



*Good **Chemistry** for Tomorrow*  
**CSR Report 2006**

## Corporate Philosophy

# Good **Chemistry** for Tomorrow

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

“Good Chemistry for Tomorrow” expresses Mitsubishi Chemical Holdings Corporation’s approach which we will continue to correspond to the needs of industry and society, creating better relationships among people, society and our planet. The design indicates the Group’s dynamism and speed, and the colors involve the unlimited possibilities and communications.

### Mitsubishi Chemical Holdings Corporation

Mitsubishi Chemical Holdings Corporation (MCHC) was established in October 2005 as a holding company for Mitsubishi Chemical Corporation and Mitsubishi Pharma Corporation. The Company is responsible for managing the business portfolio of the MCHC Group and for implementing policies designed to drive the future growth of the Group.

### Mitsubishi Chemical Corporation

Mitsubishi Chemical Corporation is continually focused on the creation of new value to meet contemporary needs, using the extensive technology resources and business experience that it has accumulated through its many years in the field of chemistry.

### Mitsubishi Pharma Corporation

Mitsubishi Pharma Corporation aims to evolve as a pharmaceutical manufacturer capable of helping people everywhere through the development of innovative new drugs that will be competitive in the world market.



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### Editorial policy and scope of report

Mitsubishi Chemical Corporation produces its own RC report, while Mitsubishi Pharma Corporation publishes an environmental and social report. Following the establishment of Mitsubishi Chemical Holdings Corporation in October 2005, it was decided that the holding company should publish a separate CSR Report in addition to the reports by the Group companies, and that the first of these reports would be published in the current fiscal year.

The purpose of this report is to foster good communication with the public and encourage CSR activities by the MCHC Group by informing the public about the Group's initiatives and philosophy in this area. The report covers the entire MCHC Group, but also includes the policies and other information pertaining to Mitsubishi Chemical Holdings Corporation as an individual company.

Information about policies and environmental data pertaining to Mitsubishi Chemical Corporation and Mitsubishi Pharma Corporation can be found in the reports published by these companies.

- Mitsubishi Chemical Corporation: [http://www.m-kagaku.co.jp/index\\_en.htm](http://www.m-kagaku.co.jp/index_en.htm)
- Mitsubishi Pharma Corporation: <http://www.m-pharma.co.jp/e/index.php>

### Inquiries

CSR Office, Mitsubishi Chemical Holdings Corporation  
TEL: +81-3-6414-4880 FAX: +81-3-6414-4859

The information regarding this report is also available on:  
<http://www.mitsubishichem-hd.co.jp/english/csr/report/>

# Earning Public Confidence with Good Chemistry

Mitsubishi Chemical Holdings Corporation (MCHC) was established in October 2005 as a new Group management structure. Science writer Akiko Ikeda, who closely monitors trends in the chemical and pharmaceutical industries, interviewed President Ryuichi Tomizawa about the MCHC Group's approach to the fulfillment of its social responsibilities and contribution to society.

## Transition to a holding company structure with greater flexibility for management decision-making

**Ikeda:** Almost a year has passed since the establishment of Mitsubishi Chemical Holdings Corporation. What initially made you switch to a holding company structure?

**Tomizawa:** Prior to the establishment of Mitsubishi Chemical Holdings Corporation, we were an integrated chemical manufacturer with individual companies operating under the leadership of Mitsubishi Chemical Corporation. Integrated chemical manufacturers are involved in fields ranging from pharmaceuticals to petrochemicals and plastic products, and supply products to customers in all industrial sectors. The scope of our business activities has expanded further in recent years, and it was becoming difficult to make management decisions.

**Ikeda:** The activities of the MCHC Group certainly seem to cover an extremely broad spectrum.

**Tomizawa:** When an organization's activities become so wide-ranging, management will inevitably have a detailed knowledge of some areas and be less well-versed in others. We coped by increasing our collaboration, but often faced a lack of time to reach decisions.

In our pharmaceutical business, we also had to deal with the

accelerating pace of industry restructuring. The pharmaceutical business in the MCHC Group has undertaken an aggressive program of corporate integration ahead of other companies in the pharmaceutical industry. Further integration or partnerships with other pharmaceutical companies are possible in the future. The need for greater strategic freedom was one reason for our transition to a pure holding company structure.

## Reinforcement of CSR activities essential to future growth

**Ikeda:** I understand that the MCHC Group is currently implementing a management plan known as the "KAKUSHIN Plan."

**Tomizawa:** We launched "KAKUSHIN Plan: Phase 1" in April 2003, and we have been working on "KAKUSHIN Plan: Phase 2" since April 2005. Like other corporate groups, we implemented some painful reforms in the early years of the new century to meet the challenges of an increasingly difficult business environment. Under "KAKUSHIN Plan: Phase 1" we worked to restore our underlying strength. Under "KAKUSHIN Plan: Phase 2" the focus has shifted to achieving growth.

**Ikeda:** One of the goals of "KAKUSHIN Plan: Phase 2" is to reinforce your CSR activities. What is the reason for this?

**Tomizawa:** To maintain their growth in the future, companies will absolutely need to fulfill their social responsibilities. "KAKUSHIN Plan: Phase 2" is a growth-focused management plan, but we thought the time was right to further expand our CSR activities. We intend to approach the reinforcement of our CSR activities with the same resolve we had when we decided to launch our business expansion policies.

**Ikeda:** Can you tell us more about what your CSR initiatives entail?

**Tomizawa:** Between the 1950s–1960s, chemical manufacturers faced a range of



### Ryuichi Tomizawa

President  
Mitsubishi Chemical Holdings Corporation  
President & Chief Executive Officer  
Mitsubishi Chemical Corporation



complex problems, including pollution. The chemical industry contributes to social progress and prosperity through continuous invention and by discovering new knowledge and sharing that knowledge with the world through its products. Unfortunately, new inventions sometimes have negative consequences, and in that era science was still unable to predict many of the problems that occurred, such as pollution and product safety issues.

The chemical industry has learned from this. Today we are working to earn the trust of the public through voluntary “Responsible Care” activities. The aim of these activities is to maintain safety in our own operating and working environments, and to ensure that none of our processes, from development and manufacturing through to transportation, consumption and disposal, have an adverse impact on the environment, neither locally nor globally. Our current measures to strengthen the CSR activities of Mitsubishi Chemical Holdings Corporation involve the addition of other elements, such as compliance and social contribution, to our basic Responsible Care activities. In May 2006, we also signed the United Nations Global Compact, which is now an important element in our CSR activities.

### The meaning of “Good Chemistry” in the Group’s philosophy

**Ikeda:** I have been interested in the Global Compact for some time. You also seem to have been among the first to take an interest in this concept.

**Tomizawa:** I heard that companies were joining the Global Compact as a way of fulfilling their corporate social responsibilities in the four areas of human rights, labor, the environment and anti-corruption activities. I was very interested, because we were thinking at that time about the reinforcement of our CSR activities.

The Global Compact called for a proactive stance in these areas. In addition to our own efforts, we should encourage those with whom we interact to respect human rights, prevent corruption and ensure that their activities are kind to the environment.

**Ikeda:** I once ran a radio program on human rights. I identified very closely with the philosophy expressed in the Global Compact.

**Tomizawa:** Indeed. For example, when we procure raw materials, we take care to ensure that they were not manufactured using illegal labor practices, such as child labor. I think that these issues will become increasingly important in the future.

**Ikeda:** So the scope of your commitment goes beyond Japan?



**Tomizawa:** Yes. The activities of the MCHC Group are expanding globally. I believe that our participation in the Global Compact will have a positive impact on our efforts to foster a shared awareness with our overseas colleagues.

The philosophy of the MCHC Group calls for the development of better relationships with people, society and our planet. We express this concept in the phrase “Good Chemistry for Tomorrow.” I believe that this philosophy is the same as the basic concepts contained in the Global Compact, and I want to use both as the basis for the global activities of our Group.

**Ikeda:** “Good Chemistry for Tomorrow”—Does this phrase have additional meanings?

**Tomizawa:** Yes. In addition to its basic meaning, the word “chemistry” also has connotations of affinity and compatibility. This broader meaning expresses our determination to build better relationships with people, society and our planet.

### Openness essential to trust

**Ikeda:** Almost everyday we see news about corporate scandals. People turn on their televisions to learn that yet another company has been guilty of improper conduct. How do you view this continuing problem?

**Tomizawa:** I do not really believe the business sector’s morality or sense of social responsibility have declined. In fact, I think that standards have generally improved. The increased frequency of press conferences called by companies to apologize for scandals seems to reflect a major change in social attitudes. Society as a whole now demands that companies maintain high ethical standards. In particular, people are very unforgiving when companies try to cover up their problems. That is why it is so important to acknowledge problems publicly, apologize for mistakes and short-

### Akiko Ikeda

In addition to her work as a reporter for a program on commercial radio, Akiko Ikeda is also involved in the production of various other programs. As a science writer, she contributes articles to specialist magazines and has served as MC for the "Chemistry Makes Our Dreams Come True" program sponsored by the Chemical Society of Japan, the Japan Chemical Industry Association and other organizations.



comings, investigate the causes, and do everything possible to prevent recurrences. We are ensuring that all employees are aware of this.

**Ikeda:** I assume you are also working hard to prevent problems from happening?

**Tomizawa:** Indeed we are. For a manufacturer like us, accidents are the most feared problems. Some result from the human factor, others are caused by problems with systems and equipment. While we check all of our equipment regularly, there are always some faults that are difficult to discover. We are currently taking steps to allow workers to check their equipment during day-to-day operations. The investment will be substantial, but we should always work to improve safety, even if there is a cost.

**Ikeda:** CSR involves many different factors. Are there any areas in which you think more work will be needed in the future?

**Tomizawa:** I feel that we need to do more in the areas of social contribution and international contribution. Group companies have introduced systems to support activities by individuals, including granting leave for voluntary activities. We aim to expand these measures. There are various ways to contribute to society. One approach may be to introduce children to the fascinating world of chemistry and help to train the chemistry experts of the future.

**Ikeda:** One such activity is the "Chemistry Makes Our Dreams Come True" program run by the Japan Chemical Industry Association, of which you became Chairman in 2006.

