

# Notes to Consolidated Financial Statements

March 31, 2009 Mitsubishi Rayon Company, Limited and Consolidated Subsidiaries

## 1. Basis of Presentation of Consolidated Financial Statements

The books and records of Mitsubishi Rayon Company, Limited (the "Company") and its domestic subsidiaries are maintained in the manner and form required or permitted under the Corporation Law of Japan and in accordance with generally accepted Japanese accounting practices, including special accounting dispositions stipulated in the Corporation Tax Law of Japan. The books and records of the overseas subsidiaries are maintained in conformity with the accounting principles and relevant legal requirements of their respective countries of domicile.

The accompanying consolidated financial statements have been prepared from the accounts maintained by the Company in accordance with the provisions set forth in the Financial Instruments and Exchange Law of Japan and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

As permitted under the Financial Instruments and Exchange Law, amounts of less than one million yen have been omitted. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and in U.S. dollars) do not necessarily agree with the sums of the individual amounts.

Certain amounts previously reported have been reclassified to conform to the current year's presentation.

## 2. Summary of Significant Accounting Policies

### (a) Consolidation

The accompanying consolidated financial statements include the accounts of the Company and all subsidiaries over which substantial control is exerted through either majority ownership of voting stock and/or by other means. All significant intercompany balances and transactions have been eliminated in consolidation.

Certain overseas subsidiaries are consolidated on the basis of fiscal periods ending December 31, a balance sheet date which differs from that of the Company; however, the necessary adjustments have been made if the effect of the difference is material.

Investments in affiliates (companies over which the Company has the ability to exercise significant influence) are stated at cost plus equity in their undistributed earnings or losses. Consolidated net income includes the Company's equity in current net income or loss of such companies after the elimination of unrealized intercompany profits.

All assets and liabilities of the consolidated subsidiaries are revalued on acquisition, if applicable, and the excess of cost over the equity in their underlying net assets at the respective dates of acquisition is amortized over a period of five years on

a straight-line basis if such excess is material, or charged to income when incurred if immaterial.

### (b) Cash equivalents

For purposes of the consolidated statements of cash flows, all highly liquid debt instruments with a maturity of three months or less when purchased are considered to be cash equivalents.

### (c) Inventories

Inventories held for sale in the ordinary course of business are mainly stated at cost determined by the average cost method. A decline in profitability is reflected in a corresponding decrease of the book value presented in the balance sheet.

#### *Change in method of accounting*

Previously, a cost method mainly based on the average cost method was adopted for measuring inventories held for sale in the ordinary course of business. However, the "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9) has been applied from fiscal year 2009, and now the amount of the inventories shown on the balance sheet is determined by writing them down based on the decrease in their profitability.

As a result, for the year ended March 31, 2009, gross profit decreased by ¥2,662 million (\$27,100 thousand), and operating loss and loss before income taxes and minority interests increased by ¥2,662 million (\$27,100 thousand) and ¥1,973 million (\$20,086 thousand), respectively, compared with the amounts under the formally applied method.

The impact of this change on segment information is disclosed in Note 18 Segment Information.

### (d) Property, plant and equipment, intangible fixed assets, and leased assets

Tangible fixed assets:

- 1) Depreciation of buildings (excluding building improvements):  
— Primarily by the straight-line method
- 2) Depreciation of other tangible fixed assets:  
— Primarily by the declining-balance method

The estimated useful lives for financial reporting purposes are as follows:

Buildings and structures	8–50 years
Machinery, equipment and vehicles	4–15 years

#### *Additional information*

In accordance with the revised Japanese Corporation Tax Law, the Company, its ten domestic consolidated subsidiaries and two equity-method domestic affiliates changed the period of depreciation for mainly machinery.

As a result, gross profit decreased by ¥938 million (\$9,549 thousand), and operating loss and loss before income taxes and minority interests increased by ¥939 million (\$9,559 thousand) and ¥910 million (\$9,264 thousand), respectively, compared with the amounts under the formally applied method.

The impact of this change on segment information is disclosed in Note 18 Segment Information.

Amortization of intangible fixed assets:

— By the straight-line method

Costs for the development of software used internally by the Company and consolidated subsidiaries are amortized by the straight-line method over the estimated useful life of the software (five years).

