Co., Ltd. announced to unify all products under one brand, Verbatim, by switching the recordable optical disc from Mitsubishi to the Verbatim brand as of September 1, 2010. (July)
- Mitsubishi Kagaku Media Co., Ltd. announced that it has started sales of its Verbatim brand LED light bulbs in the European market. (September)

#### **Designed Materials Segment, Performance Products Domain**

**(Food ingredients, Battery materials, Fine chemicals, Polymer processing products, Composite materials, Inorganic chemicals, Fibers)**

Net sales in this segment increased by ¥145.7 billion, or 80.5%, to ¥326.8 billion. Operating income increased by ¥17.9 billion, or 617.2%, to ¥20.8 billion.

In food ingredients, net sales remained favorably. In battery materials, net sales increased due to an increase in sales volumes of materials for laptop computers. In fine chemicals, net sales increased due to an increase in sales volumes. In polymer processing products, net sales considerably increased due to that the Nippon Synthetic Chemical Industry Co., Ltd. and Quadrant AG became consolidated subsidiaries as of September 2009 and a substantial increase in sales volumes of polyester films. In composite materials, net sales of industrial materials such as carbon fibers significantly increased due to that Mitsubishi Rayon Co., Ltd. became a consolidated subsidiary in March 2010 and a rebound in demand. In inorganic chemicals, net sales significantly increased due to an increase in sales volumes. Net sales of fibers were newly posted, reflecting sales of Mitsubishi Rayon.

Major initiatives in the Designed Materials segment during the first half of fiscal 2010 included:

- Mitsubishi Plastics, Inc. has launched the multilayer film, *DIAMIRON*, for medical use, which is originally used for food packaging. (April)
- Mitsubishi Plastics, Inc. resolved to inaugurate Mitsubishi Plastics Marketing Co., Ltd. by separating a part of its sales and marketing function. (April)
- Mitsubishi Rayon Co., Ltd. launched #395 Prepreg, a carbon fiber composite, achieving high level of both toughness and quick cure. (April)
- Mitsubishi Rayon Co., Ltd. and SGL Technologies GmbH established a joint venture, MRC-SGL Precursor Co., Ltd., for production and sales of carbon fiber precursor. (April)
- Mitsubishi Plastics, Inc. launched *ALPOLIC/fr AD*, an aluminum composite material which is certified as a non-combustible material by Minister of Land, Infrastructure and Transportation on condition of being adhered with particular digital-printed (finishing) films on its topside. (May)
- Mitsubishi Chemical Corporation, QINGDAO GR-TAIDA CARBON CO., LTD., and Meiwa Corporation established a joint venture for production of spherical graphite which is core raw material of anode material for lithium-ion battery in Shandong Province, China. (May)
- Mitsubishi Plastics, Inc. completed a new production facility for zeolite-based adsorbent, AQSOA and began its production at the Naoetsu Plant. (Annual production capacity: 150 tons) (May)
- Mitsubishi Chemical Corporation resolved to increase its production capacity of cathode material for lithium-ion battery from 600 tpa to 2,200 tpa at the Mizushima Plant. (May)
- Mitsubishi Plastics, Inc. developed the high-barrier PET bottle for wine with Mercian Corporation and Kirin Brewery Company, Limited. (June)
- Mitsubishi Rayon Co., Ltd. announced that its microfiltration membrane (SADF membrane), for use with Membrane Bio-Reactor-based treatment methods, was adopted at Singapore's largest sewage treatment plant, through that Nitto Denko Corporation and its wholly-owned subsidiary Hydranautics won the order from Singapore firm Hyflux Ltd. (June)
- Mitsubishi Chemical Holdings Corporation, Mitsubishi Chemical Corporation, and Mitsubishi Rayon Co., Ltd. announced restructuring and consolidation of water treatment businesses in Mitsubishi Chemical and Mitsubishi Rayon. (July)
- Mitsubishi Rayon Co., Ltd. resumed construction of a new carbon fiber plant at Otake Production Center, though the construction had been suspended since March 2009 in response to global economic conditions and the corresponding downturn in carbon fiber markets. (Annual production capacity: 2,700 tons) (July)
- Mitsubishi Plastics, Inc. has developed *ALPOLIC A2* which comply with Euroclass A2, a next generation fire prevention standard for external cladding wall to be adopted by each country member of European Union. (July)
- Mitsubishi Chemical Corporation resolved to increase its production capacity of anode material for lithium-ion battery from 5,000 tpa to 7,000 pta at the Sakaide Plant. (September)
- Mitsubishi Plastics, Inc. resolved to expand its production facility for alumina fiber, *MAFTEC*,