**Tomizawa:** You have been involved in that program for some time, I believe.

**Ikeda:** My mission is to foster interest in science, and I want to do everything in my power to assist with this initiative. In addition to expanding your social contribution activities, you also need to promote the benefits from those activities more.

**Tomizawa:** That is true. Having done what is required of us, we also need to inform the public about our approach to social contribution and our achievements in this area through CSR reports and other channels.

### The future of the MCHC Group as envisaged by young employees

**Ikeda:** What is your vision for the MCHC Group?

**Tomizawa:** The role of a holding company is to select business activities. We call this "portfolio management." The key to this is

the ability to decide which business areas have the greatest future potential. In addition to maximizing our present earnings, we also need to consider future perspectives.

In the past, we would look five years into the future when we drafted three-year medium-term plans. Now that the holding company is on track, we have started to develop a vision for the company ten and twenty years into the future. This is not limited to business. We are engaged in a lively wide-ranging debate on many questions. What is the role of a company in an aging society with a falling birthrate? What is our vision for the Company as a group of people working together? What systems and working environments are the best?

**Ikeda:** It will be interesting to see how Mitsubishi Chemical Holdings Corporation evolves over the next twenty years. When I write about new science, I always feel a great sense of expectation about the potential for new advances. I know that your vision for the future is still a work in progress. Has it started to take shape?

**Tomizawa:** It is very difficult.... Twenty years from now I will no longer be President. That is why I have left the debate to people in their mid-thirties from various parts of our organization. However, I have been careful to remind them that the MCHC Group has valuable assets in the form of its wide-ranging R&D achievements and the experience of overcoming many challenges. I hope that our Group companies will use these assets and the power of the Group to drive their future growth. I look forward to seeing the vision that these young people will develop for the MCHC Group.

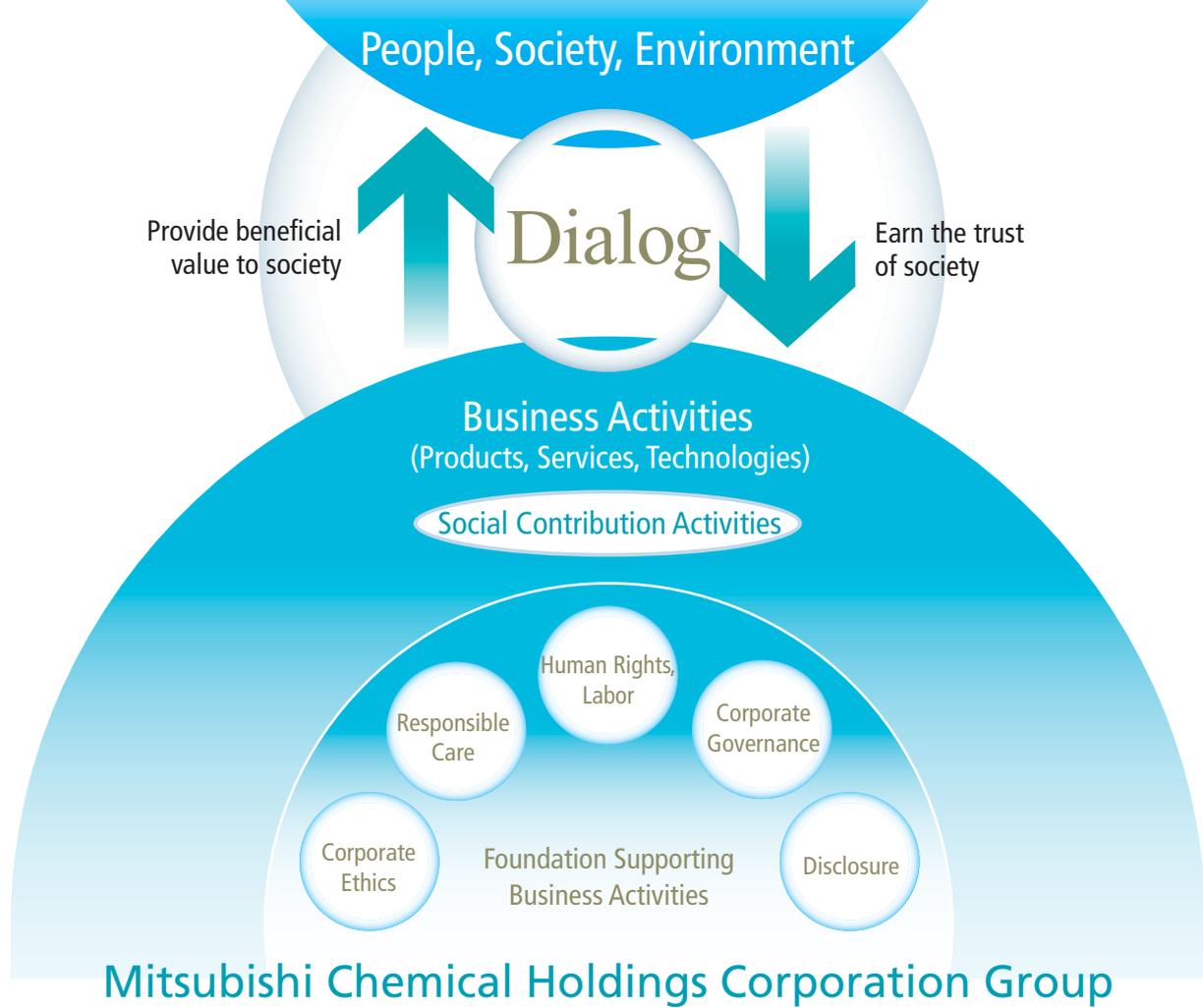
July 20, 2006



# Our Approach to Corporate Social Responsibility

The MCHC Group regards public confidence as the foundation of all its business activities. We recognize our corporate social responsibilities, and we aim to provide beneficial value to society through business activities centering on chemicals and pharmaceuticals.

To fulfill this commitment, we must constantly verify that each of our business activities does the above and helps us earn society's trust. Also, we must continually work toward enhancing the standing of the MCHC Group. Our Group philosophy, summed up in the phrase "Good Chemistry for Tomorrow," calls for the creation of better relationships among people, society and our planet. We will continue to put this philosophy into practice as we contribute to the development of a sustainable society.



**CSR Promotion Organization** Mitsubishi Chemical Holdings Corporation has built an effective CSR promotion organization. It established the CSR Office in October 2005, and in April 2006 it created the CSR Committee to assist the President with CSR-related decisions (see page 8).

• **Initiatives for CSR Promotion**

Our main events for CSR promotion were as follows:

- October 2005**
  - Mitsubishi Chemical Holdings Corporation established.
  - CSR Office established.
- May 2006**
  - First CSR Committee held.
  - Joined the UN Global Compact (see page 10).



Under the mid-term management plan “KAKUSHIN Plan: Phase 2” (April 2005-March 2008), which we define as the period of consolidation of strengths and building momentum, we will implement further reformation of business portfolio and improvement of financial position aligning with growth strategy.

Based on the basic policy shown below, we will seek to enhance the Group’s sustainable profitability by conducting further selection and focus of the three business pillars; petrochemicals, performance and functional products, and healthcare.

## Basic Concepts

1. Increasing corporate value by making “Waves of Change” (“KAKUSHIN”), and promoting sustainable growth through new product innovation and market development.
2. Furthering business selection and focus, centering on three business pillars: petrochemicals, performance and functional products, and healthcare.
  - I. Petrochemicals: focused business investment to the growing Asian market.
  - II. Performance and functional products: acceleration of new product innovation and creation of constant flow of new businesses.
  - III. Healthcare: global market development of pharmaceutical business and new medical care businesses, corresponding to changing domestic medical market.



## Targets

### Numerical targets for fiscal 2008

- Operating income: More than ¥140.0 billion
- ROA (earnings before income taxes): More than 5.5%
- Debt/Equity ratio: Less than 1.5

## Major Action Items

### Execution of growth strategy

In the focused areas: automobile, IT, environment and energy, daily necessities, healthcare, the following strategies will be executed.

- I. Selection of businesses for growth and focused allocation of resources.
- II. Incubation of new products, processes, and business models. (Targeted ratio of new products in performance and functional products business is 35%.)
- III. Focusing R&D on selected future targeted projects, aligning with the business strategies.
- IV. Relax control on capital investment for future growth. (20% increase per year compared to “Phase 1.”)

### Strengthening management foundation

- I. Improvement of financial position (Promotion of necessary investment and measures, aligning with the growth strategy.)
- II. Strategic reorganization of major domestic production sites
- III. Further progress of “Production KAKUSHIN”
- IV. Securing and nurturing of human resources

### Integration of Group strengths

Reinforcement of the Group management based on strengthening business strategy and market development and improvement of transparency and fairness, considering transfer to a pure holding company system.

### Strengthening corporate social responsibility (CSR)

Obtaining public confidence is the cornerstone of our business activities. We will continue our dialogue with various stakeholders, and commit ourselves to deliver socially valuable products through our business activities and those of every employee.

Successful completion of  
**“KAKUSHIN Plan:  
 Phase 1”**  
 (April 2003–March 2005)  
 Rebuilding Foundations

- (1) Business portfolio management based on reorganization and restructuring of businesses
- (2) Improvement of financial structure
- (3) R&D for sustainable growth
- (4) Cost reduction
- (5) Integration of the Group strengths

The targets for the plan were achieved, including the numerical targets of consolidated operating income of at least ¥100 billion, ROA of at least 4%, and the reduction of interest-bearing debt to ¥870 billion in the year ended March 2005.

\* The Mitsubishi Chemical Group’s KAKUSHIN Plan: Phase 2 has been inherited as the medium-term management plan for the Mitsubishi Chemical Holdings Corporation (see page 25).