Depreciation of leased assets (finance leases for which ownership is not transferred to the lessee):

— By the straight-line method

Leased assets used internally by the Company and consolidated subsidiaries are depreciated by the straight-line method over the lease term. Finance lease transactions starting before fiscal year 2009 that do not transfer ownership of the leased property to the lessee are accounted for as operating leases.

#### ***Change in method of accounting***

Accounting Standards Board of Japan revised “Accounting Standard for Lease Transactions” (ASBJ Statement No. 13) and “Guidance on Accounting Standard for Lease Transactions” (Guidance No. 16) on March 30, 2007, which are effective for fiscal years ending on or after March 31, 2009. They require that finance lease transactions without title transfer be recognized as assets and liabilities in the balance sheets.

The Company, its domestic consolidated subsidiaries and equity-method domestic affiliates have adopted these revisions of accounting standards for the period beginning on April 1, 2008. The Company and its domestic consolidated subsidiaries and equity-method domestic affiliates capitalized finance leased assets at the amount equal to total lease payments, and their depreciation is calculated at 100% of recognized amounts, using straight-line method over the lease term. The impact of this change on asset — total assets is immaterial and no impact on income has been recorded for the fiscal year end March 31, 2009.

#### **(e) Securities**

Securities are classified into three categories: trading, held-to-maturity or other securities.

Trading securities are carried at fair value. Held-to-maturity securities are stated at amortized cost. Other securities with quoted market prices are carried at market value and the difference between their acquisition cost and the carrying value, unrealized gain or loss, is recognized as a component of net assets under “Unrealized gain on other securities.” The cost of other securities sold is computed based on the moving average method. Other securities without quoted market prices are stated at cost by the moving average method.

#### **(f) Derivative financial instruments**

Derivative financial instruments are stated at fair value.

#### **(g) Foreign currency translation**

The revenue and expense accounts of the overseas consolidated subsidiaries are translated at the rates of exchange in effect at the balance sheet date of each subsidiary; the balance sheet accounts are also translated into yen at the rates of exchange in effect at the balance sheet date except for the components of net assets excluding minority interests in consolidated subsidiaries. The components of net assets excluding minority interests in consolidated subsidiaries are translated at their historical exchange rates. Translation adjustments are presented in net assets in the accompanying consolidated balance sheets.

#### **(h) Research and development expenses**

Research and development expenses are charged to income as incurred.

#### **(i) Retirement allowances**

The Company’s employees are covered by an unfunded retirement allowance plan and a funded defined benefit pension plan. The amount of severance and retirement benefits is based on the basic rate of pay at termination, years of service and certain other factors.

The Company and its domestic consolidated subsidiaries accrue employees’ severance and retirement benefits based on the actuarially determined retirement benefit obligation and the fair value of the plan assets plus certain adjustments for the following items: unrecognized net retirement benefit obligation at transition, unrecognized net actuarial gain or loss and unrecognized prior service cost.

Actuarial gain or loss is recognized in the fiscal year following the year in which such gain or loss occurs. Prior service cost is primarily expensed as incurred during each year.

In addition, directors and statutory auditors of consolidated subsidiaries are customarily entitled to lump-sum payments under an unfunded retirement allowance plan. Provision for retirement allowances for these officers is made at an estimated amount.

#### **(j) Hedge accounting**

1) Method of hedge accounting

Principally, deferral hedge accounting is applied.

Forward foreign exchange contracts and interest-rate swaps which meet certain criteria are excluded from the application of deferral hedge accounting.

2) Derivative financial instruments qualifying as hedges and the related underlying transactions, assets and liabilities are summarized as follows:

Derivative financial instruments	Transactions, assets and liabilities
Forward foreign exchange contracts	Future foreign exchange transactions
Interest-rate swaps	Borrowings

### 3) Hedging policy

Risk exposure to movements in foreign exchange rates and interest rates is hedged in accordance with the Company's risk management policy.

### 4) Hedge effectiveness evaluation

The Company evaluates the effectiveness of its hedges by reference to the cumulative cash flows for the period of each of the derivatives positions and for the respective underlying transactions, assets and liabilities.

### (k) Amounts per share

The computation of basic net income per share is based on the weighted-average number of shares of common stock outstanding during each year. Diluted net income per share is computed based on the weighted-average number of shares of common stock outstanding during each year after giving effect to the dilutive potential of the shares of common stock to be issued upon the conversion of convertible bonds.

