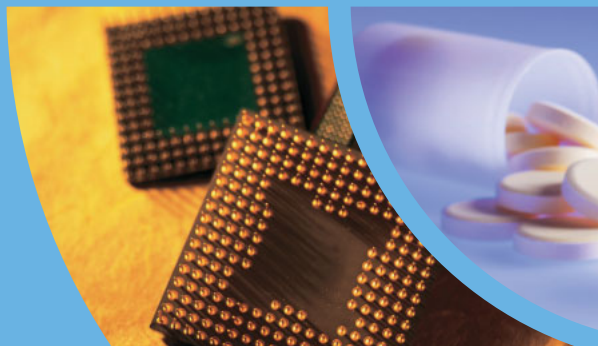


Continuing to Grow as a
Unique Chemical Manufacturer
Dedicated to Excellence



Annual Report 2006
Year Ended March 31, 2006

MGC

MITSUBISHI GAS CHEMICAL COMPANY, INC.

Profile

The MGC Group currently consists of Mitsubishi Gas Chemical Company, Inc. and over 100 companies worldwide. Under a corporate philosophy of “making contributions towards development in harmony with society through the creation of a diverse range of value based on chemistry,” the MGC Group conducts a wide range of businesses globally, from methanol, xylene, hydrogen peroxide and other basic chemicals to life-science products, meta-xylene derivatives, electronic chemicals and other fine chemicals, as well as engineering plastics, optical materials, electronic materials, oxygen absorbers and other advanced materials.

MGC’s medium-term management plan *Kyoso 2005*, established to implement structural reforms and strengthen the Company’s financial structure, ended on March 31, 2006, with income exceeding targets. Aiming for further growth, MGC initiated a new medium-term management plan, *Kyoso 2008*, in April 2006. Building on 30 years of overseas business experience, MGC will continue to actively develop its international operations, particularly in Asia.

MGC is fully committed to making contributions towards development in harmony with society through the creation of a diverse range of value based on chemistry.

Management Philosophy

With a view towards worldwide needs, our marketing efforts will focus on identifying and enlarging the world’s markets.

The Management is dedicated to providing comfortable workplaces, paying due respect to the will and ability of our employees, and is determined to create energetic workgroups.

With full knowledge of the market’s needs, we will implement creative research and development to nurture the seeds of our efforts to realize the best results.

By making efforts to upgrade technology, preserve the environment and promote safety, we will engage in the manufacture of better quality products.

We are a transparent company, where all employees work towards a common goal.

Contents

Financial Highlights.....	1
Message from the Management.....	2
Corporate Social Responsibility Activities.....	6
Board of Directors, Corporate Auditors and Executive Officers.....	8
MGC at a Glance.....	9
Review of Operations	
Natural Gas Chemicals.....	10
Aromatic Chemicals.....	11
Specialty Chemicals.....	12
Information & Advanced Materials.....	13
Other Businesses.....	13
Six-Year Summary.....	14
Management’s Discussion and Analysis.....	15
Consolidated Statements of Income.....	17
Consolidated Balance Sheets.....	18
Consolidated Statements of Stockholders’ Equity.....	20
Consolidated Statements of Cash Flows.....	21
Notes to Consolidated Financial Statements.....	22
Independent Auditors’ Report.....	31
Main Subsidiaries and Affiliates.....	32
Corporate Data.....	33

Forward-Looking Statements

Statements in this annual report with respect to MGC’s plans, strategies and beliefs, as well as other statements that are not historical facts, are forward-looking statements involving risks and uncertainties. Various factors could cause actual results to differ materially from such statements.

Financial Highlights

Mitsubishi Gas Chemical Company, Inc. and Consolidated Subsidiaries
For the years ended March 31, 2006, 2005 and 2004

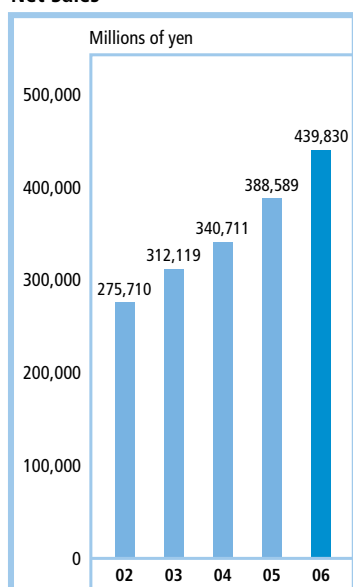
	Millions of yen			Percentage change	Thousands of U.S. dollars
	2006	2005	2004	2006/2005	2006
For the year:					
Net sales	¥439,830	¥388,589	¥340,711	13.2%	\$3,744,190
Operating income	38,970	30,869	14,935	26.2	331,744
Net income	32,944	23,349	10,622	41.1	280,446
Return on assets (ROA) (%)	6.2	4.8	2.3	1.4 points	
Return on equity (ROE) (%)	14.5	12.2	5.9	2.3 points	
Capital expenditures.....	17,484	18,591	12,505	(6.0)	148,838
Depreciation and amortization	18,759	19,430	19,519	(3.5)	159,692
At year end:					
Total assets	¥564,484	¥494,577	¥475,117	14.1%	\$4,805,346
Stockholders' equity.....	251,203	203,307	180,524	23.6	2,138,444
Interest-bearing debt.....	161,806	167,059	184,299	(3.1)	1,377,428
Per share of common stock (Yen/U.S. dollars):					
Net income	¥ 70.98	¥ 50.41	¥ 22.91	40.8%	\$ 0.60
Stockholders' equity.....	543.12	439.60	390.23	23.5	4.62
Cash dividends.....	10.00	6.00	4.00	66.7	0.09

Notes: 1. U.S. dollar amounts are translated from yen, for convenience only, at the approximate rate of ¥117.47 = US\$1 prevailing on March 31, 2006.

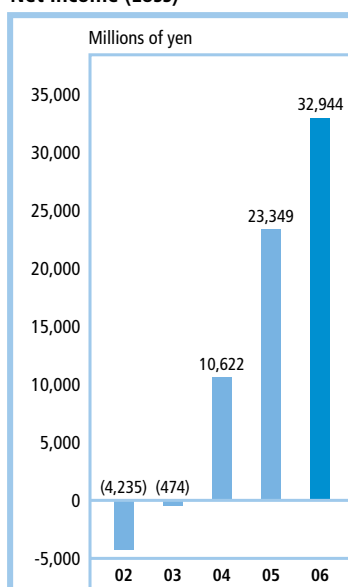
2. Cash dividends for each year represent the total of the interim dividend and the fiscal year-end dividend approved at the General Meeting of Stockholders held after the fiscal year end.

3. Return on assets = Net income / Average total assets

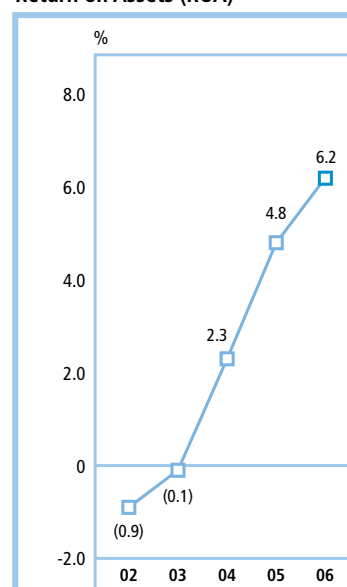
Net Sales



Net Income (Loss)



Return on Assets (ROA)



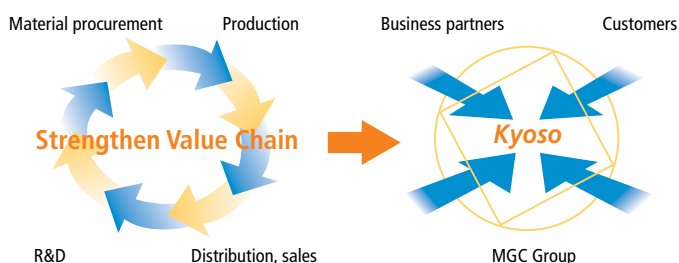


Akira Ohira, Chairman (left),
and Hideki Odaka, President

Due to a continued focus on measures to strengthen its corporate structure, the upturn in the Japanese economy and strong overseas demand, MGC achieved record levels in net sales, operating income and net income in the fiscal year ended March 31, 2006. MGC has now successfully implemented the targets and reforms of Kyoso 2005 and will now enter a second stage of further growth as it embarks upon the new medium-term management plan Kyoso 2008.

Kyoso 2008 Concept

Continuation of Previous Medium-Term Management Plan *Kyoso* Concept



Group Vision

The MGC Group works to achieve sustainable growth while contributing to society in every aspect of its highly profitable, research-driven operations.