## Corporate Governance

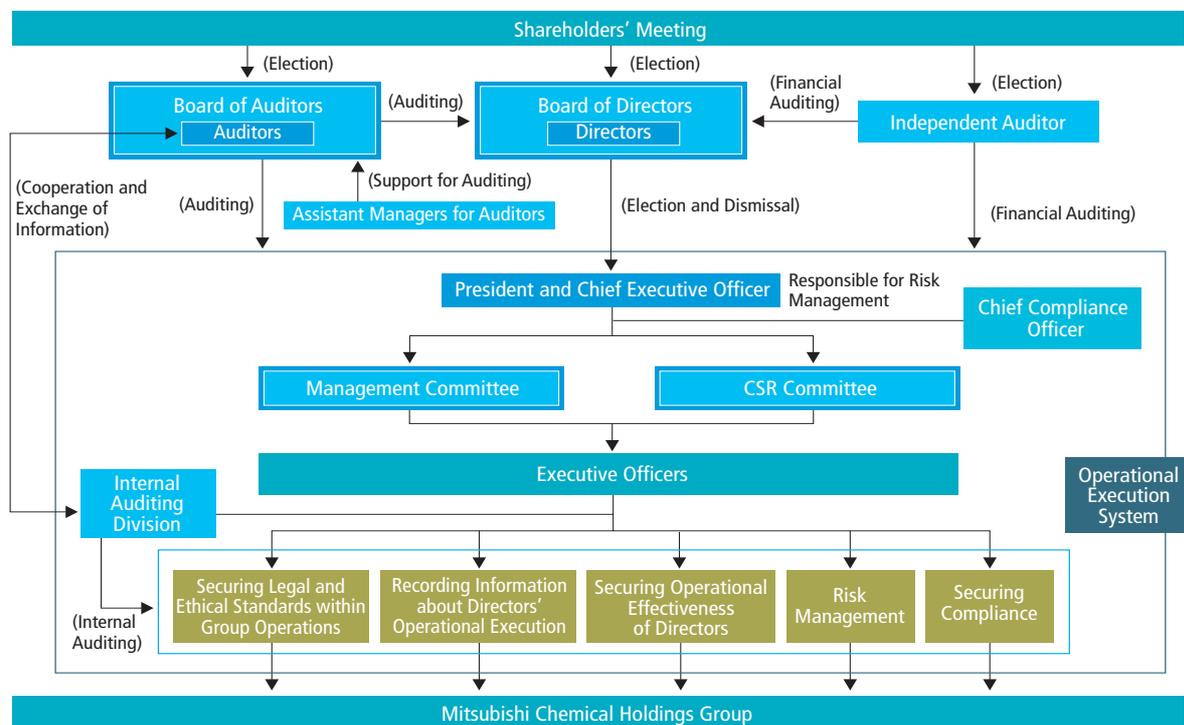
Mitsubishi Chemical Holdings Corporation (MCHC) was established as a holding company through a stock-for-stock exchange by Mitsubishi Chemical Corporation (MCC) and Mitsubishi Pharma Corporation (MPC) in October 2005. This marked a shift in the management system to that of a holding company, with complete separation of portfolio management functions and individual business management functions. As a holding company responsible for the Group's portfolio management, MCHC will aggressively promote management strategies aimed at increasing corporate value, working to advance Group management initiatives and allocating resources aimed at sustainable growth.

MCHC has positioned expediting decision-making and business execution, clarifying management responsibilities, securing

compliance throughout the Group and strengthening risk management as the most important corporate governance issues, with the goal of enhancing corporate value.

## Corporate Governance Structure

The basic management organization of MCHC includes a Board of Directors, Management Committee, CSR Committee, auditors and a Board of Auditors. MCHC has introduced an executive officer system in order to promote the separation of management and business execution functions. Based on internal regulations, deliberative bodies such as the Board of Directors, determine the authority of each position, as well as the items that each division is responsible for, in order to promote efficient and appropriate decision-making and business execution in relation to the Group management.



### The Board of Directors

Based on regulations of the Board of Directors and related guidelines, the Board of Directors determines important matters related to MCHC's business and basic matters regarding the management of the Group. The Board of Directors also oversees the execution of business matters by directors.

### Management Committee

Functioning as a body to advise the President regarding decisions, the Management Committee deliberates regarding important business matters in MCHC and Group companies, such as investment and loan activities. Directors make decisions about important matters that have been thoroughly discussed.

### CSR Committee

Functioning as a body to advise the President regarding decisions, the CSR Committee deliberates on important matters related to the promotion of corporate social responsibility (CSR) at MCHC and Group companies such as compliance, risk management, safety and environmental policies, human rights awareness and social contribution.

### Auditors and Board of Auditors

Auditors and the Board of Auditors carry out auditing functions at MCHC. The Board of Directors has passed a resolution establishing a basic policy for developing an internal controls system. Based on that policy, MCHC aims to establish a sound internal controls system and a thorough risk management system.



### Basic Thoughts on Internal Control

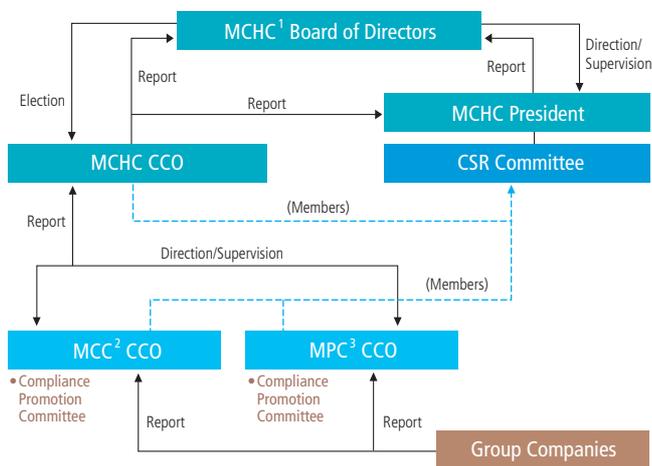
There is strong public pressure for improvements in the internal control systems of business corporations. For example, under the Corporate Law, large corporations are required to establish internal control systems to ensure the appropriate performance of their business operations. Mitsubishi Chemical Holdings Corporation has formulated basic policies on internal control systems, including compliance and risk management systems, and is working under these policies to strengthen its systems and ensure their full implementation.

### Compliance Initiatives

Compliance is the most important management priority for the MCHC Group. It has adopted the Mitsubishi Chemical Holdings Group Corporate Ethics charter and the Mitsubishi Chemical Holdings Group Code of Conduct as its basic compliance rules. The Group has also established a number of compliance promotion programs and systems, including education programs, auditing and monitoring systems and hotlines, under the Group Compliance Promotion Policy and other related regulations. A Chief Compliance Officer (CCO) has been appointed to supervise the operation and management of these systems. The Mitsubishi Chemical Holdings Group Corporate Ethics charter and the Mitsubishi Chemical Holdings Group Code of Conduct are available on the Mitsubishi Chemical Holdings Corporation website.

<http://www.mitsubishichem-hd.co.jp/english/csr/compliance/>

#### •Group Compliance Promotion Organization



- Notes
- 1: MCHC stands for Mitsubishi Chemical Holdings Corporation.
- 2: MCC stands for Mitsubishi Chemical Corporation.
- 3: MPC stands for Mitsubishi Pharma Corporation.

### Mitsubishi Chemical Holdings Group Corporate Ethics

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

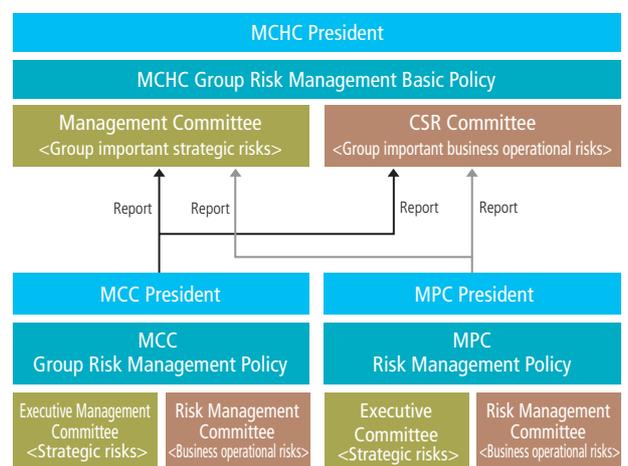
1. Awareness and Responsibility
2. Fairness, Equitability and Integrity
3. Strict Compliance
4. Prudence
5. Transparency and Openness

Note: More information is available on the website.

### Risk Management Initiatives

The President acts as the Chief Risk Management Officer of the MCHC Group as a whole. This task involves the development, implementation and management of risk management systems under the Group Risk Management Basic Policy and other related regulations. The aim is to prevent serious risk factors from affecting the business activities of the MCHC Group and to minimize the damage should it so occur.

#### •Risk Management Organization



## The UN Global Compact

The MCHC Group recently became a member of the Global Compact advocated by the United Nations. The foundations of the Global Compact were laid in a declaration made by Kofi Annan, Secretary-General of the United Nations, speaking at the World Economic Forum in Davos, Switzerland in January 1999. This led to actual inauguration of the Global Compact in July 2000. The Global Compact is a body, the purpose of which is to bring combined corporate forces to bear on the fulfillment of responsibilities from the perspective of global citizenship. The member companies are required to support and implement ten globally established principles covering the four areas of "Human Rights," "Labor," "Environment" and "Anti-corruption." The MCHC Group will act in unison to achieve the further promotion of CSR and to make contributions from the standpoint of a global citizen.



### The Ten Principles:

#### (Human rights)

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

#### (Labor standards)

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

#### (Environment)

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

#### (Anti-corruption)

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

## Group Responsible Care Meetings (Overseas)

Overseas, Group Responsible Care (RC) meetings have been held continuously since 2004. The purpose of these meetings is to disseminate RC policies to Group companies involved in overseas activities, and to share information about key RC themes, including environmental protection and safety initiatives.

A meeting held in Shanghai, China in July 2006 provided a forum for information sharing on environmental protection as well as discussions on facility management and occupational safety. Participants valued the opportunity to learn about other companies' RC initiatives and said that they planned to apply what they had learned to future RC activities.

#### Responsible Care:

Responsible Care (RC) is a set of voluntary self-management practices under which businesses that use chemicals work to protect the environment, safety and health throughout the life cycles of chemical products, from development and manufacture to distribution, use and final disposal. The concept also encompasses a commitment to inform the public about the outcomes of activities through dialog and communication.

#### RC meetings

- July 2004 Singapore
- May 2005 Virginia (U.S.A.)
- July 2005 Bangkok (Thailand)
- July 2006 Shanghai (China)
- September 2006 Maryland (U.S.A.)



A Responsible Care meeting in Virginia, U.S.A.



A Responsible Care meeting in Shanghai, China



# Optimal Solutions Based on Comprehensive Group Resources

The business activities of the MCHC Group range from petrochemicals to information electronics, functional chemicals, coal chemicals and pharmaceuticals. We asked representatives of each business sector, who are in the front line and have daily contact with customers, about how to build and strengthen good customer relationships.