Cash dividends per share represent the cash dividends declared as applicable to the respective fiscal years.

Diluted net income per share has not been disclosed since there were no potentially dilutive securities at March 31, 2009 and 2008.

### (l) Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements

Effective from the year ended March 31, 2009, the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (ASBJ PITF No. 18) has been applied and accordingly some revisions have been made to the consolidated accounts as necessary.

As a result, retained earnings for each of the years ended March 31, 2008 and 2009 decreased by ¥1,285 million.

This change had no impact on the income statement.

### 3. U.S. Dollar Amounts

The translation of yen amounts into U.S. dollar amounts is included solely for convenience, as a matter of arithmetic computation only, at ¥98.23 = U.S.\$1.00, the approximate exchange rate in effect on March 31, 2009. This translation should not be construed as a representation that yen have been, could have been, or could in the future be converted into U.S. dollars at the above or any other rate.

### 4. Supplemental Cash Flow Information

The following table represents a reconciliation of cash and time deposits and cash and cash equivalents at March 31, 2009 and 2008:

March 31,	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Cash and time deposits	¥45,491	¥17,361	\$463,107
Cash and cash equivalents	¥45,491	¥17,361	\$463,107

### 5. Securities

a) Other securities with quoted market prices at March 31, 2009 and 2008 are summarized as follows:

March 31, 2009	Millions of yen		
	Acquisition costs	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:			
Stocks	¥ 7,301	¥11,719	¥4,418
Subtotal	7,301	11,719	4,418
Securities whose acquisition costs exceed their carrying value:			
Stocks	16,587	14,518	(2,069)
Subtotal	16,587	14,518	(2,069)
Total	¥23,889	¥26,238	¥2,348

March 31, 2008	Millions of yen		
	Acquisition costs	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:			
Stocks	¥16,026	¥31,645	¥15,619
Subtotal	16,026	31,645	15,619
Securities whose acquisition costs exceed their carrying value:			
Stocks	22,550	15,949	(6,600)
Subtotal	22,550	15,949	(6,600)
Total	¥38,577	¥47,595	¥ 9,018

March 31, 2009	Thousands of U.S. dollars		
	Acquisition costs	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:			
Stocks	\$ 74,326	\$119,302	\$44,976
Subtotal	74,326	119,302	44,976
Securities whose acquisition costs exceed their carrying value:			
Stocks	168,859	147,796	(21,063)
Subtotal	168,859	147,796	(21,063)
Total	\$243,195	\$267,108	\$23,903

b) Held-to-maturity securities and other securities without quoted market prices at March 31, 2009 and 2008 are summarized as follows:

March 31,	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Held-to-maturity securities	¥ 0	¥ 0	\$ 0
Other securities without quoted market prices	993	1,068	10,109

c) Proceeds from, and gross gain and loss on, sales of securities classified as other securities for the years ended March 31, 2009 and 2008 were as follows:

Year ended March 31,	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Proceeds	¥3,112	¥1,112	\$31,681
Gross gain	1,327	19	13,509
Gross loss	4	646	41

d) The redemption schedule for held-to-maturity securities and other securities with maturity dates at March 31, 2009 and 2008 is summarized as follows:

March 31,	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Within 1 year	¥0	¥0	\$0
1 to 5 years	0	0	0

## 6. Short-Term Bank Loans and Long-Term Debt

Short-term bank loans represent notes generally maturing within 366 and 365 days at interest rates of 1.35% and 2.76% per annum as of March 31, 2009 and 2008, respectively.

Long-term debt at March 31, 2009 and 2008 is summarized as follows:

March 31,	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
0.98% unsecured bonds in yen due 2010	¥10,000	¥10,000	\$101,802
1.90% unsecured bonds in yen due 2014	10,000	10,000	101,802
1.41% unsecured bonds in yen due 2012	10,000	10,000	101,802
Unsecured loans from banks and insurance companies	53,099	40,194	540,558
	83,099	70,194	845,964
Less current portion	(1,581)	(4,483)	(16,095)
	¥81,517	¥65,711	\$829,858

The aggregate annual maturities of long-term debt subsequent to March 31, 2009 are summarized as follows:

For the year ending March 31,	Millions of yen	Thousands of U.S. dollars
2010	¥ 1,581	\$ 16,095
2011	10,682	108,745
2012	7,339	74,712
2013	11,339	115,433
2014 and thereafter	52,156	530,958
	¥83,099	\$845,964

## 7. Depreciation

Depreciation charged to income for the years ended March 31, 2009 and 2008 is summarized as follows:

Year ended March 31,	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
	¥27,063	¥24,709	\$275,506

## 8. Income Taxes

Income taxes applicable to the Company and its domestic consolidated subsidiaries comprise corporation tax, enterprise taxes and local inhabitants' taxes, which, in the aggregate, resulted in a statutory tax rate of 40.6% for the years ended March 31, 2009 and 2008.