Operating Environment and Results

During fiscal 2005, the year ended March 31, 2006, the Japanese economy was on a balanced recovery track. Capital investment increased in the first half as the economy emerged from a stagnant phase. Consumer spending also gradually recovered and growth in overseas demand was strong. Despite the impact of surging crude oil and other raw material and fuel prices since the previous fiscal year, the environment in which the MGC Group operates remained favorable due to continuing domestic economic expansion and strong exports.

Under these conditions, the MGC Group continued to conduct structural reforms in line with the basic strategies of its medium-term management plan, *Kyoso 2005* (Cooperative Value Creation 2005) during its final year, and

worked to improve Group profitability through measures including cost cutting, expansion of sales volume and sales price adjustments.

As a result, consolidated net sales increased ¥51,241 million year-on-year to ¥439,830 million, operating income increased ¥8,101 million to ¥38,970 million, and net income totaled ¥32,944 million, an improvement of ¥9,596 million over the previous fiscal year. These figures represent record highs in their respective categories.

On a non-consolidated basis, net sales increased ¥44,844 million year-on-year to ¥326,523 million, operating income increased ¥3,819 million to ¥22,213 million, and net income totaled ¥14,738 million, an improvement of ¥4,290 million over the previous fiscal year.

Basic Strategies of *Kyoso 2008*

1. Deploy an in-depth differentiation strategy for further growth

- 1) Strengthen presence in growing Asian markets
- 2) Concentrate management resources in priority fields
- 3) Accelerate new product development

2. Strengthen the management infrastructure

- 1) Implement ongoing structural reforms
- 2) Build a responsive financial framework for growth
- 3) Improve productivity and continuously reduce costs
- 4) Enhance personnel training and on-site capabilities
- 5) Generate greater Group synergy by sharing management resources

Numerical Targets (to be achieved by March 2009)

1) Consolidated ordinary income:

¥55.0 billion

2) Consolidated return on assets (ROA)*:

9.0 percent or higher

3) Consolidated debt/equity (D/E) ratio:

0.6 or less

* In *Kyoso 2008*, Return on assets = Ordinary income / Average total assets

For fiscal 2005, MGC decided to pay a year-end dividend of ¥6.00 per share, comprehensively taking into consideration various conditions including performance and retained earnings. The interim dividend was ¥4.00 per share. Therefore, annual dividends per share totaled ¥10.00, an increase of ¥4.00 over the previous fiscal year.

From *Kyoso 2005* to *Kyoso 2008*

Aiming to move the MGC Group toward high profitability through acceleration of structural reforms, MGC has been implementing its medium-term management plan, *Kyoso 2005*, since fiscal 2003. In fiscal 2005, the final year of *Kyoso 2005*, MGC once again achieved profit that surpassed the plan's targets due to a continued focus on measures to

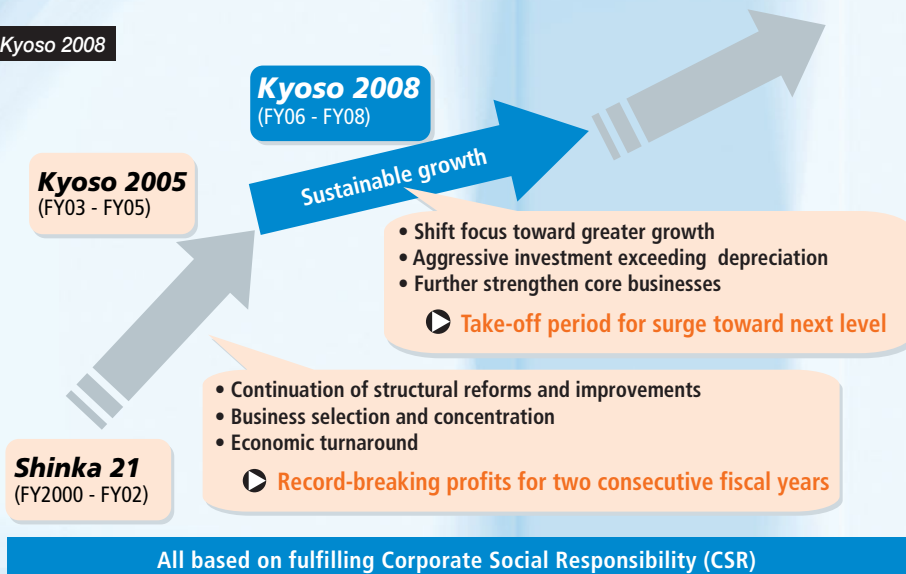
strengthen its corporate structure and the upturn in the economy.

Based on the above-mentioned achievements, in April 2006 MGC initiated its new medium-term management plan, *Kyoso 2008*, as the second stage toward achieving further growth. The basic strategies under *Kyoso 2008* are shown above.

Efforts to achieve sustainable growth are premised on cultivating the trust of stockholders, customers, local communities, employees and all other stakeholders through an enhanced Group-wide internal control system and fulfilling corporate social responsibilities.

Based on these premises, MGC will work to further strengthen core businesses by concentrating management

Positioning of *Kyoso 2008*



resources in fields where the MGC Group has a competitive advantage. In commodities such as methanol and polycarbonate, where strong demand is expected, the Company will deploy a differentiation strategy to strengthen the value chain and aggressively establish and expand production bases centered in Asia. In electronics, environment-related, life science and other fields where rapid growth is expected, MGC will maximize use of Group management resources such as the newly developed domestic R&D organization to actively launch specialty products with high added value.

Shifting focus toward greater growth will require a stronger management infrastructure. Priority issues include building a responsive financial framework, improving productivity, reducing costs, training personnel and transferring

skills, and generating greater Group synergy. By addressing these issues, the MGC Group will work together to strengthen its corporate structure.

In closing, we would like to thank our stockholders and investors for their continuing support and cooperation.

July 2006

A. Ohira

Akira Ohira
Chairman

Hideki Odaka

Hideki Odaka
President

Corporate Social Responsibility Activities

The MGC Group Vision is “to achieve sustainable growth while contributing to society in every aspect of its highly profitable, research-driven operations.” To realize this vision and maximize corporate value, MGC is establishing a sound, highly transparent management structure and taking aggressive measures for safety and environmental preservation. In addition, MGC conducts activities to contribute to the community and society as a whole.

Strengthening Corporate Governance

MGC practices efficient management. The Company has adopted an executive officer system and positioned the Board of Directors as the organization responsible for deciding important management issues, including basic policies, and for overseeing business execution. This has strengthened governance and enhanced the operational framework by clarifying functions and responsibilities. MGC has also adopted an internal company system for its business divisions, which has clarified responsibility for performance.

MGC has adopted the auditor system, with a Board of Corporate Auditors consisting of four auditors. Among these auditors, three are corporate statutory auditors and two are outside auditors. In addition, MGC assigns a full-time staff to the auditors. The auditors attend meetings of the Board of Directors and other important meetings, perform audits of each division, and conduct surveys of subsidiaries. In addition, they work to stay abreast of the state of business execution, ensure the rationality of decision-making processes and compliance with the law and corporate ethics, and perform audits on the state of business execution.

MGC has also adopted an executive officer system that clarifies management decision-making and oversight on the one hand and business execution functions on the other.

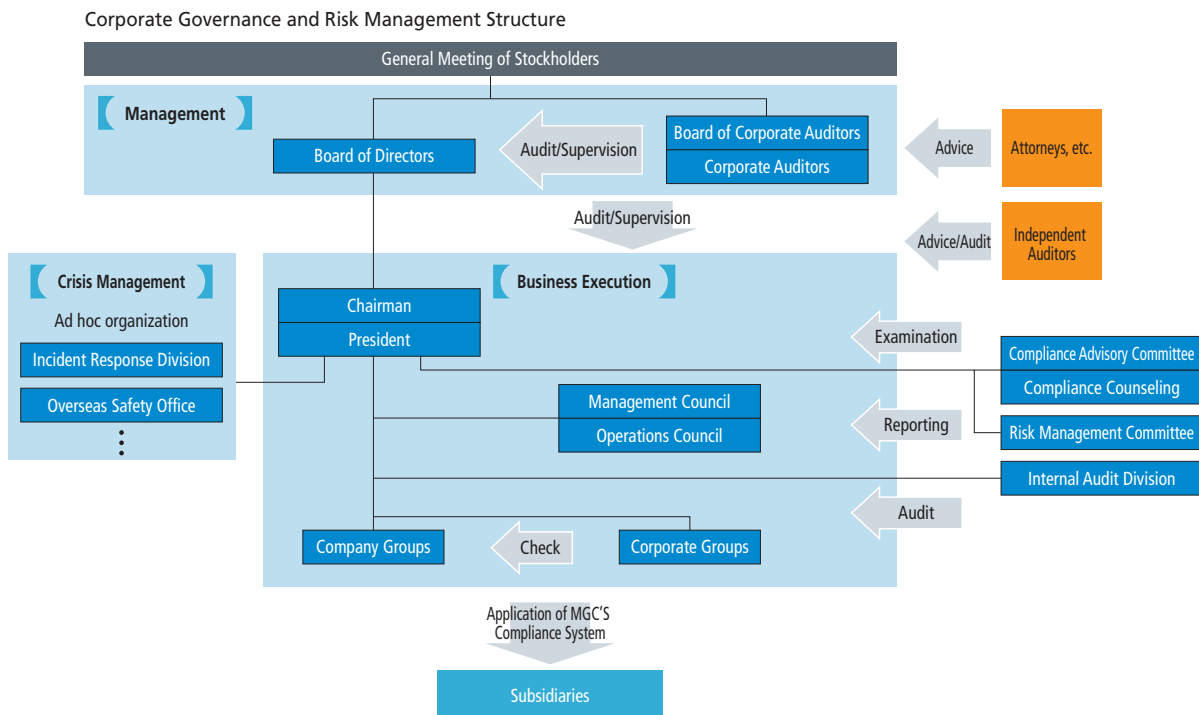
The Board of Directors decides important management matters including basic policies and issues specified by law or the Company’s articles of incorporation, and oversees business execution, while executive officers are in charge of business execution.