## Listening to customer wishes

**Kanda:** Building Good Chemistry in partnership with customers requires development of good relationships. The first step is obviously to listen to your customers. How do you approach this important task?

**Nihonyanagi:** Although regulations prevent us from contacting patients directly, our medical representatives (MRs) are in direct contact with people working in the front line of medical services, including doctors, nurses and pharmacists. However, we must always remember that the people who actually use pharmaceuticals are the patients. Our first priority is to improve patients' quality of life.

**Maruoka:** The same is true in the recording media field. Retailers and end users are both customers, though their situations are different. We need to listen to the wishes of both groups and provide a balanced response. For this reason, we file all the customer inquiries and comments we receive in a database for use in our corporate activities.

**Kanda:** By accumulating customer inquiries, you can identify hidden needs and build up a picture of current trends. The Information Center collects inquiries for the entire Group. Our team is exploring ways to use this information more effectively.

**Takeoka:** E-mails and telephone calls are not enough. It is important to see people directly. Talking face to face gives me a better understanding of what customers need, and I can also learn much by looking around customers' offices and factories.

## Support and guidance build trust

**Kanda:** Because the activities of the MCHC Group are so extensive, our task in the Information Center is to help guide the customers. When we receive an inquiry, we determine which department is best equipped to assist the customer and then coordinate the contact. Mitsubishi Plastics' customer laboratory also responds to a wide range of customer inquiries, doesn't it?

**Asakawa:** Yes. The facility has specialist staff and is equipped to carry out analyses up to a certain level. Many customers bring in samples and ask us to analyze them.

**Takeoka:** By providing real assistance to customers who have problems, we ultimately benefit as well. Let me give you an example from my own field, raw materials. Sometimes customers ask us if their supplies can be delivered the very next day. In these cases, we always do our best to meet expectations. If customers know that we will go the extra mile for them, it is easier to build good relationships.

**Seiichi Nihonyanagi**

Assistant Manager  
Highly-intensive Hospital Sales Office II  
Sales Office I, Tokyo Branch I  
Sales & Marketing Division  
Mitsubishi Pharma Corporation

Medical representative (MR) in charge of communication and sales to university hospitals, specializes in ethical drugs.

**Yosuke Takeoka**

Petrochemicals Sales Div.  
Petrochemicals Segment  
Mitsubishi Chemical Corporation

In charge of domestic sales of polyester plastics used as the raw material for staple fiber and PET bottles.

**Mina Kanda**

Manager  
Information Center  
Mitsubishi Chemical Corporation

In charge of coordinating inquiries and consultations regarding the Group's products and technologies.

**Rei Maruoka**

Manager  
Asia-Pacific  
Mitsubishi Kagaku Media  
Verbatim Group  
Mitsubishi Kagaku Media Co., Ltd.

In charge of coordinating marketing activities in the Asia-Pacific area.

**Tomoyuki Asakawa**

Assistant Manager  
Display Materials Department  
Kanto Branch  
Mitsubishi Plastics, Inc.

In charge of sales of ALSET®, a plastic/metal hybrid material used in liquid crystal displays in South Korea.

**Maruoka:** Mitsubishi Kagaku Media products, such as rewritable CDs and DVDs, are sold overseas under the Verbatim brand. We have gained high market shares in many countries. One reason for this is the high quality of our products. But it also reflects our continuing efforts to supply our products reliably so that they are always available in stores. To earn customer support, I believe that we need to offer something extra in addition to price and quality advantages.

**Building better relationships with customers**

**Kanda:** Ryuichi Tomizawa, President of Mitsubishi Chemical Holdings Corporation and Mitsubishi Chemical Corporation, often says that the best way to build good customer relationships is to provide solutions. Perhaps it will be more important in the future to use communication with customers to identify potential problems and find solutions for them. We should also enhance the brand value of the MCHC Group by providing solutions that help our customers to become number one in their fields.

**Nihonyanagi:** To achieve this, we will need to learn even more about pharmaceuticals and healthcare in general. In the pharmaceutical business, we would like to gain greater recognition as a healthcare partner with doctors, nurses and pharmacists, and with patients.

**Asakawa:** We would like to create a virtuous circle, in which we provide high-quality products, our customers understand our products and we solve our customers' problems.

**Maruoka:** In the recording media business, which is one of the Group's few activities that provides products for end users, we plan to carry out a major market survey to build a realistic user profile and ascertain market needs. The results will be reflected in our products.

**Takeoka:** Ultimately, don't we earn the trust of customers by being able to do what is expected in the way that it is expected?

We do not need to pursue novelty and seek to surprise people. It is more important to tackle challenges head-on, and if we fail, to learn from our mistakes so that we can again move forward.

**Turning Group strengths into achievements**

**Kanda:** Since the MCHC Group was founded, there has been a determination to collaborate across different business areas. There is an emphasis on how to use the Group's combined strengths for building better relationships with customers, both now and in the future.

**Maruoka:** As you say, we are beginning to build our strengths as a Group. For example, technologies used to process, analyze and control media surfaces are also being applied to bio-chip technology and used in the healthcare area.

**Takeoka:** It seems to me that our strength has been enhanced through the formation of lateral collaboration systems, such as the Information Center.

**Asakawa:** I perceive the Group's strength as coming from traditional vertical collaboration, such as joint product development based on our knowledge of our respective fields, rather than lateral collaboration between people in totally different fields.

**Nihonyanagi:** I feel that the expectations of those medical professionals who are outside of the Group have become higher. Because of our ability to integrate drug development, testing, diagnosis and drug development support while still maintaining our role in the exploration of life science through basic research, the creation of the MCHC Group appears to have had a greater impact than we imagined.

**Kanda:** By harnessing the potential of the Group, we should be able to offer our customers more optimized solutions. That is why I aim to make greater use of customer input and information.

Information Center: +81-3-6414-3000



# Ensuring Two-way Communication with Shareholders and Investors

As a listed company, Mitsubishi Chemical Holdings Corporation regards Investor Relations (IR) activities, including the disclosure of accurate information about Group companies, as an important tool for maintaining good communications with shareholders and investors. We asked the Public Relations and Investor Relations Office about their thoughts regarding IR activities and about the current initiatives in this area.

## Accurate Disclosure of Essential Information

The purpose of the IR activities is to build relationships based on trust through the timely provision of the information that shareholders, institutional investors and securities analysts need to assess Mitsubishi Chemical Holdings Corporation's performance. As an integrated company, we are part of a science-based industry, and we produce numerous intermediate products that are never seen directly by consumers. For these reasons, it is not easy to give those outside of our organization a clear picture of the overall activity of the MCHC Group. Another focus of our IR activities is to inform investors that many of our new products and activities in the chemical and pharmaceutical areas require long-term development efforts.

## Dialog with Investors and Shareholders Reflected in Management Policies

In the past, our IR efforts have focused mainly on the direct dissemination of management data, policies and forecasts by corporate officials, including senior management. We hold net conferences to present our interim and year-end results, and the CEO, CFO and divisional officials speak at regular business briefings. In addition, we respond positively to requests for small meetings and individual interviews. The CEO and CFO visit Europe and North America once a year to present our business strategies to overseas shareholders and institutional investors.

These direct dialog opportunities provide a valuable conduit through which the views of shareholders and institutional investors can be reflected in management policies. We will continue to develop these opportunities actively in the future.



**Yuka Baba**  
Chief Manager  
Public Relations and Investor Relations Office  
Mitsubishi Chemical Holdings Corporation

## Providing an Integrated Picture of Our Chemical and Pharmaceutical Businesses

We employ various methods to present an integrated picture of our role as a business group involved in the manufacture of both chemicals and pharmaceuticals. For example, one goal of our IR activities is to show how the total capabilities of the MCHC Group are being channeled into the field of personalized medicine. Personalized medicine is based on the convergence and extension of pharmacology and diagnosis. As an integrated chemical company with a long history of involvement in the life sciences, we believe our wide-ranging technologies can make an important contribution in this area. We have implemented extensive IR activities, including business briefings, concerning our involvement in this field.



**Takako Akagami**  
Chief Manager  
Public Relations and Investor Relations Office  
Mitsubishi Chemical Holdings Corporation

## Dynamic Disclosure of Corporate Information in Preparation for Business Restructuring

The specialist knowledge required for decisions about the pharmaceutical business is different from that used in the chemical business. We also need to adapt to ongoing changes in the structure of the pharmaceutical industry. The achievement of continuing growth in this field may require the formation of partnerships or mergers with other pharmaceutical manufacturers. Although Mitsubishi Pharma Corporation has delisted, we will still maintain an active IR program. The establishment of Mitsubishi Chemical Holdings Corporation has brought increased opportunities for contacts with chemical industry analysts. We have taken the opportunity to foster understanding about the pharmaceutical industry by presenting seminars. The reaction to these events has been very positive.

## Information Briefings

We use net conferences to inform institutional investors and securities analysts about our interim and year-end results. We also hold numerous individual meetings. Participants in these sessions are able to learn about the business activities and future plans of Mitsubishi Chemical Holdings Corporation through a question-and-answer process.

There are also regular briefings for the media and securities analysts. In July 2005, we held a briefing on the automotive business of the MCHC Group. The theme for this event was the role of Mitsubishi Chemical Corporation as a partner in lifestyles that are good for people, society and our planet. The aim was to explore the future of the automobile, and the potential for Mitsubishi Chemical Corporation to contribute as a manufacturer of raw materials. We took the opportunity to inform investors about our advantages as a supplier to the automotive industry. There was also a lively question and answer session.

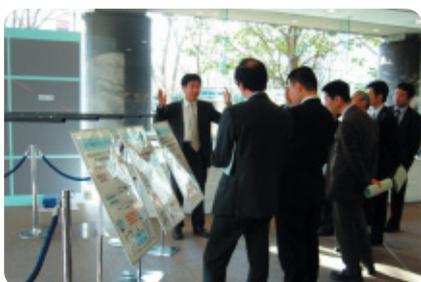
We will continue to create opportunities to inform investors about our activities. Recent events include a briefing on the future of personalized medicine in January 2006, and a session focusing on the Petrochemicals Segment in May 2006.