The differences between the statutory tax rate and the effective tax rate for the year ended March 31, 2009 have not been disclosed because of loss before income taxes.

The significant components of deferred tax assets and liabilities held by the Company and its consolidated subsidiaries at March 31, 2009 and 2008 are summarized as follows:

March 31,	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Deferred tax assets:			
Accrued bonuses	¥ 1,250	¥ 1,621	\$ 12,725
Accrued enterprise taxes	—	277	—
Employees' retirement benefits	11,369	12,408	115,739
Loss on business restructuring	1,743	—	17,744
Tax loss carryforwards	5,429	1,577	55,268
Loss on revaluation of securities and investments	5,553	3,145	56,531
Unrealized gain on intercompany sales of fixed assets	938	1,042	9,549
Excess depreciation	1,448	—	14,741
Other	1,720	3,096	17,510
Gross deferred tax assets	29,453	23,170	299,837
Valuation allowance	(8,249)	(5,823)	(83,976)
Total deferred tax assets	21,204	17,347	215,861
Deferred tax liabilities:			
Advanced depreciation reserve	(600)	(622)	(6,108)
Special depreciation reserve	(205)	(340)	(2,087)
Unrealized gain on other securities	(677)	(3,372)	(6,892)
Other	(34)	(92)	(346)
Total deferred tax liabilities	(1,517)	(4,428)	(15,443)
Net deferred tax assets	¥19,686	¥12,918	\$200,407

The deferred tax assets and liabilities at March 31, 2009 and 2008 are reflected in the accompanying consolidated balance sheets as follows:

March 31,	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Deferred tax assets:			
Current	¥ 4,106	¥ 2,939	\$ 41,800
Non-current	15,767	10,173	160,511
Deferred tax liabilities:			
Current	62	111	631
Non-current	125	82	1,273

## 9. Research and Development Expenses

Research and development expenses for the years ended March 31, 2009 and 2008 are summarized as follows:

Year ended March 31,	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
	¥14,823	¥12,509	\$150,901

## 10. Pledged Assets

The assets pledged as collateral are summarized as follows:

March 31,	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Property, plant and equipment, at net book value	¥20	¥106	\$204

## 11. Retirement Benefit Plans

The Company and its domestic consolidated subsidiaries have defined benefit pension plans, i.e., welfare pension fund plans, tax-qualified pension plans and lump-sum payment plans, covering substantially all employees who are entitled to lump-sum or annuity payments, the amounts of which are determined by reference to their basic salary, length of service, and the conditions under which termination occurs.

The following table sets forth the funded and accrued status of the plans, and the amounts recognized in the accompanying consolidated balance sheets at March 31, 2009 and 2008 for the Company's and its consolidated subsidiaries' defined benefit pension plans:

March 31,	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Retirement benefit obligation	¥(60,560)	¥(62,131)	\$(616,512)
Plan assets at fair value	27,550	33,238	280,464
Employees' retirement benefit trust	1,994	3,089	20,299
Unfunded retirement benefit obligation	(31,014)	(25,803)	(315,728)
Unrecognized actuarial gain or loss	4,828	6,053	49,150
Net retirement benefit obligation	(26,186)	(19,749)	(266,578)
Prepaid pension expense	1,135	7,909	11,555
Accrued retirement benefits	¥(27,321)	¥(27,659)	\$(278,133)

The provision for retirement allowances for directors and statutory auditors at March 31, 2009 and 2008 was ¥120 million (\$1,222 thousand) and ¥126 million, respectively.