Decisions on matters that have a significant impact on the Company are made after multilateral consideration. Management policies are discussed at management meetings and specific action plans are deliberated in executive officer meetings.

In this way, MGC aims to enhance the transparency and fairness of management through audits performed by the Board of Corporate Auditors and oversight performed by the Board of Directors while streamlining decision-making in business execution.

In addition, MGC receives advice as necessary concerning management decision-making and business execution from independent auditors, lawyers and other experts.

Director candidates are selected based on their past perfor-



mance, insight and other aspects that attest to their suitability for the position. Directors receive compensation commensurate with the duties they perform, based on the Company's compensation regulations and within the bounds set by the General Meeting of Shareholders. In fiscal 2005, compensation paid to directors and corporate auditors and to the Company's independent auditors, was as follows.

.....	
Corporate officers:	
Compensation paid to directors	¥283 million
Compensation paid to corporate auditors	¥52 million
Total	¥336 million
Independent auditors:	
Compensation paid pursuant to Article 2, Paragraph 1 of the Certified Public Accountants Law	¥37 million
.....	

To enhance internal control systems and improve management efficiency, MGC has established an Internal Audit Division with one full-time member and six members with duties in other sections who conduct internal audits based on yearly plans to check whether the Company's operations are being executed appropriately. The Internal Audit Division takes a unified approach in its operations, applying MGC's internal control systems to all Group companies for which MGC bears ultimate management responsibility.

As for risk management in its business operations, MGC uncovers and evaluates various risks inherent in the aforementioned business execution and internal control system and takes appropriate measures to prevent, avoid, mitigate and transfer risk. In the event that a major risk materializes, MGC will form an ad hoc organization to deal with it in line with internal regulations.

Ensuring Full Compliance

Thorough compliance is key to gaining the trust of society in corporate activities. MGC takes a proactive position in responding to social needs that goes beyond mere adherence to laws and internal regulations, and believes that compliance must be understood more broadly to mean conducting fair, transparent and free business based on an awareness of a corporation's responsibility to society. In fiscal 2004, MGC established its Compliance Rules to put compliance-oriented management into practice. The Compliance Rules supplement the Directives for Corporate Actions, established in 1997, to ensure that the MGC compliance structure covers all Group companies. In addition, MGC created an explanatory pamphlet distributed to employees of MGC and Group companies to ensure understanding of the compliance system.

Responsible Care

In support of the concepts of sustainable development and building a recycling-based society, MGC participated in the establishment of the Japan Responsible Care Council in 1995 and enacted its Declaration of the Implementation of Responsible Care Activities in 1997. Since then, MGC has positioned Responsible Care as the cornerstone of environmental protection and safety in all its activities.

The highest level decision-making body in MGC's Responsible Care promotion system is the Environment and Safety Meeting, which is chaired by the President and composed of the heads of each internal company and workplace. In this meeting, the members discuss and approve fundamental policies, medium-term plans and annual activity plans. Each workplace makes annual activity plans and carries out concrete activities based on these policies. In 2006, a new medium-term Responsible Care plan commenced, covering the period from 2006 to 2010.

MGC also focuses on developing environmentally friendly products. Although the number of products supplied directly to consumers is not large, the Company is working proactively to develop products and technologies that conserve energy and resources, have a low environmental impact, reduce waste and offer other environment-conscious features.

In addition, MGC discloses the contents of its Responsible Care activities widely to society through its Environmental Report and its web site. For further details on MGC's responsible care and environmental care activities, see

<http://www.mgc.co.jp/>

Social Contribution Activities

MGC has acquired ISO 14001 certification for all its plants. Based on their respective environmental policies, each plant conducts regular landscaping activities for the surrounding area, disaster prevention training in collaboration with local communities, and facility tours for local citizens and students, as well as opening its health and welfare facilities to the public and participating in community events.

Board of Directors, Corporate Auditors and Executive Officers

(As of June 29, 2006)



Representative Director,
Chairman

Akira Ohira



Representative Director,
President

Hideki Odaka



Representative Director,
Senior Managing
Executive Officer

Yasuhiko Kijima

Administrative Management of
Research and Technology
Development Division,
Corporate Communications Division,
Information & Advanced Materials
Company



Representative Director,
Senior Managing
Executive Officer

Shoji Uematsu

Administrative Management of
Internal Audit Division,
Environment and Safety Division,
Compliance Advisory Committee,
Natural Gas Chemicals Company

Directors, Managing Executive Officers

Kazuo Sakai

Administrative Management of
Finance and Accounting Center,
Purchasing and Logistics Center

Yoshishige Yamazaki

Administrative Management of
Corporate Planning Division,
Aromatic Chemicals Company

Kazuhiro Miyasaka

President of Information &
Advanced Materials Company
General Manager, Electronics
Materials Division

Toshikazu Umemura

President of Specialty Chemicals
Company

Kuniaki Kawakami

Administrative Management of
General Affairs, Risk Management
and Personnel Center
General Manager, General Affairs
and Personnel Center

Kozo Tsukamoto

President of Aromatic Chemicals
Company
General Manager, Aromatic
Chemicals Division II

Corporate Auditors

Yukio Ikeda

Takao Kawaki

Outside Corporate Auditors

Ichiei Noguchi

Wataru Taguchi

Executive Officers

Norio Hakuta

President of JAPAN FINECHEM
COMPANY, INC.

Yuh Miyauchi

Plant Manager, Yokkaichi Plant,
Specialty Chemicals Company

Yasuo Sugihara

Administrative Management of
Maintenance Center
Deputy Administrative Management
of Environment and Safety Division

Kunio Oya

General Manager, Purchasing and
Logistics Center

Kuniaki Ageishi

President of Natural Gas
Chemicals Company

Jun Hata

General Manager, Finance and
Accounting Center

Makoto Mizutani

Plant Manager, Kashima Plant,
Specialty Chemicals Company

Jun Nakao

General Manager, Engineering
Plastics Division, Specialty
Chemicals Company

Norio Konishi

General Manager, Methanol &
DME Project Division, Natural Gas
Chemicals Company

Toshikiyo Kurai

General Manager, Inorganic
Chemicals Division, Specialty
Chemicals Company

Masami Orisaku

General Manager, Research &
Technology Development Division
General Manager, MGC Chemical
Analysis Center

Yukio Sakai

General Manager, Planning &
Development Division
General Manager, Aromatic
Chemicals Division I, Aromatic
Chemicals Company

Executive General Managers

Hidefumi Omuta

General Manager, Energy &
Resources Division, Natural Gas
Chemicals Company

Kouzou Yamane

President of JAPAN CIRCUIT
INDUSTRIAL CO., LTD.

Business Segments

Major Products

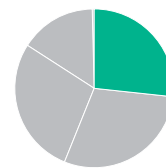
Share of Sales (Year ended March 31, 2006)

Natural Gas Chemicals



The strongly linked businesses in this segment start with natural gas, and extend to commodity chemicals such as methanol, ammonia and formaldehyde and organic chemicals derived from these commodity chemicals. Other business areas include development of life-science products and exploration of gas fields in Japan, and supply of geothermal heat and steam for thermal power production.

- **Methanol**
- **Methanol and ammonia derivatives:**
Formalin, ammonia, amines, methyl methacrylate, methacrylic acid esters, dimethyl ether, polyols, etc.
- **Enzymes and coenzymes:**
Coenzyme Q₁₀, catalase, etc.
- **Energy:**
Natural gas, crude oil, etc.