One of the regular business briefings

## Visits to Plants and Research Facilities

Mitsubishi Chemical Holdings Corporation provides tours of its plants and research facilities for journalists and securities analysts as part of its efforts to disseminate information about Group activities. In March 2006, there was a tour of Mitsubishi Chemical Group Yokohama Research Center. After a briefing about the extensive technology resources built by the MCHC Group, with particular emphasis on optical recording media and carbon chemistry, the visitors had the opportunity to tour related research facilities.



Touring a research center

## Disclosure of IR Information

One of the communications tools used by Mitsubishi Chemical Holdings Corporation to inform its shareholders is IR NAVI. This quarterly publication contains a range of information about the Group, including its business operations, financial position and other topics. Financial and stock information are also disclosed in the annual report, which is published annually for overseas investors as well as made available on our website.



## Revitalizing General Meetings of Shareholders

Mitsubishi Chemical Holdings Corporation has taken various steps to ensure the openness of its General Meetings of Shareholders, including avoiding dates on which large numbers of companies have scheduled such meetings. In addition, deadlines for sending notices to shareholders have been brought forward, and announcements are also shown on websites in English and Japanese. Another innovation is the introduction of a system allowing shareholders to exercise their voting rights online. During General Meetings of Shareholders, audiovisual technology is used to clarify the content of business reports and motions. On February 22, Mitsubishi Chemical Holdings Corporation held an extraordinary General Meeting of Shareholders, the first since its establishment. To inform shareholders at the meeting about the activities of the MCHC Group, we staged an exhibition of the Group's products and held a business briefing after the conclusion of the meeting.



Good Chemistry  
with  
Employees

# The MCHC Group's Most Important Asset is Its People

Our mission is to contribute to the creation of an affluent and healthy society through our business activities. This can only be achieved if each Group employee is motivated to focus his or her efforts and abilities toward achieving set goals. The keys to this motivation are mutual respect for each other's individuality, participation in free and dynamic debate, and opportunities for each employee to develop his or her abilities and become an expert in specific business areas.



**Shunji Kohara**  
General Manager  
Human Rights Department  
Mitsubishi Chemical Corporation

## Human Rights Initiatives Spanning a Quarter Century

Mitsubishi Chemical Corporation adopted its Human Rights Promotion System in January 1980. Under this system, we have worked to create a corporate culture in which no form of discrimination is tolerated or overlooked. I was put in charge of the system in September 1980 and have administered it for the past 26 years. Our path during this quarter century has not always been easy. Initially, some employees were reluctant to participate in additional training. However, we persevered with our educational efforts.

Today, human rights education is an established and growing aspect of our corporate environment. As the proverb says, continuity is the key to success. Three years ago, we conducted an in-house training program for human rights lecturers of the Group. We also established a special Human Rights Promotion Committee. I believe that by protecting the human rights of others, we protect our own human rights. My goals are to help make people aware, change their attitudes and modify their behavior. These tasks require passion, persistence and hard work. We will continue our efforts to earn public respect for the MCHC Group as a caring corporate group that provides excellent working environments for its employees. We aim to expand the scope of these activities to include human rights education in other countries.



**Melissa Few**  
Customer Service Manager  
Mitsubishi Polyester Film, Inc.  
(South Carolina, U.S.A.)

## Comments on the Global Leadership Program (GLP)

The Global Leadership Program (GLP) is a wonderful program. I have nothing but positive things to say about my experience. It was beneficial to me to be able to visit Japan and Germany and experience their respective cultures. Touring the plants at Mitsubishi Polyester Film GmbH (MFE) and Mitsubishi Polyester Film, Inc. (MFJ) was also helpful. I made friends and business contacts that I still correspond with today, and learned a great deal about our business from the many presentations by EC members and other top executives from across the company, as well as from working with my action learning team. For me, the highlights were Ram Charan's presentation and the experiential learning session with Rocky Kimball.

The things I learned in the GLP have helped me to communicate and relate to my colleagues in MFJ and MFE more easily. I have also tried to use the feedback I was given as a part of the 360-degree feedback process to improve my work performance and leadership skills. One thing that grabbed my attention, and that I have tried to do since the GLP session, was the advice to ask for help from my colleagues overseas. Often we do not ask for information or advice from other regions quickly enough, only to later realize that they had the answer or had been dealing with the same issue.



**Ikumi Yamaguchi**

Drug Safety & Evaluation Department  
Pharmacovigilance & Quality  
Assurance Division  
Mitsubishi Pharma Corporation

## How the Childcare Leave System Helped Me

I used the childcare leave system between January 2005 and April 2006. After my son was born, I was able to spend all of my time with him throughout his first year and watch him grow day by day—it was a very fulfilling year. Because the leave period lasted over a year, I also had time to choose a good childcare facility for my son when the time came.

As the time for me to return to work approached, I became anxious about my ability to combine work with childcare, and to catch up after a year away. However, the transition was easier than I expected because my duties were arranged to help me reconcile work with my parental role. I am very grateful for this, and for the support and understanding of my supervisor and colleagues. At present, I am working reduced hours, which allows me to remain highly motivated both as a mother and as a worker.



**Kiyoteru Morikawa**

Managing Director  
Kasei Frontier Service, Inc.

## Employment for Workers with Disabilities

In March 1993, a designated subsidiary, Kasei Frontier Service Inc. was established to facilitate employment for workers with disabilities. Based in the Kurosaki district of Kitakyushu City, the company initially employed 29 people, of whom 18 had disabilities. Its current work force of 118 includes 72 people with disabilities. As a result of this initiative, the disabled employment rate at Mitsubishi Chemical Corporation stood at 2.2% in June 2006, compared with the statutory ratio of 1.8%.

Our basic strategy calls for “normalization,” which means the development of workplaces that provide good working environments for all employees, including those with disabilities. To achieve this, we are continually striving to create healthy, safe and stimulating workplaces in which employees are highly motivated to do good work and provide quality services to meet the needs of our customers. We actively take steps to ensure that employees with disabilities are fully integrated in the workplace, socially and professionally.



**Ryuhei Sato**

General Manager  
Asia-Pacific  
Mitsubishi Kagaku Media  
Verbatim Group  
Mitsubishi Kagaku Media Co., Ltd.

## Raising Employee Motivation

Verbatim Limited, a member of the MCHC Group, is Europe’s largest supplier of recording media, including DVD-Rs. As part of its efforts to raise employee motivation, it holds annual sales conferences in Europe and neighboring sales areas. This year the conference was held in Johannesburg, South Africa.

These conferences are seen as opportunities for employees to gain a real sense of pride in their work by understanding how Verbatim products contribute to society. Comments from participants show that the conferences are valued as opportunities to communicate with fellow workers from other regions, learn how Verbatim is helping society, and talk about new ways to contribute to society through Verbatim products.



## Our R&D Organization

### Contributing to Society by Bringing Together Wide-ranging Expertise and Technologies

#### Creating new value in frontier fields across a wide range of business activities

As an integrated chemical manufacturer, the MCHC Group has created a wide range of products that have contributed to society. The Group aims to further contribute to society's progress by creating new value and meeting its increasingly diverse and sophisticated needs through "conglomerate chemistry." This is a concept based on the convergence of the Group's accumulated expertise and technologies in a wide range of business areas.

The MCHC Group's philosophy, expressed in the words "Good Chemistry for Tomorrow," has guided the development of our business activities. We have focused in particular on three areas: petrochemicals, such as basic petrochemicals and synthetic fiber raw materials; performance and functional products, including materials for use in the electronics and automotive industries; and healthcare.

By concentrating our efforts in selected areas, we have been able to utilize the Group's capabilities and resources effectively. The five priority themes selected for our R&D activities are sustainable resources, solid-state lighting, displays, polymers for automobiles and support for drug discovery.

#### R&D organization restructured to meet future needs

In April 2006, we began to reorganize our Research Center to reflect the strategic direction of the MCHC Group.

The mission of the Research Center is to create new businesses and strengthen the Group's core technologies.

The R&D that it carries out is, in turn, divided into three main categories: technology platforms, exploratory research and business development research. The



Mitsubishi Chemical Group Yokohama Research Center

MCHC Group has traditionally excelled in the first two categories. The aim of the reorganization was to enhance our capabilities in these categories while accelerating applied research to support a more dynamic response to the needs of society and customers. To achieve this, we restructured the Research Center into seven research laboratories and four projects based on priority themes.

Corporate Social Responsibility (CSR) is becoming an increasingly important focus for businesses, with compliance as a key element. As in other areas, compliance is a priority in our R&D activities, and we have formulated the Researcher Behavior Guidelines as a set of shared values and behavior standards for our research personnel.

#### Expanding research activities to meet the needs of the next two decades

All of our five priority research themes have the potential to help solve problems in areas that are attracting increasing public interests such as sustainable resources and healthcare. We aim to produce concrete results in these areas within the coming 3–5 years. We are also exploring the next wave of priority research themes based on a timeframe of 10–20 years.

In the long term, the MCHC Group will continue to create new value that truly benefits society, people and the global environment. We will do this by merging our advanced and wide-ranging expertise and technologies in areas that include life sciences, process technologies and materials development.



#### Dr. Yoshimitsu Kobayashi

Member of the Board  
Mitsubishi Chemical Holdings Corporation,  
CTO, Managing Executive Officer  
Mitsubishi Chemical Corporation,  
President & CEO  
Mitsubishi Chemical Group  
Science and Technology Research Center, Inc.,  
Chairman, Mitsubishi Kagaku Institute of Life Sciences

## Further R&D Enhancements Will Bring Concrete Results Quickly

### Contributing to life and health through R&D

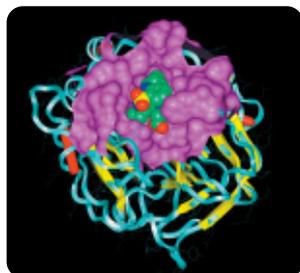
Pharmaceutical companies have an important social mission: To contribute to people's health and quality of life by developing and supplying medicines. Mitsubishi Pharma Corporation is working to fulfill this mission and make a pioneering contribution to the future of healthcare through dynamic R&D activities.

We manufacture ethical pharmaceuticals. Over the past few years, we have worked to identify areas in which we can best utilize our accumulated expertise, and to develop systems that will allow us to turn our R&D achievements into new drugs more quickly. Our four prioritized R&D fields are: the central nervous system diseases, cardiovascular and metabolic diseases; respiratory and immunological diseases; and cancer and hepatic diseases.