The components of retirement benefit expenses for the years ended March 31, 2009 and 2008 are outlined as follows:

Year ended March 31,	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Service cost	¥1,788	¥1,796	\$18,202
Interest cost	1,499	1,538	15,260
Expected return on plan assets	(977)	(1,046)	(9,946)
Amortization of actuarial gain or loss	6,053	2,841	61,621
Total	¥8,364	¥5,129	\$85,147

The assumptions used in accounting for the above plans for the years ended March 31, 2009 and 2008 are summarized as follows:

Year ended March 31,	Domestic companies	
	2009	2008
Discount rate	Primarily 2.5%	Primarily 2.5%
Expected rate of return on plan assets	Primarily 3.0%	Primarily 3.0%

## 12. Derivatives

The Company utilizes derivatives for the purpose of hedging its exposure to adverse fluctuation in foreign currency exchange rates and interest rates, but does not enter into such transactions for speculative or trading purposes.

The Company is exposed to credit risk in the event of nonperformance by the counterparties to the derivative transactions, but any such loss would not be material because the Company enters into such transactions only with financial institutions with high credit ratings. The notional amounts of the derivatives do not necessarily represent the amounts exchanged by the parties and, therefore, are not a direct measure of the Company's risk exposure in connection with its open derivatives positions.

The fair value information for open derivatives positions for the year ended March 31, 2009 is summarized as follows:

Year ended March 31, 2009	Millions of yen		
	Contract/Notional amount	Fair value	Gain
Foreign currency forward contracts:			
Buying			
US\$	¥43,361	¥46,721	¥3,359
EUR	43,926	45,659	1,733
<b>Total</b>	<b>¥87,287</b>	<b>¥92,381</b>	<b>¥5,093</b>

Year ended March 31, 2009	Thousands of U.S. dollars		
	Contract/Notional amount	Fair value	Gain
Foreign currency forward contracts:			
Buying			
US\$	\$441,423	\$475,629	\$34,195
EUR	447,175	464,817	17,642
<b>Total</b>	<b>\$888,598</b>	<b>\$940,456</b>	<b>\$51,848</b>

## 13. Contingent Liabilities

The Company had the following contingent liabilities at March 31, 2009 and 2008:

March 31,	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
As guarantor of bank loans of unconsolidated subsidiaries and affiliates	¥4,418	¥266	\$44,976
As guarantor of bank loans of others	146	168	1,486
<b>Total</b>	<b>¥4,564</b>	<b>¥435</b>	<b>\$46,462</b>

## 14. Leases

The following *pro forma* amounts represent the acquisition costs, accumulated depreciation and net book value of leased property as of March 31, 2009 and 2008, which would have been reflected as property, plant and equipment in the accompanying consolidated balance sheets if finance lease accounting before April 1, 2008 had been applied to the finance leases currently accounted for as operating leases:

March 31,	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Acquisition costs	¥773	¥918	\$7,869
Accumulated depreciation	456	430	4,642
<b>Net book value</b>	<b>¥317</b>	<b>¥487</b>	<b>\$3,227</b>

The *pro forma* depreciation portion of the lease payments relating to finance lease transactions accounted for as operating leases for the years ended March 31, 2009 and 2008 amounted to ¥186 million (\$1,894 thousand) and ¥202 million, respectively, and were computed by the straight-line method over the terms of the respective leased assets.

Future minimum lease payments (including the interest portion thereon) subsequent to March 31, 2009 and 2008 for finance lease transactions accounted for as operating leases are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Within one year	¥146	¥184	\$1,486
Over one year	170	303	1,731
<b>Total</b>	<b>¥317</b>	<b>¥487</b>	<b>\$3,227</b>

## 15. Litigation

On December 11, 2003, two companies, including the Company, received a recommendation of elimination for being in violation of the Antimonopoly Law from the Japan Fair Trade Commission and specifically for having jointly raised the sales prices of modifiers for polyvinyl chloride resin. On December 22, 2003, the Company reported to the commission in written form that the Company did not accept this recommendation, and this matter is currently under judgment.

## 16. Subsequent Events

### Dividends declared

The following distribution of retained earnings, which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2009, was approved at a shareholders' meeting held on June 29, 2009:

March 31, 2009	Millions of yen	Thousands of U.S. dollars
	2009	2009
Year-end cash dividends of ¥1,00 (\$0.101) per share	¥572	\$5,823

### Acquisition of Lucite International

On November 11, 2008, the Company announced its intention to purchase Lucite International Group Limited ("Lucite") of the United Kingdom, and to convert Lucite into a consolidated subsidiary of the Company. All procedures required for the said purchase and the inclusion of Lucite in the Company's scope of consolidation were completed on May 28, 2009.