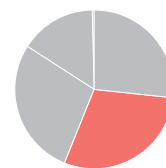
26.7%

Aromatic Chemicals



The Aromatic Chemicals segment develops various chemicals, mainly based on xylene isomers. Applications include products integral to people's everyday lives, such as textiles, paints, fragrances, bottles for drinks, food packaging materials and automotive parts. Its lineup of materials and final products spans a comprehensive range from commodity chemicals to fine chemicals.

- **Commodity aromatic products:**
Meta-xylene, para-xylene, ortho-xylene, purified terephthalic acid, phthalic anhydride, plasticizers, etc.
- **Specialty aromatic products:**
MXDA, Nylon-MXD6, trimellitic anhydride, pyromellitic dianhydride, purified isophthalic acid, etc.



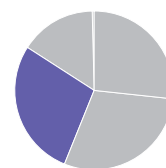
29.4%

Specialty Chemicals



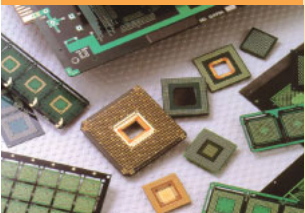
The inorganic chemicals business handles hydrogen peroxide, hydrogen peroxide derivatives, electronic chemicals for applications such as semiconductors, liquid crystals and printed wiring boards, and plastic lens monomers with a high refraction index. The engineering plastics business has adopted a global perspective, supplying a wide range of engineering plastics from polycarbonates to modified high heat-resistant plastics.

- **Inorganic chemicals:**
Hydrogen peroxide, sodium hydrosulfite, sodium percarbonate, persulfates, water treatment agents, etc.
- **Electronic chemicals:**
Super-pure hydrogen peroxide, chemical polishing fluids, ELM clean[®] cleaners for the electronics industry, etc.
- **Engineering plastics:**
Polycarbonate resin, polyacetal resin, polyphenylene ether resin, Nylon-MXD6, polycarbonate sheet and film, etc.



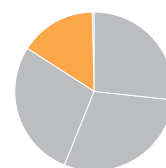
28.0%

Information & Advanced Materials



The electronic materials business supplies a wide range of products based on high-performance epoxy resins and BT resins, an original MGC material, including printed wiring boards, shield boards and materials for semiconductor packaging. In the oxygen absorbers business, MGC is a leading producer of products for use in food products and various other applications including pharmaceutical and medical products.

- **Printed circuit board materials:**
Epoxy resin-based copper-clad laminates, BT resin-based copper-clad laminates, LE Sheet, etc.
- **Printed circuit boards**
- **AGELESS[®], etc.**



15.5%

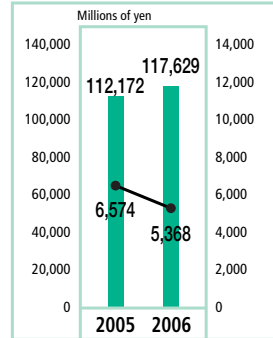
Note: The Share of Sales total does not equal 100% because the Other Businesses segment has been omitted.

Natural Gas Chemicals



Kuniaki Ageishi
Company President

Net Sales / Operating Income



■ Net Sales
● Operating Income

Major Events in Fiscal 2005

- June 2005:** Announced plans for a fifth methanol plant at SAUDI METHANOL COMPANY (AR-RAZI)
- August 2005:** Announced plans to expand production facilities for Coenzyme Q₁₀
- September 2005:** Announced plans to form a joint venture in the polyols business
- October 2005:** Announced plans for methanol derivatives business in Nanjing, China
- November 2005:** Executed a joint venture agreement toward establishment of a methanol production company in Brunei Darussalam

Net sales of the Natural Gas Chemicals segment increased ¥5,457 million year-on-year to ¥117,629 million, and operating income decreased ¥1,206 million to ¥5,368 million.

International prices for methanol, which had maintained a high level, softened briefly due to the impact of increased production in China. However, prices rose again from the second half of the fiscal year as brisk demand, together with a halt in production at overseas plants due to high natural gas prices and delays in the startup of new plants, led to a tightening of supply and demand. As a result, sales of methanol increased year-on-year, although higher costs led to a slight decrease in earnings. Firm sales at MGC's overseas methanol manufacturing subsidiaries continued from the previous fiscal year, supported by the high price of methanol.

Sales of methanol and ammonia derivatives rose slightly year-on-year, with strong overall performance offsetting an

increase in the price of methanol and other raw materials and fuel and a slump in the Chinese market for certain products. To strengthen the foundation and enhance the global competitiveness of its polyols business, MGC jointly established POLYOLS ASIA CO., LTD. with its raw material supplier Mitsubishi Chemical Corporation. POLYOLS ASIA began operating in November 2005. In addition, MGC established a new company to produce and sell amines in China, where demand is expected to grow significantly.

In life-science products, strong demand for Coenzyme Q₁₀ continued.

Sales and earnings of natural gas and other energies increased as a result of continuing high market prices for crude oil.

Sales and earnings of JAPAN PIONICS CO., LTD., which manufactures and sells gas purification equipment and body warmers, declined due to weak demand in the first half.

Topics

International Development of the Methanol Business

MGC is one of the leading companies in the methanol business. The Company currently produces a total of approximately 4 million tonnes annually at AR-RAZI (Saudi Arabia) and Metor (Venezuela), and has plans to expand and build new production facilities. Construction has already begun on a fifth plant at AR-RAZI. Scheduled to begin operation during 2008, it will produce 1.7 million tonnes of methanol annually. With the completion of this plant, AR-RAZI will have an annual methanol production capacity of 5 million tonnes, one of the largest in the world. At Metor in Venezuela, basic engineering is under way to construct a second plant. In Brunei Darussalam, MGC established the joint-venture methanol manufacturer BRUNEI METHANOL COMPANY SDN. BHD. in March 2006 toward commencement of production in 2009. In Chongqing, China, a feasibility study is in progress to determine commercial viability of another project.

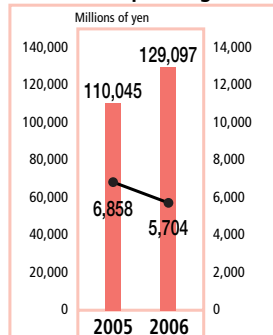


Aromatic Chemicals



Kozo Tsukamoto
Company President

Net Sales / Operating Income



■ Net Sales
● Operating Income

Major Events in Fiscal 2005

- October 2005:** Agreed to form an alliance in the para-xylene business
- February 2006:** Agreed to merge and absorb subsidiary JAPAN PHTHALIC CO., LTD., which manufactures and sells phthalic anhydride
- Announced plans to construct a new MXDA plant

Net sales of the Aromatic Chemicals segment increased ¥19,052 million year-on-year to ¥129,097 million, and operating income decreased ¥1,154 million to ¥5,704 million.

Sales of para-xylene and other commodity aromatic chemicals increased significantly due to higher selling prices that reflected the higher price of the raw material xylene. However, a large drop in the selling price of benzene following a sharp rise two years earlier resulted in lower earnings year-on-year. In the para-xylene business, MGC formed an alliance with NIPPON OIL CORPORATION and began jointly operating a manufacturing company in April 2006.

Sales and earnings of specialty aromatic chemicals, which include meta-xylenediamine (MXDA) and Nylon-MXD6, increased year-on-year due to an increase in sales volume of MXDA and other products, although higher raw material prices reduced profitability and sales volume decreased for some products. In the United States, MGC's Nylon-MXD6 manufacturing subsidiary MGC ADVANCED POLYMERS, INC. began operations. Supported by solid expansion of demand, sales and earnings increased at A.G. INTERNATIONAL CHEMICAL COMPANY, INC., a subsidiary that produces and sells isophthalic acid.

Topics

Restructuring the Xylene Business

MGC's xylene business is centered on meta-xylene, para-xylene and ortho-xylene, which are produced through separation and isomerization of mixed xylene, and their derivatives. Among these products, MGC is a leading global producer of meta-xylene and its derivatives. To further concentrate on and differentiate its xylene business from competitors, MGC formed an alliance with NIPPON OIL CORPORATION in the para-xylene business and decided to construct a new MXDA plant.

Among meta-xylene derivatives, demand is expanding for Nylon-MXD6 as a gas barrier resin, for MXDA, which is used in such materials as epoxy curing agents, and for isophthalic acid, which is used as an ingredient in engineering plastics and for other applications.