### Mitsubishi Pharma Corporation applies its extensive expertise in four priority fields

The cardiovascular and metabolic diseases field includes cerebral infarctions and cerebrovascular diseases. Mitsubishi Pharma Corporation supplies many unique drugs, including Radicut®, a cerebral neuroprotective agent. We will continue to develop our strengths in this field.

In the field of central nervous system diseases, we have focused on such diseases as Alzheimer's disease and depression, while target diseases in the respiratory and immunological diseases fields have included bronchial asthma and allergic rhinitis. Social needs in these areas are expected to expand in the future, and Mitsubishi Pharma Corporation



Novastan® combining with thrombin

will continue to channel its efforts into the development of highly effective and safe new drugs.

We have also provided breakthrough products in the hepatic disease field

### Akihiro Tobe, Ph.D.

Managing Executive Officer  
General Manager, Business Development Unit  
Product Strategy, Intellectual Property and Administrative & External Affairs  
Mitsubishi Pharma Corporation

and have several new drugs under development, including a hepatitis C drug based on technology licensed from Vertex Pharmaceuticals Incorporated in the United States.

Many of the diseases targeted in these prioritized fields have traditionally been regarded as incurable. Mitsubishi Pharma Corporation aims to play a significant role in the progress of medical science by continuing to face these challenges.

### Creating personalized medicines

Personalized medicines are drugs that have been optimized for individual patients through analysis of their genetic profiles. In recent years, these products have increasingly come to be regarded as the future direction of medical science. The MCHC Group has the unique ability to carry out integrated research at all stages from basic research and diagnostic testing to drug development. Mitsubishi Pharma Corporation is also working to develop personalized medicines and has strengthened the collaboration between its own R&D organization and MCHC Group companies in this area.

The pharmaceutical industry is changing rapidly, and pharmaceutical companies also face intense global competition. Because of the long drug development timeframes, it is necessary to anticipate the needs of society a decade ahead. We are determined to maintain a strong presence in the industry by achieving solid results in the fields in which we excel, and to achieve growth as a global, world-class pharmaceutical company.





# Contributing to Sustainability for People and the Global Environment through Environmental Technologies

For the MCHC Group, “Good Chemistry with the Global Environment” means an active commitment to shared global priorities, including measures to combat global warming, engaging in resource and energy conservation and reducing waste and harmful emissions.

## Preventing Global Warming

One of our priorities is the reduction of CO<sub>2</sub> emissions, which are the main cause of global warming. This task needs to be approached on a global scale and from a long-term perspective. Under the Kyoto Protocol, which took effect in February 2005, Japan is obligated to reduce its greenhouse gas emissions to 6% below the 1990 level by 2010.

The MCHC Group companies are all working to reduce their CO<sub>2</sub> emissions, using approaches that reflect their specific fields of activity and business formats. Our efforts to contribute to the prevention of global warming include programs to raise the awareness of individual employees about the environmental impact of their own activities. We are also enhancing the effectiveness of our contribution through group-level sharing of information and technology, including case studies about initiatives that have raised productivity and efficiency, leading to reductions in CO<sub>2</sub> emissions.

Mitsubishi Chemical Corporation accounts for a large share of the MCHC Group’s CO<sub>2</sub> emissions. As a member of the Japan Chemical Industry Association (JCIA), it is working under that organization’s voluntary environmental action program to reduce its unit energy consumption, which is the amount of energy, including heat and electric power, consumed per unit of production. The goal for the chemical industry as a whole is to reduce unit energy consumption to 10% below the 1990

level by 2010. As a major emitter, Mitsubishi Chemical Corporation has been fulfilling its responsibilities by reducing its emissions by 1% annually since 1990. It achieved the 10% reduction target in 2002.

However, the Kyoto Protocol stipulates emission reductions of absolute CO<sub>2</sub> amounts. Mitsubishi Chemical Corporation has reduced the absolute volume of its CO<sub>2</sub> emissions by restructuring its business mix away from energy-intensive products toward high-added-value functional products. As a result, its emissions in fiscal 2005 were 14.0% below the 1990 level.

The Japan Pharmaceutical Manufacturers Association (JPMA) is calling for the reduction of CO<sub>2</sub> emissions to below the fiscal 1990 level by fiscal 2010. Mitsubishi Pharma Corporation has adopted the same target, and all Mitsubishi Pharma Group sites, including factories, research facilities, distribution centers and office buildings, have made the reduction of CO<sub>2</sub> emissions the main focus of their energy conservation activities. Pharmaceutical manufacturing is not an energy-intensive industry. Mitsubishi Pharma Corporation is also working to improve the efficiency with which steam is used to provide heat.

Never satisfied with the status quo, the MCHC Group will continue its efforts to fulfill its social responsibilities by reducing its CO<sub>2</sub> emissions and intensifying its conservation measures.



# Environment-friendly Products and Facilities

## Sustainable Resource

**ECOLOJU®**

Mitsubishi Plastics, Inc.

ECOLOJU® is a plastic film produced from renewable plant resources. Its main raw material is polylactic acid, which is made from starch obtained from corn and other plants. This product helps to alleviate environmental loads through reductions in the use of fossil fuels and CO<sub>2</sub> emissions. Uses for this material continue to expand steadily, for



instance in window envelopes, blister packs for dry-cell batteries and shrink labels for PET bottles.

**GS Pla®**

Mitsubishi Chemical Corporation

GS Pla® ("Green Sustainable Plastic") is a bio-degradable polyester plastic produced using dehydrative polymerization technology. Materials used include succinic acid and 1,4-butanediol. In nature, GS Pla® breaks down into water and CO<sub>2</sub>. At present, succinic acid is manufactured from petroleum resources, but an R&D project targeted toward



its production from biomass resources, such as starch, is already in progress. GS Pla® is used mainly in film sheet form, for packaging, as an agricultural material and a growing range of applications.

## Reuse



**IFCO Container System** IFCO JAPAN INC.

The IFCO Container System is a rental system for reusable plastic containers designed for use in the distribution of fruit and vegetables instead of traditional corrugated cardboard cartons. This system offers significant benefits for growers, including the reduction of weights and distribution costs, and for fruit and vegetable retailers, including the elimination of waste. The containers also help to maintain the freshness and quality of the produce, improve operating efficiency and save space. There is a growing recognition of the important benefits provided by this system in the fruit and vegetable industry.

## Energy Conservation

**LNG Cogeneration System**

Kashima Power Corporation

Kashima Power Corporation has installed its first cogeneration system fueled by liquefied natural gas (LNG) in the coastal industrial area of Kashima. Two 8,100 kW gas turbines, previously fueled by liquefied propane gas (LPG), have been converted to LNG use. In addition, two 5,750 kW natural gas turbines have been installed. The system has been operational since March 2006, and is expected to result in a 10% energy saving, or about 9,500 kiloliters of crude oil annually. CO<sub>2</sub> emissions will be reduced by an estimated 61,000 tons, or 25%,



per annum. This scheme was the first selected by the New Energy and Industrial Technology Development Organization (NEDO) under a program to support joint business projects.

Good Chemistry  
with  
Production Sites  
and Communities

## Initiatives at Production Sites in the Kashima Region

As members of their local communities, the MCHC Group's production sites in Japan and overseas are committed to safety, environmental protection and good communication. One of the Group's most important production site clusters is in the Kashima coastal industrial belt in the eastern part of Ibaraki Prefecture. Sites in this area include a petrochemical plant operated by Mitsubishi Chemical Corporation, and a Mitsubishi Pharma Corporation pharmaceutical factory. Outlined below are some of the initiatives implemented at the sites in the Kashima region.

## Heightened CSR Commitment Centering on RC Activities

In the area of safety and accident prevention, the Kashima Plant is working to maintain a zero-accident record through voluntary safety activities that include not only rigorous facility management and inspection, but also detection of potential facility risks and improvement of facility safety. Its plants are equipped with firefighting and accident prevention facilities and response systems, and hold regular accident prevention drills.

We obtained ISO 14001 certification for our environmental protection systems in 2001. We use these systems to ensure clear accountability at each production site. Clear targets are

set each year, including targets for the reduction of emissions of air and water pollutants and waste, and the Kashima Plant has achieved tangible results by working toward these targets through repeated plan-do-check-action (PDCA) cycles. ISO 9001 systems are used to raise quality assurance standards. Occupational accident prevention initiatives include programs to raise the safety awareness of all employees.

Community communication is based on active disclosure of information. Key initiatives include factory visits and visits to local schools by a mobile science experiment classroom.



### Unwavering Commitment to Quality Assurance

**Hidehiko Kanae**  
General Manager  
Production Department  
Pharmaceutical Technology Center  
Technology & Production Division  
Mitsubishi Pharma Corporation

Pharmaceuticals play a direct role in human health and safety. Maintaining high quality assurance and safety standards is an essential aspect of the social responsibilities of any company involved in the manufacture of these products.

The most important aspect of product quality in the pharmaceutical industry is efficacy. Other potential problems include contamination by foreign matter, cracking or chipping

of tablets and soiled or smudged labels. Our comprehensive approach to quality is based on Good Manufacturing Practices (GMP), which is a production management system specifically for the pharmaceutical industry. We are constantly working to maintain and improve our standards under this system.

As employees, we are constantly striving to maintain and improve quality, and to understand the spirit of GMP as a system designed to minimize the risk of human error. At the same time, we are working to improve confidence in and understanding of our products by actively inviting medical professionals and local residents to view our production areas.

### Simulator Training

Computer simulations based on software developed by the Group are used to train staff in plant operations.



### Identifying Risks with KY

Called *Kiken Yochi* (KY) in Japanese, this activity is carried out by groups of workers before the start of actual operations to identify potential risks and implement safety precautions.



### Certified Inspections

We are certified to use high-pressure gases, and conduct inspections as required under the High-Pressure Gas Safety Law whenever equipment is installed or modified. To ensure transparency in this process, the Certification Audit Section checks that the inspections, carried out by the Certification Inspection Section, have been performed correctly.

### Facility Inspections

Through inspections based on rigorous standards that exceed statutory requirements, we can identify anomalies quickly and propose countermeasures.