#### 1. Purpose of Acquisition

Strengthen and expand the MMA business, its core business, by obtaining MMA (methyl methacrylate) manufacturing bases in the U.S. and Europe and enhancing the MMA production technology, through this acquisition.

#### 2. Outline of Acquisition

##### (1) Sellers of Lucite shares:

Funds managed by Charterhouse Capital Partners LLP and other shareholders.

##### (2) Name, main business and scale of the target company

① Name	Lucite International Group Limited
② Main business lines	Production of MMA monomer, and polymers and resin products derived from MMA monomer
③ Scale	Net sales (consolidated) GBP 885 million for the year ended December 31, 2008 Total assets (consolidated) GBP 931 million for the year ended December 31, 2008

Net sales and total assets above are shown only for the purpose of reference to the scale of the purchased company.

#### (3) Equity stake in Lucite held by the Company and total acquisition cost

① Equity stake in Lucite held by the Company:  
100% (9,556,000 shares)

② Total acquisition cost: Approximately US\$1.6 billion

#### (4) Outline of the financing

The Company entered into the contract below to finance the acquisition cost. The amount of the loans includes resources for repayment of Lucite's existing loans.

Financial Institutions	Bank of Tokyo-Mitsubishi UFJ
Amount of the loans	¥87,300 million US\$385 million EUR290 million
Date of execution	May 27, 2009
Interest rate	Linked to market rate
Due date of repayment	May 27, 2010
Pledged assets	N/A
Covenants	① To maintain the level of the net assets at the end of the fiscal year more than 75% of that of the previous year's second quarter ② To maintain the level of the net assets at the end of the second quarter more than 75% of that of the previous year end ③ Consolidated loss before extraordinary gain and loss must not be recorded for two successive years

## 17. Shareholders' Equity

The Corporation Law of Japan provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (over than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account. Such distributions can be made at any time by resolution of the shareholders, or by the Board of Directors if certain conditions are met.

## 18. Segment Information

The Company and its consolidated subsidiaries are primarily engaged, mainly in Japan, in the manufacture and sale of products in four major segments: the chemicals & plastics segment which includes chemicals, molding materials, sheets, coating materials, functional copolymer, UV curing paints, copolymer for plastic modifiers, acrylic films, prism sheet for LCD backlights, plastic optical fibers, and rod lens; the acrylic fibers & AN monomer and derivatives segment which includes acrylic fibers, and acrylonitrile and derivatives; the carbon fibers & composite materials segment which includes carbon fibers, fabricated composite materials, and materials for aircraft; and acetate fibers, membranes and others segment which includes acetate fibers, polyester fibers, polypropylene fibers, water purifiers, hollow-fiber membrane filters, artificial carbonated spring manufacturing equipment, water treatment systems, plant engineering, and construction materials.

The business segment information of the Company and its consolidated subsidiaries for the years ended March 31, 2009 and 2008 is summarized as follows:

Year ended March 31, 2009	Millions of yen						
	Chemicals & Plastics	Acrylic Fibers & AN Monomer and Derivatives	Carbon Fiber & Composite Materials	Acetate Fibers, Membranes and Others	Total	Eliminations or corporate	Consolidated
I. Sales and operating income:							
Sales to third parties	¥156,835	¥42,275	¥37,887	¥103,050	¥345,048	¥ —	¥345,048
Intragroup sales and transfers	11,075	3,393	31	50,206	64,707	(64,707)	—
Net sales	167,910	50,668	37,919	153,256	409,756	(64,707)	345,048
Operating expenses	167,284	60,318	36,942	152,896	417,441	(64,780)	352,661
Operating income (loss)	¥ 626	¥ (9,649)	¥ 976	¥ 359	¥ (7,686)	¥ 73	¥ (7,612)
II. Total assets, depreciation and capital expenditures:							
Total assets	¥152,369	¥39,402	¥49,113	¥110,448	¥351,334	¥57,598	¥408,933
Depreciation	14,209	3,461	5,906	3,487	27,063	—	27,063
Impairment of fixed assets	32	10,714	—	600	11,346	—	11,346
Capital expenditures	22,343	3,090	14,505	4,351	44,290	—	44,290