to increase its annual production capacity from 4,500 tpa to 4,800 tpa at the Naoetsu Plant. (September)

- Mitsubishi Chemical Holdings Corporation and Mitsubishi Plastics, Inc. resolved to establish a subsidiary for polyester film production and sales in Chiangsu, PRC. (Annual production capacity: 45,000 tons) (September)
- Mitsubishi Chemical Corporation resolved to establish a subsidiary of anode production and sales for lithium-ion battery in Shandong, PRC. (Annual production capacity: 4,000 tons) (September)

### **Health Care Segment, Health Care Domain**

#### **(Pharmaceuticals, Diagnostic reagents and instruments, Clinical testing)**

Net sales in this segment increased by ¥2.2 billion, or 0.9%, to ¥251.8 billion. Operating income increased by ¥12.7 billion, or 39.8 %, to ¥44.6 billion.

In the pharmaceutical business, net sales increased, as a result of favorable sales of *Radicut*, a cerebral neuroprotectant; *Maintate*, angina pectoris hypertension and arrhythmias; *Talion*, a treatment for allergic disorders, as well as a substantial sales growth in *Remicade*, an anti-TNF  $\alpha$  monoclonal antibody, although NHI drug prices were revised downward in April 2010. Vaccine and generic drugs recorded increases in revenues. In diagnostic reagents and instruments, and clinical testing, net sales remained favorably.

In June, Mitsubishi Tanabe Pharma Corporation and its consolidated subsidiary submitted business improvements plans to the Minister of Health, Labour and Welfare as to the administrative action, received in April, in regard to a violation of the Pharmaceutical Affairs Act. Under the business improvement plans, the entire Group will work to implement thorough recurrence prevention measures and to do its utmost to regain the trust of society.

Major initiatives in the Health Care segment during the first half of fiscal 2010 included:

- Mitsubishi Tanabe Pharma Corporation and its consolidated subsidiary Bipha Corporation received an administrative action, suspension of business and an order for improvement, from the Ministry of Health, Labour and Welfare in regard to a violation of the Pharmaceutical Affairs Act. (April)
- Mitsubishi Tanabe Pharma Corporation received an approval for the additional indication of ankylosing spondylitis for *Remicade* I.V. Drip Infusion 100 (generic name: infliximab), anti-TNF  $\alpha$  monoclonal antibody. (April)
- Mitsubishi Tanabe Pharma Corporation received an approval for the additional indication of ulcerative colitis for *Remicade* I.V. Drip Infusion 100 (generic name: infliximab), anti-TNF  $\alpha$  monoclonal antibody. (June)

- Mitsubishi Tanabe Pharma Corporation and Toyama Chemical Co., Ltd. received an approval of partial changes in indications, dosage and usage, as well as new 1000 mg dosage formulation, for injectable new quinolone antibacterial agents, *Pazucross*. (July)
- Mitsubishi Tanabe Pharma Corporation has completed post-marketing surveillance on all patients with refractory uveoretinitis in Behcet's disease *Remicade* I.V. Drip Infusion anti-TNF  $\alpha$  monoclonal antibody 100. (August)
- Novartis gained NDA approval for multiple sclerosis for FTY720 in the US. This is the world's first S1P receptor modulator that was discovered in a joint research project conducted by Tesuro FUJITA, a professor emeritus at Kyoto University, Mitsubishi Tanabe Pharma Corporation and its marketing rights was licensed out to Novartis. (September)