**Handover:** When a new team takes over a task, it has been fully informed about operations and preparations.

**Morning greeting:** Morning greetings mark the start of a new day and provide an opportunity to impart information that needs to be shared by all personnel.

**Meetings:** Meetings are held on various subjects, including safety and the environment, to strengthen collaboration and communication between different departments. Safety assessments (SA) are carried out whenever operating methods are changed or facilities modified. There are also safety reviews (SR) of existing facilities. SA and SR help us develop appropriate safety measures.

7:30

Patrol Computerized monitoring SA meeting Liaison meeting with partnering construction companies RC audit Handover

15:30

## Ensuring Safety through Constant Monitoring 24 Hours in an Ethylene Plant

Our ethylene plant produces the basic materials used to manufacture a wide range of petrochemical products, such as polyethylene and PVC. The plant operates 24 hours a day, 365 days a year. It requires constant monitoring and maintenance to ensure that the equipment is operating normally and has been properly fine-tuned to reflect subtle differences in the properties of each raw material. These efforts allow us to combine safe, reliable production activities with consideration for the local environment.

Patrol

Certification training group session

Process improvement activities

Legal training

Troubleshooting

SOP training

23:30

Handover

Patrol

Computerized monitoring

Emergency accident prevention drills

SR meeting

Quality/environment ISO audit

RC committee

### Computerized Monitoring

The plant's operations are constantly monitored by the computers in the control room.



### Patrols

Staff members patrol the plant to monitor the equipment, using a comprehensive range of methods involving watching, listening, touching and smelling.



### Technology Study Group

This group examines measures to improve operating efficiency and protect the environment. Studies concerning operational safety and stability are part of the daily routine.



### Reports on Small-group Activities

Reports on day-to-day production improvements including conservation and process improvement activities, are presented at site and corporate meetings.

### Accident Prevention Drills

Accident prevention drills are held regularly, some involving individual departments and sites, others encompassing the entire complex.

### Operation and Facility Management

Plant operations are monitored and adjusted around the clock by operators working in three shifts. These workers are divided into various teams with specific tasks. Some monitor and adjust operations, while others patrol production facilities to check instruments and machinery or carry out maintenance work.

### Kaizen (Improvement) Activities

The system is continually evolving on many levels, including safety, environmental performance and productivity. This evolution is driven by forward-looking *kaizen* initiatives by the operators who manage the plant.

### Safety and Environmental Initiatives

Plant facilities and operating methods are frequently modified for maintenance reasons and to improve production efficiency. Modifications are always preceded by detailed assessments of the implications for safety and environmental protection. Smokestack gases, wastewater and other emissions are monitored with special instruments and inspected by around-the-clock patrols.

### Education and Training

All employees must be trained to a high standard, through education in standard operating procedures (SOP) and through working with more senior colleagues. Operators also undergo training using simulators, which can be programmed to create problems that go beyond any situation encountered in real life. Frequent accident prevention drills and emergency drills give workers the ability to respond calmly and appropriately in the unlikely event of an accident.



## Adding Light and Color to Life with Technology



We are helping to drive progress in information technology and the information society through a variety of new products and technologies. Among these are optical recording media, such as CDs and DVDs, based on advanced dye technology, as well as organic

photo-conductors (OPCs) and toners.

Another area in which we contribute is display technology. We have helped to create slimmer, lighter display panels with enhanced image performance by supplying parts and materials for both liquid-crystal and plasma flat-panel displays. We also supply release film, used to protect the functional film used in flat-panel displays, and are also working on energy-efficient solid-state lighting and next-generation organic EL display technology.



## Helping to Build a Better Future through a Wide-Ranging Commitment to Good Chemistry.

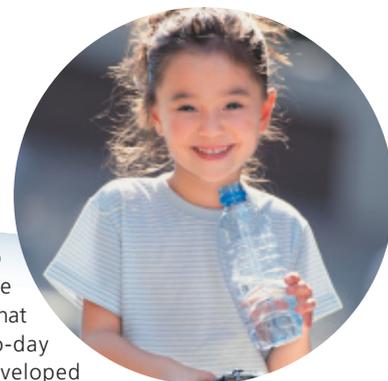
The MCHC Group supplies a diverse range of products, including petrochemicals, carbon products, Information-electronics related, processed resin products, composite materials and pharmaceuticals. These products are used in many aspects of our lives and help to build a healthier and more affluent society.

Through our advanced technologies and innovative R&D activities, we aim to make a continuing contribution to the formation of better relationships between people, society and the global environment.



The MCHC Group supplies a wide range of plastic products that are used in day-to-day life. It has also developed widely used food ingredients,

including a food emulsifier, and packaging materials. Other products that contribute to comfort and enjoyment include synthetic fiber raw materials that enhance the elasticity and comfort of clothing and interior finishing materials made from recyclable materials.



## Chemistry for Apparel, Food and Housing



### Major Affiliates

#### ■ Petrochemicals Segment

- Chuo Rika Kogyo Corporation
- Dia Chemical Co., Ltd.
- Dia Chemicals Korea Limited
- Dia Chemicals Taiwan Limited
- Dia Terephthalic Acid Corporation
- Dia-Nitrix Co., Ltd.
- Echizen Polymer Co., Ltd.
- HMT Polystyrene Co., Ltd.
- Japan Ethanol Company Limited
- Japan Polychem Corporation
- Japan Polyethylene Corporation
- Japan Polypropylene Corporation
- Japan Unipet Co., Ltd.

- J-PLUS Co., Ltd.
- KAWASAKI KASEI CHEMICALS LTD.
- MCC PTA India Corp. Private Limited
- Mitsubishi Chemical Performance Polymers, Inc.
- Mitsubishi Engineering-Plastics Corporation
- Mytex Polymers Asia Pacific Pte Ltd
- Mytex Polymers US Corporation
- Nihon Isobutylene Company Limited
- Ningbo Mitsubishi Chemical Co., Ltd.
- Nippon Ester Co., Ltd.
- Novapex Australia Pty Ltd.
- PS Japan Corporation
- PT. Mitsubishi Chemical Indonesia
- Sam Nam Petrochemical Co., Ltd.

- Sam Yang Kasei Co., Ltd.
- San-Dia Polymers, Ltd.
- Sasol Dia Acrylates (Pty) Ltd
- Tai Young Nylon Co., Ltd.
- Techno Polymer Co., Ltd.
- The Nippon Synthetic Chemical Industry Co., Ltd.
- V-Tech Corporation
- Yokkaichi Chemical Co., Ltd.
- Yuka Schenectady Co., Ltd.
- Yuka Seraya Private Limited
- Performance Products Segment
- Calgon Mitsubishi Chemical Corporation
- Dia Chemco Company Limited
- Dia Fine Co., Ltd.

- Dia Instruments Co., Ltd.
- Frontier Carbon Corporation
- Japan Epoxy Resins Co., Ltd.
- Kasei Optonix, Ltd.
- Kodama Chemical Industry Co., Ltd.
- M Commerce Co., Ltd.
- Mitsubishi Chemical Agri, Inc.
- Mitsubishi Chemical FP America, Inc.
- Mitsubishi Chemical Functional Products, Inc.
- Mitsubishi Chemical Infonics Pte Ltd
- MITSUBISHI CHEMICAL MKV COMPANY
- Mitsubishi Kagaku Imaging Corporation
- Mitsubishi Kagaku Media Co., Ltd.
- Mitsubishi-Kagaku Foods Corporation

## Automotive Products

# Safe, Environment-friendly Motoring

Many of the MCHC Group's products are used in the automotive field, including carbon black for tires and engineering plastics with enhanced transparency, heat resistance and impact resistance. Polypropylene supplied by the Group is used in a wide variety of automotive parts, while our polyethylene is used to manufacture highly durable plastic fuel tanks. We have also developed products from carbon fiber composites, including propeller shafts and brakes capable of operating at speeds in excess of 200 km/h. We also manufacture electrolytes and electrode materials for lithium-ion rechargeable batteries for hybrid vehicles.



These products enhance the our vehicles' environmental performance, through reductions in vehicle weights and CO<sub>2</sub> emissions and improvements in fuel efficiency, and improve safety and comfort.



## Energy and the Environment

# Harmony between Humanity and Nature through the Power of Chemistry

Our goal is to help build a better relationship between humanity and nature. We are constantly developing products and systems to enhance utilization of limited resources. These include ion exchange resins and activated carbon for use in water treatment and air cleaning systems, technology that allows recycling of glass substrates in LCDs and precision cleaning technology for semiconductor fabrication equipment. We are helping to reduce environmental loads by developing environment-friendly products, such as bio-degradable plastics, and contribute to global environmental protection through environmental analysis and consultation services.



## Healthcare

# Good Healthcare for People Everywhere

Our integrated capabilities and networks encompass drug development, testing, diagnosis and drug development support. Through these resources, we contribute to advances in medical science while enhancing the quality of life for people everywhere. One of our fields is personalized medicine, which uses genetic analysis technology to create optimized therapeutic products for individual patients. Consistently focused on the needs of patients, we also supply products for use in comprehensive medical care, including both preventive and recuperative medicine.



Mitsubishi Plastics, Inc.  
Mitsubishi Polyester Film Corporation  
Mitsubishi Polyester Film GmbH  
Mitsubishi Polyester Film, Inc.  
Nippon Kasei Chemical Company Limited  
NITTO KAKO CO., LTD.  
Osaka Kasei Co., Ltd.  
RESINDION S.R.L.  
Ryoka MACS Corporation  
Ryoto Hiryo Co., Ltd.  
Ryoyoshoji Co., Ltd.  
Shinryo Corporation  
Tai Young Chemical Co., Ltd.  
Tai Young High Tech Co., Ltd.

THE KANSAI COKE AND CHEMICALS CO., LTD.  
TM AIR CO., LTD.  
USR Optonix Inc.  
Verbatim Corporation  
Verbatim Limited  
Yuka Denshi Company Limited  
YUPO CORPORATION  
■ **Healthcare Segment**  
API Corporation  
Benesis Corporation  
BIPHA CORPORATION  
Mitsubishi Chemical Safety Institute Ltd.  
Mitsubishi Kagaku Bio-Clinical Laboratories, Inc.  
Mitsubishi Kagaku Iatron, Inc.