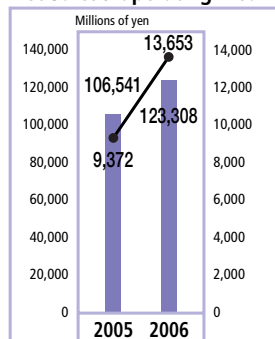


Specialty Chemicals



Toshikazu Umemura
Company President

Net Sales / Operating Income



■ Net Sales
● Operating Income

Major Events in Fiscal 2005

September 2005: Announced the integration of the polycarbonate sheet and film business

November 2005: Announced plans to acquire stock of SHINSANSO KAGAKU CO., LTD., which manufactures and sells hydrogen peroxide.

Decided to increase polyphenylene ether production capacity of manufacturing joint venture POLYXYLENOL SINGAPORE PTE. LTD.

Net sales of the Specialty Chemicals segment increased ¥16,767 million year-on-year to ¥123,308 million, and operating income increased ¥4,281 million to ¥13,653 million.

Overall sales of inorganic chemicals were unchanged from the previous fiscal year. Although demand for hydrogen peroxide grew for applications such as non-chlorine bleaching of pulp and paper, other products in this category met with intense competition from imported products.

Sales and earnings of electronic chemicals, including overseas subsidiaries, increased year-on-year due to strong domestic sales and exports by customers in the semicon-

ductor and electronic components industries that improved further during the second half, in addition to a steady increase in deliveries to new production lines.

Sales of engineering plastics increased year-on-year despite a rise in raw material prices, supported by steady sales growth of polycarbonate, polyacetal and other products to the electric, electronic and automotive industries, which are the primary users. The polycarbonate sheet and film business of MGC FILSHEET CO., LTD., a new subsidiary established through the integration of MGC's Osaka Plant with subsidiary FUJI KASEI CO., INC., recorded an increase in sales volume for use in flat-panel displays.

Topics

Electronic Chemicals

MGC is a leading global manufacturer of electronic chemicals. MGC's electronic chemicals are high-purity cleaning and stripping agents necessary for the production of silicon wafers, semiconductor devices, liquid crystals and other electronic components. Products such as super-pure hydrogen peroxide and ELM clean[®] have a high reputation internationally and are widely used by manufacturers.

Polycarbonate Sheet and Film

To strengthen its polycarbonate sheet and film business, MGC established a new subsidiary, MGC FILSHEET CO., LTD., by integrating the operations of its Osaka Plant with manufacturing subsidiary FUJI KASEI CO., INC. Marketed under the trade name Lupilon[®], the MGC Group's sheet and film products are widely used in everything from generic applications such as building construction and industrial materials to advanced product applications including displays and eye care.

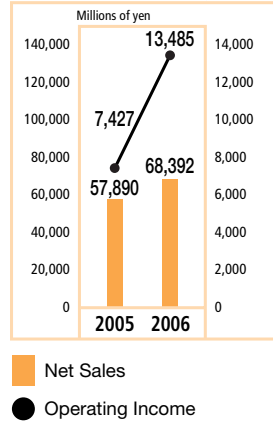


Information & Advanced Materials



Kazuhiro Miyasaka
Company President

Net Sales / Operating Income



Major Events in Fiscal 2005

April 2005: ELECTROTECHNO CO., LTD. completed production capacity expansion work

Net sales of the Information & Advanced Materials segment increased ¥10,502 million year-on-year to ¥68,392 million, and operating income increased ¥6,058 million to ¥13,485 million.

Sales of printed wiring board materials increased steadily, including sales of manufacturing subsidiary ELECTROTECHNO CO., LTD. Contributing factors included strong sales for semiconductors used in digital equipment, increasing sophistication of mobile phone handsets and growth in memory applications. Sales volume of LE Sheet, an entry sheet used to make good quality holes in mechanical drilling of printed wiring boards, also increased. Sales of highly complex substrates and

related products also grew steadily with the start of new facility operations at subsidiary JAPAN CIRCUIT INDUSTRIAL CO., LTD., which handles products for printed wiring boards.

Demand for high-performance materials has grown with the increasing sophistication of digital appliances and other devices. MGC has therefore decided to discontinue the production and sale of commodity materials from December 2006 in order to specialize in high-performance materials.

Despite intensifying competition in the core field of food, sales of AGELESS® and other oxygen absorbers increased slightly compared with the previous fiscal year due to strong sales for non-food applications.

Topics

Printed Wiring Board Materials

Construction to expand production facilities at ELECTROTECHNO CO., LTD. has been completed and commercial operations began in spring 2005. With this expansion, ELECTROTECHNO increased its monthly production capacity 40 percent from 500 thousand m² to 700 thousand m².

MGC develops BT resin- and epoxy resin-based materials for printed wiring boards. BT resin is an original material developed by MGC. Printed wiring board materials made with BT resin offer superior heat resistance and high-frequency characteristics, and therefore have a large share of the market for semiconductor packaging and high-frequency circuit applications. Such materials are essential for making smaller, high-performance mobile phones, digital cameras and other electronic devices.

High-performance epoxy materials developed by MGC are also used in communications infrastructure equipment, information equipment and semiconductor testing devices.



Other

Net sales of the Other segment decreased ¥537 million year-on-year to ¥1,404 million, and operating income increased ¥62 million to ¥401 million.

Six-Year Summary

Mitsubishi Gas Chemical Company, Inc. and Consolidated Subsidiaries
For the years ended March 31, 2006, 2005, 2004, 2003, 2002 and 2001

	Millions of yen					
	2006	2005	2004	2003	2002	2001
For the year:						
Net sales.....	¥439,830	¥388,589	¥340,711	¥312,119	¥275,710	¥323,076
Chemical products.....	—	223,952	188,984	176,747	157,792	169,578
Advanced materials	—	138,976	127,991	110,201	99,809	135,522
Other products	—	25,661	23,736	25,171	18,109	17,976
Natural Gas Chemicals.....	117,629	112,172	—	—	—	—
Aromatic Chemicals.....	129,097	110,045	—	—	—	—
Specialty Chemicals	123,308	106,541	—	—	—	—
Information and Advanced Materials ..	68,392	57,890	—	—	—	—
Other.....	1,404	1,941	—	—	—	—
Gross profit	87,136	75,363	55,711	45,159	36,169	55,171
Selling, general and administrative expenses	48,166	44,494	40,776	43,252	42,955	43,018
Operating income (loss)	38,970	30,869	14,935	1,907	(6,786)	12,179
Net income (loss)	32,944	23,349	10,622	(474)	(4,235)	7,285
R&D expenses.....	10,702	10,726	10,516	11,542	11,910	12,473
Capital expenditures	17,484	18,591	12,505	15,796	30,007	23,271
Depreciation and amortization.....	18,759	19,430	19,519	20,113	18,974	20,093
At year end:						
Total assets.....	¥564,484	¥494,577	¥475,117	¥458,137	¥466,763	¥486,970
Current assets.....	242,255	208,365	191,775	180,343	176,950	208,505
Current liabilities.....	221,650	197,045	199,885	193,765	175,349	191,014
Working capital	20,605	11,320	(8,110)	(13,422)	1,601	17,491
Stockholders' equity	251,203	203,307	180,524	161,859	174,743	175,280
Interest-bearing debt	161,806	167,059	184,299	193,999	191,359	188,620
Per share of common stock (Yen):						
Net income (loss)—basic.....	¥ 70.98	¥ 50.41	¥ 22.91	¥ (1.05)	¥ (8.79)	¥ 15.07
Net income—diluted	—	—	—	—	—	15.02
Stockholders' equity	543.12	439.60	390.23	349.93	367.69	362.54
Cash dividends	10.00	6.00	4.00	3.00	3.00	4.00
Ratios:						
Gross profit margin (%).....	19.8	19.4	16.4	14.5	13.1	17.1
Operating income margin (%)	8.9	7.9	4.4	0.6	—	3.8
Return on sales (%)	7.5	6.0	3.1	—	—	2.3
Return on assets (ROA) (%).....	6.2	4.8	2.3	(0.1)	(0.9)	1.5
Return on equity (ROE) (%).....	14.5	12.2	6.2	(0.3)	(2.4)	4.2
Current ratio (times)	1.09	1.06	0.96	0.93	1.01	1.09
Stockholders' equity ratio (%).....	44.5	41.1	38.0	35.3	37.4	36.0
Number of employees.....	4,466	4,426	4,537	4,729	4,667	5,072

Notes: 1. Cash dividends for each year represent the total of the interim dividend and the fiscal year-end dividend approved at the General Meeting of Stockholders held after the fiscal year end.

2. Diluted net income per share is not presented for 2002 although there was an issue of convertible bonds, because the company recorded a net loss for the year. Diluted net income per share for 2003, 2004, 2005 and 2006 is not presented because there were no residual securities such as bonds with stock options or warrants.