### **Chemicals Segment, Industrial Materials Domain**

#### **(Basic petrochemicals, Chemical derivatives, Synthetic fiber materials, Carbon products)**

Net sales in this segment increased by ¥63.5 billion, or 17.1%, to ¥435.3 billion. Operating income increased by ¥24.5 billion to ¥21.9 billion, owing to an improvement in price variance between raw material and product, an increase in sales volumes, and that Mitsubishi Rayon Co., Ltd. became a consolidated subsidiary.

The production volume of ethylene, a basic raw material of petrochemicals, increased by 21.3% to 564 thousand tons due to a scale-down of regular maintenance of production facilities compared to the same period of fiscal 2009. In basic petrochemicals, chemical derivatives, and synthetic fiber materials, net sales drastically increased due to product price adjustment along with an increase in raw material naphtha price and an increase in demand, in addition to that Mitsubishi Rayon became a consolidated subsidiary. In carbon products, net sales of blast furnace coke remained the same as the same period of fiscal 2009, due to a drop in sales price linked to coking coal price, despite an increase in sales volumes.

Major initiatives in the Chemicals segment during the first half of fiscal 2010 included:

- Mitsubishi Chemical, Nippon Petroleum Refining Co., Ltd., Japan Energy Corporation, and Asahi Kasei Chemicals Corporation have worked on building the high level of cooperation in Mizushima petrochemical complex (Kurashiki-shi, Okayama), and the effort was selected as Projects for the Stable Supply of Petroleum Products by Research Association of Refinery Integration for Group-Operation in 2009. (April)
- Mitsubishi Chemical Holdings Corporation and Asahi Kasei Corporation signed a memorandum of understanding to establish a joint-venture company for the integration and unification of their basic petrochemicals operations in Mizushima with the start-up of unified operation of the respective naphtha crackers in April, 2011. The understanding is the result

of an extensive study on the unification of the naphtha cracker operations of Mitsubishi Chemical and the naphtha cracker operations of Asahi Kasei Chemicals Corporation. (May)

- Mitsubishi Chemical Corporation reached an agreement with Dai-ichi Kogyo Seiyaku Co., Ltd. on transferring all the shares of their joint venture of ethylene oxide derivatives, Yokkaichi Chemical Company Limited owned by Mitsubishi Chemical to Dai-ichi Kogyo Seiyaku. (September)

## **Polymers Segment, Industrial Materials Domain**

### **(Synthetic resins)**

Net sales in this segment increased by ¥168.4 billion, or 86.7%, to ¥362.7 billion. Operating income increased by 50.7 billion to ¥24.3 billion due to increased sales volumes, an improvement in price variance between raw material and product, and an improvement in inventory valuation with rising raw material and fuel prices, in addition to that Mitsubishi Rayon Co., Ltd. became a consolidated subsidiary.

In synthetic resins, net sales considerably increased due to sales price adjustment in accordance with rising raw material and fuel prices and increased demand, in addition to that Mitsubishi Rayon became a consolidated subsidiary.

Major initiatives in the Polymers segment during the first half of fiscal 2010 included:

- Mitsubishi Chemical and Royal DSM N.V. completed the exchange of nylon business and polycarbonate business. (June)
- Japan Polypropylene Corporation resolved to terminate the No. 1 polypropylene production line at the Kashima Plant and the No. 2 polypropylene production line at the Goi Plant. (July)
- Mitsubishi Chemical Corporation announced that the Company will jointly support the “Biodegradable Plastic Bags for Organic Fertilizer Production on Samet Island Project” organized by the National Innovation Agency in Thailand, together with PTT Public Company Limited and the Department of Natural Parks, Wildlife and Plant Conservation. (July)

## **Others**

### **(Engineering, Logistics)**

Net sales in this segment increased by ¥37.0 billion, or 52.5%, to ¥107.5 billion. Operating income decreased by ¥2.0 billion, or 76.9%, to ¥0.6 billion.