Year ended March 31, 2008	Millions of yen						
	Chemicals & Plastics	Acrylic Fibers & AN Monomer and Derivatives	Carbon Fiber & Composite Materials	Acetate Fibers, Membranes and Others	Total	Eliminations or corporate	Consolidated
I. Sales and operating income:							
Sales to third parties	¥186,968	¥73,737	¥46,790	¥111,032	¥418,529	¥ —	¥418,529
Intragroup sales and transfers	12,156	5,243	27	38,393	55,820	(55,820)	—
Net sales	199,125	78,980	46,818	149,426	474,350	(55,820)	418,529
Operating expenses	176,811	78,241	35,783	146,027	436,863	(55,842)	381,021
Operating income	¥ 22,313	¥ 738	¥11,034	¥ 3,399	¥ 37,486	¥ 21	¥ 37,508
II. Total assets, depreciation and capital expenditures:							
Total assets	¥185,609	¥61,732	¥45,519	¥107,624	¥400,485	¥51,054	¥451,540
Depreciation	12,830	3,965	4,793	3,119	24,709	—	24,709
Capital expenditures	17,005	2,758	6,723	2,720	29,208	—	29,208

## Notes to Consolidated Financial Statements

March 31, 2009 Mitsubishi Rayon Company, Limited and Consolidated Subsidiaries

Year ended March 31, 2009	Thousands of U.S. dollars						Eliminations or corporate	Consolidated
	Chemicals & Plastics	Acrylic Fibers & AN Monomer and Derivatives	Carbon Fibers & Composite Materials	Acetate Fibers, Membranes and Others	Total			
<b>I. Sales and operating income:</b>								
Sales to third parties	\$1,596,610	\$481,268	\$385,697	\$1,049,069	\$3,512,654	\$ —	\$3,512,654	
Intragroup sales and transfers	112,746	34,541	316	511,107	658,730	(658,730)	—	
Net sales	1,709,356	515,810	386,023	1,560,175	4,171,394	(658,730)	3,512,654	
Operating expenses	1,702,983	614,049	376,077	1,556,510	4,249,628	(659,473)	3,590,156	
Operating income (loss)	\$ 6,373	\$ (98,229)	\$ 9,936	\$ 3,655	\$ (78,245)	\$ 743	\$ (77,492)	
<b>II. Total assets, depreciation and capital expenditures:</b>								
Total assets	\$1,551,145	\$401,120	\$499,980	\$1,124,382	\$3,576,647	\$586,359	\$4,163,015	
Depreciation	144,650	35,234	60,124	35,498	275,506	—	275,506	
Impairment of fixed assets	326	109,071	—	6,108	115,504	—	115,504	
Capital expenditures	227,456	31,457	147,664	44,294	450,881	—	450,881	

Previously, a cost method mainly based on the average cost method was adopted for measuring inventories held for sale in the ordinary course of business. However, the "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9) has been applied from the year ended March 31, 2009, and now the amount of the inventories shown on the balance sheet is determined by writing them down based on the decrease in their profitability. As a result, operating income in the Chemicals & Plastics segment decreased by ¥1,134 million (\$11,544 thousand), the Carbon Fibers & Composite Materials segment decreased by ¥342 million (\$3,482 thousand) and the Acetate Fibers, Membranes and the Others segment decreased by ¥295 million (\$3,003 thousand), and, operating loss in the Acrylic Fibers & AN Monomer and Derivatives segment increased by ¥889 million (\$9,050 thousand), compared with the amounts under the formally applied method.

In accordance with the revised Japanese Corporation Tax Law, the Company, its ten domestic consolidated subsidiaries and two domestic equity-method affiliates changed the period of depreciation for fixed assets, mainly machinery. As a result, operating income in the Chemicals & Plastics segment decreased by ¥173 million (\$1,761 thousand), the Carbon Fibers & Composite Materials segment decreased by ¥621 million (\$6,322 thousand) and the Acetate Fibers, Membranes and the Others segment decreased by ¥158 million (\$1,608 thousand), and, operating loss in the Acrylic Fibers & AN Monomer and Derivatives segment decreased by ¥14 million (\$143 thousand), compared with the amounts under the formally applied method.