3. Return on assets = Net income / Average total assets

Management's Discussion and Analysis

Sales and Income

During the year ended March 31, 2006, sales of electronic chemicals, engineering plastics and other specialty chemicals to the electrical, electronics and other industries were strong, as were sales of materials for printed wiring boards, supported by the increasingly advanced functions of mobile phones and the growth of memory applications. As a result, consolidated net sales for the year increased ¥51,241 million from the previous fiscal year to ¥439,830 million, and operating income increased ¥8,101 million to ¥38,970 million.

Net other income was ¥5,152 million, compared to net other expenses of ¥1,525 million in the previous fiscal year. The primary factors in this change were an increase in equity in earnings of affiliates, particularly an overseas methanol producing company, and a decrease in restructuring charges associated with restructuring of the Information & Advanced Materials business and the reorganization of research laboratories. Income before income taxes and minority interests therefore increased ¥14,778 million from the previous fiscal year to ¥44,122 million. Net income increased ¥9,595 million year-on-year to ¥32,944 million.

Performance by Business Segment

Natural Gas Chemicals Segment

International prices for methanol, which had maintained a high level, softened briefly due to the impact of increased production in China. However, prices rose again from the second half of the fiscal year as brisk demand, together with a halt in production at overseas plants due to high natural gas prices and delays in the startup of new plants, led to a tightening of supply and demand. As a result, sales of methanol increased year-on-year, although higher costs led to a slight decrease in earnings. Firm sales at MGC's overseas methanol manufacturing subsidiaries continued from the previous fiscal year, supported by the high price of methanol.

Sales of methanol and ammonia derivatives rose slightly year-on-year, with strong overall performance offsetting an increase in the price of methanol and other raw materials and fuel and a slump in the Chinese market for certain products. To strengthen the foundation and enhance the global competitiveness of its polyols business, MGC jointly established POLYOLS ASIA CO., LTD. with its raw material supplier Mitsubishi Chemical Corporation. POLYOLS ASIA began operating in November 2005. In addition, MGC established a new company to produce and sell amines in China, where demand is expected to grow significantly.

In life-science products, strong demand for Coenzyme Q10 continued.

Sales and earnings of natural gas and other energies increased as a result of continuing high market prices for crude oil.

Sales and earnings of JAPAN PIONICS CO., LTD., which manufactures and sells gas purification equipment and body warmers, declined due to weak demand in the first half.

As a result, net sales of the Natural Gas Chemicals segment increased ¥5,457 million year-on-year to ¥117,629 million, and operating income decreased ¥1,206 million to ¥5,368 million.

Aromatic Chemicals Segment

Sales of para-xylene and other commodity aromatic chemicals increased significantly due to higher selling prices that reflected the higher price of the raw material xylene. However, a large drop in the selling price of benzene following a sharp rise two years earlier resulted in lower earnings year-on-year. In the para-xylene business, MGC formed an alliance with NIPPON OIL CORPORATION and began jointly operating a manufacturing company in April 2006.

Sales and earnings of specialty aromatic chemicals, which include meta-xylenediamine (MXDA) and Nylon-MXD6, increased year-on-year due to an increase in sales volume of MXDA and other products, although higher raw material prices reduced profitability and sales volume decreased for some products. In the United States, MGC's Nylon-MXD6 manufacturing subsidiary MGC ADVANCED POLYMERS, INC. began operations. Supported by solid expansion of demand, sales and earnings increased at A.G. INTERNATIONAL CHEMICAL COMPANY, INC., a subsidiary that produces and sells isophthalic acid.

As a result, net sales of the Aromatic Chemicals segment increased ¥19,052 million year-on-year to ¥129,097 million, and operating income decreased ¥1,154 million to ¥5,704 million.

Specialty Chemicals Segment

Overall sales of inorganic chemicals were unchanged from the previous fiscal year. Although demand for hydrogen peroxide grew for applications such as non-chlorine bleaching of pulp and paper, other products in this category met with intense competition from imported products.

Sales and earnings of electronic chemicals, including overseas subsidiaries, increased year-on-year due to strong domestic sales and exports by customers in the semiconductor and electronic components industries that improved further during the second half, in addition to a steady increase in deliveries to new production lines.

Sales of engineering plastics increased year-on-year despite a rise in raw material prices, supported by steady sales growth of polycarbonate, polyacetal and other products to the electric, electronic and automotive industries, which are the primary users. The polycarbonate sheet and film business of MGC FILSHEET CO., LTD., a new subsidiary established through the

integration of MGC's Osaka Plant with subsidiary FUJI KASEI CO., INC., recorded an increase in sales volume for use in flat-panel displays.

As a result, net sales of the Specialty Chemicals segment increased ¥16,767 million year-on-year to ¥123,308 million, and operating income increased ¥4,281 million to ¥13,653 million.

Information & Advanced Materials Segment

Sales of printed wiring board materials increased steadily, including sales of manufacturing subsidiary ELECTROTECHNO CO., LTD. Contributing factors included strong sales for semiconductors used in digital equipment, the increasing sophistication of mobile phone handsets and growth in memory applications. Sales volume of LE Sheet, an entry sheet used to make good quality holes in mechanical drilling of printed wiring boards, also increased. Sales of highly complex substrates and related products also grew steadily with the start of new facility operations at subsidiary JAPAN CIRCUIT INDUSTRIAL CO., LTD., which handles products for printed wiring boards.

Demand for high-performance materials has grown with the increasing sophistication of digital appliances and other devices. MGC has therefore decided to discontinue the production and sale of commodity materials from December 2006 in order to specialize in high-performance materials.

Despite intensifying competition in the core field of food, sales of AGELESS® and other oxygen absorbers increased slightly compared with the previous fiscal year due to strong sales for non-food applications.

As a result, net sales of the Information & Advanced Materials segment increased ¥10,502 million year-on-year to ¥68,392 million, and operating income increased ¥6,058 million to ¥13,485 million.

Other Segment

Net sales of the Other segment decreased ¥537 million year-on-year to ¥1,404 million, and operating income increased ¥62 million year-on-year to ¥401 million.

Liquidity and Financial Position

On a consolidated basis, cash and cash equivalents at the end of the year increased ¥11,893 million from a year earlier to ¥40,590 million.

Net cash provided by operating activities increased ¥6,937 million from the previous fiscal year to ¥36,056 million, primarily because of a significant increase in income before income taxes and minority interests.

Net cash used in investing activities decreased ¥434 million

to ¥15,196 million. The main uses of cash were capital expenditures of ¥17,687 million and purchases of investments in securities totaling ¥6,746 million.

Net cash used in financing activities decreased ¥6,611 million to ¥9,925 million. The primary reasons for this change were an increase in proceeds from long-term debt and a decrease in short-term debt as well as decreased payments on long-term debt.

Current assets at March 31, 2006 increased to ¥242,255 million from ¥208,365 million from a year earlier. The change was mainly due to an increase in trade notes and accounts receivable reflecting the increase in net sales, as well as an increase in short-term investments. Net property, plant and equipment decreased to ¥148,244 million from ¥153,743 million a year earlier, mainly because of a decrease in construction in progress. Investments and other assets increased to ¥170,714 million compared to ¥128,801 million a year earlier due to increased investments in securities, including investments in affiliates. As a result, total assets increased to ¥564,484 million from ¥494,577 million a year earlier.

Current liabilities totaled ¥221,650 million, compared to ¥197,045 million a year earlier. Total non-current liabilities were ¥83,495 million, compared to ¥87,006 million a year earlier. Interest-bearing debt, consisting of short-term debt and current installments of long-term debt plus long-term debt, decreased to ¥161,806 million from ¥167,059 million a year earlier. Total stockholders' equity was ¥251,203 million, compared to ¥203,307 million at the end of the previous fiscal year. The main factors contributing to the increase in stockholders' equity were higher retained earnings due to the increase in net income and a higher net unrealized gain on other securities.

Outlook for the Year Ending March 31, 2007

During the year ending March 31, 2007, domestic demand is expected to remain solid, while the economy continues on a recovery track. However, factors of concern include the continuation of high crude oil prices and a rise in interest rates. Under these conditions, the MGC Group will continue to deploy an in-depth differentiation strategy for further growth and strengthen the management infrastructure, the basic strategies of the new medium management plan, *Kyoso 2008*.

As a result, MGC forecasts consolidated net sales of ¥449,000 million and net income of ¥33,000 million. These projections are based on an assumed exchange rate of ¥110 = U.S.\$1 for fiscal 2006. Assuming achievement of the above performance forecast, MGC plans to pay an interim dividend and a year-end dividend of ¥5.00 per share each.