In engineering, net sales decreased due to decreased sales. In logistics, net sales increased due to an increase of external orders. Other than these, net sales increased due to that



Mitsubishi Rayon became a consolidated subsidiary.

Major initiatives in Others during the first half of fiscal 2010 included:

- Mitsubishi Chemical Holdings Corporation, Mitsubishi Chemical Corporation, and Mitsubishi Rayon Co., Ltd. announced that Mitsubishi Chemical and Mitsubishi Rayon integrate their engineering businesses. (July)
- Mitsubishi Chemical Corporation and Mitsubishi Plastics, Inc. announced a plan to consolidate their purchasing functions of packaging materials. (August)

### **Group in General**

Major initiatives in the Group in general other than the above-mentioned segments during the first half of fiscal 2010 included:

- Mitsubishi Chemical Holdings Corporation and Mitsubishi Rayon Co., Ltd. resolved to conduct a share exchange through that Mitsubishi Chemical Holdings will become the parent company and sole shareholder of Mitsubishi Rayon and Mitsubishi Rayon will become a wholly-owned subsidiary of Mitsubishi Chemical Holdings, and entered into an agreement concerning the share exchange. (April)
- The KAITEKI Institute, Inc. reached an agreement with the Victoria State Government, Australia and Mebiol Inc. on commencement of joint verification tests on a unique water-saving agricultural technology called IMEC in Victoria State in Australia. (September)

### **4. Consolidated Financial Position**

At the end of the first half of fiscal 2010, total assets amounted to ¥3,297.9 billion, a decrease of ¥57.2 billion compared to the end of fiscal 2009. This reflected a decrease in yen equivalent of assets in overseas consolidated subsidiaries along with the appreciation of the yen and a decrease in investment securities due to a drop in market value.

### **5. Consolidated Financial Results Forecasts for Fiscal 2010**

The consolidated financial results forecasts and dividend forecasts for fiscal 2010 announced on May 13, 2010 have been revised.

## 1) Revised consolidated financial results forecasts for fiscal 2010

(Units are in billions of yen, otherwise noted.)

	Nets sales	Operating income	Ordinary income	Net income	Net income per share
Previous forecasts (A) (announced on May 13, 2010)	3,250.000	156.000	138.000	41.000	28.80 yen
Revised forecasts (B)	3,190.000	203.000	196.000	75.000	52.68 yen
Difference (B-A)	(60.000)	47.000	58.000	34.000	-
Difference (%)	(1.8)	30.1	42.0	82.9	-
Reference: Results for fiscal 2009	2,515.079	66.342	58.990	12.833	9.32 yen

The consolidated earnings for fiscal 2010 are expected to exceed the forecasts announced previously due to favorable sales of major pharmaceuticals in the first half of fiscal 2010 and continued steady sales expected in petrochemicals.

## 2) Revision to dividend forecasts

	Cash dividends per share		
	Interim (September 30, 2010)	Year-end (March 31, 2011)	Annual dividend
Previous forecasts (announced on May 13, 2010)	-	4.00 yen	8.00 yen
Revised forecasts	-	5.00 yen	10.00 yen
Actual	5.00 yen	-	-
Results for fiscal 2009	4.00 yen	4.00 yen	8.00 yen

Mitsubishi Chemical Holdings Corporation is always committed to paying appropriate dividends in accordance with our business results. We will strive to maintain stable dividend payments to shareholders in the future while at the same time considering the need to expand reserves for our future business.

In light of the above-mentioned revisions to the consolidated financial results forecasts for fiscal 2010, Mitsubishi Chemical Holdings has raised its previous forecasts for the annual dividend per share by ¥2 yen to ¥10.

## 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 effect of industry competition. The company expectations for the forward-looking statements are described in page [2], [9] and [10] hereof.