MP-Logistics Corporation  
MP-Technopharma Corporation  
Welfide Service Corporation  
Yoshitomiya Corporation  
ZOEGENE Corporation  
■ **Others**  
Arpa Staff Inc.  
Dia Analysis Service Inc.  
DIA RESEARCH MARTECH INC.  
DIA RIX CORPORATION  
Kasei Frontier Service, Inc.  
MC Research & Innovation Center, Inc.  
MCFA Inc.  
Misuzu Erie Co., Ltd.

Mitsubishi Chemical Engineering Corporation  
Mitsubishi Chemical Group Science and Technology Research Center, Inc.  
Mitsubishi Chemical Logistics Corporation  
Mitsubishi Kagaku Bio-Clinical Laboratories, Inc.  
MNET Corporation  
Nippon Rensui Co.  
RHOMBIC CORPORATION  
Ryoka Systems Inc.

Notes 1: Excluding Mitsubishi Chemical Corporation and Mitsubishi Pharma Corporation.  
2: Affiliates are listed in alphabetical order according to segment, as of March 31, 2006.



**Company name:** Mitsubishi Chemical Holdings Corporation  
**Establishment:** October 3, 2005  
**Capital:** ¥50,000 million  
**President:** Ryuichi Tomizawa  
**Head office:** Mitsubishi Chemical Holdings Corporation  
 14-1 Shiba 4-chome, Minato-ku  
 Tokyo 108-0014, Japan  
**Number of employees:** 32,955 (consolidated)  
**Listings:** Tokyo Stock Exchange, Osaka Securities Exchange  
**Main consolidated subsidiaries:** Mitsubishi Chemical Corporation  
 Mitsubishi Pharma Corporation  
**Main scope of business:** Management of Group companies  
 (Development of Group strategies and  
 allocation of financial resources)  
**Number of Group companies:** 371 (258 in Japan, 113 abroad)  
**URL:** <http://www.mitsubishichem-hd.co.jp>

**• Mitsubishi Chemical Corporation**

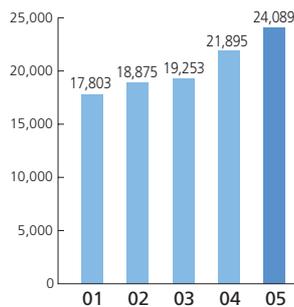
**Head Office:** Mitsubishi Chemical Holdings Corporation  
 14-1 Shiba 4-chome, Minato-ku, Tokyo  
 108-0014, Japan  
**Capital:** ¥50,000 million  
**Scope of business:** Petrochemicals, performance and functional  
 products, healthcare and others

**• Mitsubishi Pharma Corporation**

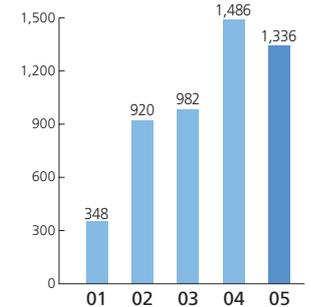
**Head Office:** 2-6-9, Hiranomachi, Chuo-ku, Osaka  
 541-0046, Japan  
**Capital:** ¥30,560 million  
**Scope of business:** Manufacture, sales and marketing of  
 pharmaceuticals, mainly ethical drugs

(As of October 10, 2006)

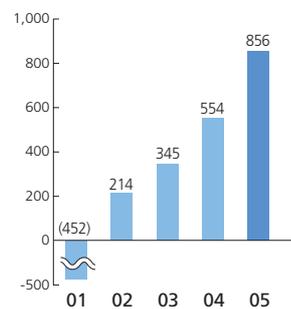
◎ Net Sales (Billions of yen)



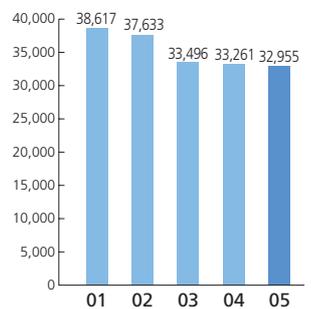
◎ Operating Income (Billions of yen)



◎ Net Income (Billions of yen)



◎ Employees (Number)



**Notice Regarding the Financial Statements of Mitsubishi Chemical Holdings Corporation**

The consolidated financial statements of Mitsubishi Chemical Holdings Corporation for the fiscal year ended March 2006 have succeeded the ending balance of consolidated retained earnings of Mitsubishi Chemical Corporation as of September 30, 2005.

Accordingly, the income statements of Mitsubishi Chemical Holdings Corporation for the fiscal year ended March 31, 2006 consist of the first half of consolidated income of Mitsubishi Chemical Corporation and the second half of consolidated income of Mitsubishi Chemical Holdings Corporation.

The subsidiaries and affiliates for the consolidated financial statements of Mitsubishi Chemical Holdings Corporation would be basically the same as those of Mitsubishi Chemical Corporation, which included Mitsubishi Pharma Corporation Group in its consolidation.

## History

On October 3, 2005, Mitsubishi Chemical Corporation and Mitsubishi Pharma Corporation jointly established Mitsubishi Chemical Holdings Corporation, a holding company, by means of a stock-for-stock exchange. Key events in the histories of the two companies are outlined below.

**Mitsubishi Chemical Corporation**

- 1934 The predecessor of Mitsubishi Kasei Corporation was founded.
- 1956 Mitsubishi Group and Shell Group jointly established Mitsubishi Petrochemical Co., Ltd.
- 1994 Mitsubishi Kasei Corporation and Mitsubishi Petrochemical Co., Ltd. merged and started the operation as Mitsubishi Chemical Corporation.
- 1999 Mitsubishi Chemical Corporation merged with Tokyo Tanabe Co., Ltd. and established a subsidiary, Mitsubishi-Tokyo Pharmaceuticals, Inc., to take over combined pharmaceutical operations.

**Mitsubishi Chemical Holdings Corporation**

- 2005 Mitsubishi Chemical Corporation and Mitsubishi Pharma Corporation jointly established Mitsubishi Chemical Holdings Corporation, a holding company, by means of a stock-for-stock exchange.

**Mitsubishi Pharma Corporation**

- 1901 Motosaburo Tanabe established a druggist (later renamed Tokyo Tanabe Co., Ltd.) at Honcho-Nihonbashi, Tokyo.
- 1940 Takeda Kasei Co., Ltd. (later renamed Yoshitomi Pharmaceutical Industries, Ltd.) was established by Chobei Takeda & Co., Ltd. (present-day Takeda Pharmaceutical Company Limited) and Nippon Kasei Chemical Company Limited (present-day Mitsubishi Chemical Corporation).
- 1950 Blood Plasma Corporation of Japan (later renamed Green Cross Corporation) was established with head office and plant in Osaka.
- 1998 Yoshitomi Pharmaceutical Industries, Ltd. and Green Cross Corporation were merged into the new Yoshitomi Pharmaceutical Industries, Ltd.
- 2000 The trade name of Yoshitomi Pharmaceutical Industries, Ltd. was changed to Welfide Corporation.
- 2001 Mitsubishi-Tokyo Pharmaceuticals, Inc. and Welfide Corporation merged and started the operation as Mitsubishi Pharma Corporation.

The opinions stated here were written in response to the content of this report. In terms of its CSR activities, Mitsubishi Chemical Holdings Corporation has only just started to identify its roles and responsibilities as a holding company. Activities at this initial stage include the definition of roles and the establishment of systems.

### Praiseworthy Aspects

“Strengthening corporate social responsibility (CSR)” is identified as one of the four major themes in the Company’s medium-term management plan, the “KAKUSHIN Plan: Phase 2” (Page 7).

### Aspects Requiring More Effort

The Company needs to state its implementation plans for “Strengthening corporate social responsibility (CSR)” (Page 7). In particular, there is a reference to “dialog with a wide range of stakeholders,” and the Company should indicate how it intends to establish and maintain opportunities for dialog, especially with key stakeholders.

The Company should clearly define roles and responsibilities in terms of its own social responsibilities as a holding company, and the common social responsibilities of Group companies. If the holding company plans to adhere to the principle of subsidiary, which guides the relationship between the EU and its member nations, it should emulate the EU approach by establishing common Group rules while also maintaining clear accountability for its own activities.

As an integrated report covering the CSR activities of Group companies, this report should not simply list practical activities. There is an urgent need for descriptions of the policies and plans



of both individual companies and the Group as a whole.

The holding company has a basic social responsibility in relation to items that require the development of common Group principles and systems, such as compliance, procurement of materials (especially with regard to consideration for the environment and human rights), support for environmental, health, human rights and safety (EHS) measures by suppliers, the promotion of employment for people with disabilities, and social contribution. Urgent action is needed to strengthen Group-level systems in these areas.

Hideto Kawakita

CEO

International Institute for Human, Organization and the Earth (IHOE)

**International Institute for Human, Organization and the Earth (IHOE):** This non-profit organization was established in 1994 to work for the democratic and harmonious development of all life on earth. Its main activity is management support for citizen groups and social workers, but it is also extensively involved in CSR support for large corporations.

## Our Response

Mitsubishi Chemical Holdings Corporation was established in October 2005 as a joint holding company for Mitsubishi Chemical Corporation and Mitsubishi Pharma Corporation. We have adopted “Strengthening corporate social responsibility (CSR)” as one of the key themes under our medium-term management plan, “KAKUSHIN Plan: Phase 2.” This report was written as we approach the completion of the first year since the establishment of Mitsubishi Chemical Holdings Corporation. Because it is our first report, one of our aims was to inform the public about Mitsubishi Chemical Holdings Corporation. In future CSR reports, we intend to reflect the views expressed by Mr. Kawakita to provide a clearer picture of the CSR activities of the MCHC Group.

Our Group philosophy, expressed in the words “Good Chemistry for Tomorrow,” calls for the creation of better relationships between people, society and the global envi-

ronment. We see this philosophy as the true expression of our CSR activities. We are determined to earn the strong trust of society by developing “Good Chemistry” with all stakeholders.

As the holding company, we are currently studying our approach to Group leadership, including how to attain a good balance between Group-level decision-making and the autonomy of individual companies. We plan to strengthen our CSR activities by using the valuable comments made by Mr. Kawakita in our CSR Promotion Committee meetings and other forums.

Koichi Fujisawa

Executive Officer

General Manager, CSR Office

Mitsubishi Chemical Holdings Corporation

 Mitsubishi Chemical Holdings Corporation