Consolidated Statements of Income

Mitsubishi Gas Chemical Company, Inc. and Consolidated Subsidiaries
For the years ended March 31, 2006 and 2005

	Millions of yen		Thousands of U.S. dollars (note 2)
	2006	2005	2006
Net sales (note 15)	¥439,830	¥388,589	\$3,744,190
Cost of sales (note 12)	352,694	313,226	3,002,418
Gross profit.....	87,136	75,363	741,772
Selling, general and administrative expenses (notes 11 and 12).....	48,166	44,494	410,028
Operating income	38,970	30,869	331,744
Other income (deductions):			
Interest income	246	193	2,094
Dividend income	934	615	7,951
Interest expenses (note 15).....	(2,046)	(2,358)	(17,417)
Equity in earnings of affiliates.....	15,123	11,835	128,739
Gain on sale of investments in securities (note 4).....	136	492	1,158
Loss on disposal of inventories	(876)	(1,178)	(7,457)
Loss on sale/disposal of property, plant and equipment	(2,672)	(3,022)	(22,746)
Impairment loss.....	(138)	—	(1,175)
Restructuring charges.....	(3,286)	(5,528)	(27,973)
Other, net.....	(2,269)	(2,574)	(19,316)
	5,152	(1,525)	43,858
Income before income taxes and minority interests	44,122	29,344	375,602
Income taxes (note 8):			
Current	12,229	5,465	104,103
Deferred	(2,316)	(532)	(19,716)
	9,913	4,933	84,387
Income before minority interests	34,209	24,411	291,215
Minority interests	1,265	1,062	10,769
Net income	¥ 32,944	¥ 23,349	\$ 280,446

	Yen		U.S. dollars (note 2)
Per share of common stock (note 1 (q)):			
Net income – basic	¥70.98	¥50.41	\$0.60
Cash dividends applicable to the year	7.50	6.50	0.06

See accompanying notes to consolidated financial statements.

Consolidated Balance Sheets

Mitsubishi Gas Chemical Company, Inc. and Consolidated Subsidiaries
March 31, 2006 and 2005

ASSETS

	Millions of yen		Thousands of U.S. dollars (note 2)
	2006	2005	2006
Current assets:			
Cash (notes 3 and 6).....	¥ 29,396	¥ 24,574	\$ 250,243
Trade notes and accounts receivable (note 15).....	128,559	112,192	1,094,399
Short-term investments (note 4).....	12,396	5,046	105,525
Inventories.....	55,543	51,179	472,827
Deferred income taxes (note 8).....	5,250	5,142	44,692
Other current assets.....	11,596	10,752	98,714
Less allowance for doubtful receivables.....	485	520	4,129
Total current assets.....	242,255	208,365	2,062,271
Property, plant and equipment (note 6):			
Buildings and structures.....	106,489	104,173	906,521
Machinery, equipment and vehicles.....	275,361	276,672	2,344,096
Land.....	23,076	22,825	196,442
Construction in progress.....	9,123	13,666	77,662
Other.....	25,838	27,531	219,954
	439,887	444,867	3,744,675
Less accumulated depreciation.....	291,643	291,124	2,482,702
Net property, plant and equipment.....	148,244	153,743	1,261,973
Intangible assets, net:			
Software.....	1,628	1,531	13,859
Other.....	1,643	2,137	13,987
Net intangible assets.....	3,271	3,668	27,846
Investments and other assets:			
Investments in securities (notes 4 and 5).....	158,749	117,777	1,351,400
Long-term loans receivable.....	3,939	3,239	33,532
Deferred income taxes (note 8).....	2,962	2,622	25,215
Other investments and other assets (note 5).....	5,922	5,776	50,413
Less allowance for doubtful receivables.....	858	613	7,304
Total investments and other assets.....	170,714	128,801	1,453,256
Total assets.....	¥564,484	¥494,577	\$4,805,346

See accompanying notes to consolidated financial statements.

LIABILITIES AND STOCKHOLDERS' EQUITYThousands of
U.S. dollars
(note 2)

	Millions of yen		2006
	2006	2005	
Current liabilities:			
Trade notes and accounts payable.....	¥ 87,455	¥ 75,763	\$ 744,488
Short-term debt and current installments of long-term debt (note 6).....	100,164	93,273	852,677
Accrued expenses (note 15)	11,997	11,932	102,128
Accrued income taxes (note 8)	9,110	3,258	77,552
Accrued bonuses.....	4,005	3,643	34,094
Other current liabilities (note 8)	8,919	9,176	75,926
Total current liabilities	221,650	197,045	1,886,865
Non-current liabilities:			
Long-term debt (notes 6 and 15).....	61,642	73,786	524,747
Liabilities for retirement and severance benefits (note 7).....	10,538	10,429	89,708
Deferred income taxes (note 8)	9,390	1,737	79,935
Other non-current liabilities	1,925	1,054	16,387
Total non-current liabilities	83,495	87,006	710,777
Total liabilities	305,145	284,051	2,597,642
Minority interests	8,136	7,219	69,260
Stockholders' equity:			
Common stock (note 9):			
Authorized 984,856,000 shares; issued and outstanding 483,478,398 shares in 2006 and 2005	41,970	41,970	357,283
Additional paid-in capital (note 9)	35,555	35,539	302,673
Retained earnings (note 10)	154,337	124,928	1,313,842
Surplus on revaluation of land.....	192	192	1,634
Net unrealized gain on other securities (note 4).....	25,980	11,766	221,163
Foreign currency translation adjustments.....	(2,804)	(7,178)	(23,870)
Treasury stock	(4,027)	(3,910)	(34,281)
Total stockholders' equity.....	251,203	203,307	2,138,444
Commitments and contingencies (note 16)			
Total liabilities and stockholders' equity.....	¥564,484	¥494,577	\$4,805,346

Consolidated Statements of Stockholders' Equity

Mitsubishi Gas Chemical Company, Inc. and Consolidated Subsidiaries
For the years ended March 31, 2006 and 2005

	Millions of yen		Thousands of U.S. dollars (note 2)
	2006	2005	2006
Common stock (note 9):			
Balance at beginning of year	¥ 41,970	¥ 41,970	\$ 357,283
Balance at end of year	41,970	41,970	357,283
Additional paid-in capital (note 9):			
Balance at beginning of year	35,539	35,539	302,537
Increase resulting from sale of treasury stock	16	—	136
Balance at end of year	35,555	35,539	302,673
Retained earnings (note 10):			
Balance at beginning of year	124,928	104,650	1,063,489
Increase (decrease) resulting from newly consolidated subsidiaries	2	(48)	17
Decrease resulting from revaluation of property, plant and equipment of a consolidated subsidiary	(140)	—	(1,192)
Cash dividends	(3,468)	(3,007)	(29,522)
Bonuses to directors and corporate auditors	(14)	(16)	(119)
Net income	32,944	23,349	280,446
Other	85	—	723
Balance at end of year	154,337	124,928	1,313,842
Surplus on revaluation of land at end of year	192	192	1,634
Net unrealized gain on other securities at end of year (note 4)	25,980	11,766	221,163
Foreign currency translation adjustments at end of year	(2,804)	(7,178)	(23,870)
Treasury stock at end of year	(4,027)	(3,910)	(34,281)
Total stockholders' equity at end of year	¥251,203	¥203,307	\$2,138,444

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Mitsubishi Gas Chemical Company, Inc. and Consolidated Subsidiaries
For the years ended March 31, 2006 and 2005