The geographical segment information of the Company and its consolidated subsidiaries for the years ended March 31, 2009 and 2008 is summarized as follows:

Year ended March 31, 2009	Millions of yen					Eliminations or corporate	Consolidated
	Japan	Asia	United States of America	Total			
<b>I. Sales and operating income:</b>							
Sales to third parties	¥265,613	¥51,836	¥27,597	¥345,048	¥ —	¥345,048	
Intragroup sales and transfers	26,393	12,548	627	39,569	(39,569)	—	
Net sales	292,007	64,385	28,224	384,618	(39,569)	345,048	
Operating expenses	304,363	63,101	24,898	392,362	(39,701)	352,661	
Operating income (loss)	¥ (12,355)	¥ 1,284	¥ 3,326	¥ (7,744)	¥ 131	¥ (7,612)	
<b>II. Total assets</b>							
	¥285,947	¥62,150	¥13,844	¥361,942	¥46,991	¥408,933	

  

Year ended March 31, 2008	Millions of yen					Eliminations or corporate	Consolidated
	Japan	Asia	United States of America	Total			
<b>I. Sales and operating income:</b>							
Sales to third parties	¥325,199	¥62,276	¥31,053	¥418,529	¥ —	¥418,529	
Intragroup sales and transfers	27,232	15,384	446	43,063	(43,063)	—	
Net sales	352,432	77,660	31,500	461,592	(43,063)	418,529	
Operating expenses	326,013	70,671	26,694	423,380	(42,358)	381,021	
Operating income (loss)	¥ 26,418	¥ 6,988	¥ 4,805	¥ 38,212	¥ (704)	¥ 37,508	
<b>II. Total assets</b>							
	¥306,758	¥83,694	¥16,861	¥407,314	¥44,226	¥451,540	

Year ended March 31, 2009	Thousands of U.S. dollars					Eliminations or corporate	Consolidated
	Japan	Asia	United States of America	Total			
I. Sales and operating income:							
Sales to third parties	\$2,703,991	\$527,700	\$280,943	\$3,512,654	\$ —	\$3,512,654	
Intragroup sales and transfers	268,686	127,741	6,383	402,820	(402,820)	—	
Net sales	2,972,687	655,451	287,326	3,915,484	(402,820)	3,512,654	
Operating expenses	3,098,473	642,380	253,466	3,994,319	(404,164)	3,590,156	
Operating income (loss)	\$ (125,776)	\$ 13,071	\$ 33,859	\$ (78,835)	\$ 1,334	\$ (77,492)	
II. Total assets							
	\$2,910,995	\$632,699	\$140,935	\$3,684,638	\$478,377	\$4,163,015	

Previously, a cost method mainly based on the average cost method was adopted for measuring inventories held for sale in the ordinary course of business. However, the "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9) has been applied from the year ended March 31, 2009, and now the amount of inventories shown on the balance sheet is determined by writing them down based on the decrease in their profitability. As a result, operating loss in the Japan segment increased by ¥2,622 million (\$26,692 thousand) and operating income in the Asia segment decreased by ¥40 million (\$407 thousand) compared with the amounts under the formally applied method.

In accordance with the revised Japanese Corporation Tax Law, the Company, its ten domestic consolidated subsidiaries and two domestic equity-method affiliates changed the period of depreciation for fixed assets, mainly machinery. As a result, operating loss in the Japan segment increased by ¥939 million (\$9,559 thousand) compared with the amount under the formally applied method.

Overseas sales information for the years ended March 31, 2009 and 2008 is summarized as follows:

Year ended March 31, 2009	Millions of yen		
	Asia	Other	Total
Overseas sales	¥101,661	¥46,733	¥148,395
Consolidated net sales			345,048
Overseas sales as a percentage of consolidated net sales	29.4%	13.5%	43.0%

Year ended March 31, 2008	Millions of yen		
	Asia	Other	Total
Overseas sales	¥139,974	¥57,994	¥197,969
Consolidated net sales			418,529
Overseas sales as a percentage of consolidated net sales	33.4%	13.8%	47.3%

Year ended March 31, 2009	Thousands of U.S. dollars		
	Asia	Other	Total
Overseas sales	\$1,034,928	\$475,751	\$1,510,689
Consolidated net sales			3,512,654
Overseas sales as a percentage of consolidated net sales	29.4%	13.5%	43.0%