	Millions of yen		Thousands of U.S. dollars (note 2)
	2006	2005	2006
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 44,122	¥ 29,344	\$ 375,602
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	18,759	19,430	159,692
Loss on sale/disposal of property, plant and equipment	2,703	2,404	23,010
Impairment loss	138	—	1,175
Restructuring charges	2,170	5,528	18,473
Equity in earnings of affiliates	(15,123)	(11,835)	(128,739)
Allowance for doubtful receivables	(111)	(35)	(945)
Increase (decrease) in liabilities for retirement and severance benefits	32	(1,179)	272
Interest and dividend income	(1,180)	(808)	(10,045)
Interest expenses	2,046	2,358	17,417
Gain on sale of short-term investments and investments in securities	(155)	(497)	(1,320)
Loss on devaluation of short-term investments and investments in securities	77	154	655
Increase in trade notes and accounts receivable	(12,262)	(15,128)	(104,384)
Increase in inventories	(5,268)	(4,446)	(44,846)
Increase in trade notes and accounts payable	7,146	6,367	60,833
Bonuses to directors and corporate auditors	(22)	(20)	(187)
Other, net	549	3,014	4,674
Sub total	43,621	34,651	371,337
Interest and dividend received	1,183	821	10,071
Interest paid	(2,021)	(2,379)	(17,204)
Income taxes paid	(6,727)	(3,974)	(57,266)
Net cash provided by operating activities	36,056	29,119	306,938
Cash flows from investing activities:			
Purchase of short-term investments	(279)	(202)	(2,375)
Proceeds from sale of short-term investments	59	88	502
Capital expenditures	(17,687)	(16,063)	(150,566)
Proceeds from sale of property, plant and equipment	2,761	1,090	23,504
Purchase of investments in securities	(6,746)	(2,427)	(57,427)
Proceeds from sale and capital reduction of investments in securities	1,473	2,654	12,539
Increase in long-term loans receivable	(914)	(6,192)	(7,781)
Other, net	6,137	5,422	52,243
Net cash used in investing activities	(15,196)	(15,630)	(129,361)
Cash flows from financing activities:			
Increase (decrease) in short-term debt	(9,085)	6,827	(77,339)
Proceeds from long-term debt	21,581	8,601	183,715
Payments on long-term debt	(18,287)	(28,539)	(155,674)
Purchase of treasury stock	(101)	(75)	(860)
Dividends paid to stockholders	(3,468)	(3,007)	(29,523)
Dividends paid to minority stockholders of subsidiaries	(342)	(336)	(2,911)
Other, net	(223)	(7)	(1,898)
Net cash used in financing activities	(9,925)	(16,536)	(84,490)
Effect of exchange rate changes on cash and cash equivalents	908	(70)	7,730
Net increase (decrease) in cash and cash equivalents	11,843	(3,117)	100,817
Cash and cash equivalents at beginning of year	28,697	30,419	244,292
Cash and cash equivalents of newly consolidated subsidiaries	50	1,395	426
Cash and cash equivalents at end of year (note 3)	¥ 40,590	¥ 28,697	\$ 345,535

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Mitsubishi Gas Chemical Company, Inc. and Consolidated Subsidiaries

Note 1. Summary of Significant Accounting Policies

(a) Basis of Presenting Consolidated Financial Statements

Mitsubishi Gas Chemical Company, Inc. (the Company) and its domestic subsidiaries maintain their books of account and prepare their financial statements in conformity with financial accounting standards of Japan, and its foreign subsidiaries in conformity with those of the countries of their domicile.

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Securities and Exchange Law and its related accounting regulations, and in conformity with accounting principles and practices generally accepted in Japan, which may differ in certain respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

In preparing the accompanying consolidated financial statements, certain reclassifications have been made in the financial statements issued domestically in Japan in order to present them in a form which is more familiar to readers outside Japan. In addition, the notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

(b) Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries (30 subsidiaries for 2006 and 28 subsidiaries for 2005).

All significant intercompany accounts and transactions have been eliminated in consolidation.

Investments in affiliates are accounted for by the equity method.

The Accounting Standards for Consolidation require the control or influence concept for the consolidation scope of subsidiaries and affiliates. Under the control or influence concept, a company in which the parent company or its consolidated subsidiaries, directly or indirectly, are able to exercise control over operations is fully consolidated, and a company over which the parent company and/or its consolidated subsidiaries have the ability to exercise significant influence is accounted for by the equity method.

The excess of cost over the underlying net assets at the dates of investment in subsidiaries is being amortized over 5 to 7 years.

(c) Cash and Cash Equivalents

For the purpose of the statements of cash flows, the Company considers all highly liquid investments with insignificant risk of changes in value, which have maturities of generally three months or less when purchased to be cash equivalents.

(d) Short-term Investments and Investments in Securities

Under the Accounting Standards for Financial Instruments, securities are classified into four categories – “trading securities,” “held-to-maturity securities,” “investments in affiliates” and “other securities.” Securities classified as “trading securities” are stated at fair value and unrealized gains or losses are recorded in the consolidated statements of operations. Securities classified as “held-to-maturity securities” are stated at amortized cost. Securities classified as “other securities” with fair value are stated at fair value and unrealized gains or losses, net of related taxes, are excluded from earnings and recorded in a separate component of stockholders’ equity. Debt classified as “other securities” for which fair value is not available are stated at the amortized cost. Equity securities classified as “other securities” for which fair value is not available are stated at the moving-average cost. Realized gains and losses on the other securities are computed using the moving-average cost. Holding securities of the Company are classified as held-to-maturity securities and other securities.

(e) Inventories

Inventories are stated principally at cost. Cost is principally determined by the average method.

(f) Property, Plant and Equipment

Property, plant and equipment are carried substantially at cost. Depreciation is provided principally by the straight-line method based on the estimated useful lives.

The estimated useful lives are as follows:

Buildings and structures	7-50 years
Machinery, equipment and vehicles	7-15 years

(g) Intangible Assets

Intangible assets are carried at cost less amortization. The expenses for internal use computer software are deferred and amortized by the straight-line method over the estimated useful lives (5 years). Intangible assets other than software are deferred and amortized by the straight-line method at rates based on the estimated useful lives of the respective assets.

(h) Impairment of Long-lived Assets

Effective April 1, 2005, the Company and its domestic consolidated subsidiaries adopted a new accounting standard for the impairment of fixed assets (“Opinion Concerning the Establishment of an Accounting Standard for the Impairment of Fixed Assets” issued by the Business Accounting Deliberation Council on August 9, 2002) and the “Implementation Guidance on the Accounting Standard for the Impairment of Fixed Assets” (Business Accounting Standard Implementation Guidance No. 6 issued on October 31, 2003).

The standard requires that fixed assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

The effect of adoption of the standard was to decrease income before income taxes and minority interests by ¥138 million (\$1,175 thousand) for the year ended March 31, 2006.

(i) Allowance for Doubtful Receivables

An allowance for doubtful receivables is provided at an amount of uncollectible receivables based on historical loss ratios and an amount that takes into consideration the possibility of specific liabilities.

(j) Retirement and Severance Benefits

The Company and its consolidated subsidiaries have retirement benefit plans covering substantially all employees.

Under the Accounting Standards for Retirement and Severance Benefits, provisions have been made in the accompanying consolidated financial statements based on the present value of the projected future retirement and severance benefits attributable to employee services rendered by the end of the year, less amounts funded under pension plans.

The prior Standards prohibited recognition of any excess portion of plan assets exceeding the projected benefit obligation that had arisen due to an excess of the actual return of plan assets over the expected return or a reduction of benefits level. Effective April 1, 2005, this standard was amended to allow recognition of

such excess portion of plan assets. In accordance with the amended standard, the Company recognized excess plan assets due to actual return of plan assets exceeding the expected return for the year ended March 31, 2006.

The company had amortized unrecognized actuarial loss/gain from the year when it was generated. Effective from the year ended March 31, 2006, the company has amortized the unrecognized actuarial loss/gain from the next year when it was generated to close the books promptly.

As a result of these changes, income before income taxes and minority interests decreased by ¥840 million (\$7,151 thousand) for the year ended March 31, 2006.

The Company and certain subsidiaries have unfunded defined benefit pension plans for directors, corporate auditors and executive officers. The provision for the plans has been made in the accompanying consolidated financial statements for the vested benefits to which directors, corporate auditors and executive officers are entitled if they were to retire or sever immediately at the balance sheet dates.

(k) Leases

Finance leases, except for those where the legal title of the underlying property is transferred from the lessor to the lessee at the end of the lease term, are accounted for similarly to operating leases.

(l) Foreign Currency Translation

Under the Accounting Standards for Foreign Currency Transactions, foreign currency transactions are translated into yen on the basis of the rates in effect at the transaction dates, receivables and payables denominated in foreign currencies are translated into yen at the rate of exchange as of the balance sheet dates, and gains or losses resulting from the translation of foreign currencies are credited or charged to income. Assets and liabilities, and revenues and expenses of overseas subsidiaries are translated into yen at the rate of exchange as of the balance sheet date, and a comprehensive adjustment resulting from translation is presented as "Foreign currency translation adjustments" in a component of stockholders' equity and "Minority interests."

(m) Income Taxes

Income taxes in Japan applicable to the Company and its domestic consolidated subsidiaries consist of corporate tax, inhabitant tax and business tax.

The Accounting Standards for Income Taxes require that deferred income taxes be accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled, and the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

(n) Accrued Estimated Cost of Abandonment of Wells

The Company had recognized the costs of the abandonment of wells at the time of payment. Effective in the year ended March 31, 2005, the Company provided the accrued estimated cost of abandonment of the well at an offshore oil field to cover the costs to be incurred upon the abandonment of the well at an estimated amount which is allocated over a scheduled period based on the Company's plan for the abandonment of the well. As a result of

scheduling the Company's plan for the abandonment of the well at an offshore oil field, the estimated amount of costs of the abandonment of the well have become material. The change was made in order to achieve more appropriate allocation of expenses and reflect the Company's position to the financial statements more accurately. The effect of this change was to increase the expense for the current year by ¥27 million, and the cumulative effect of this change of ¥358 million was reported as other deductions for the year ended March 31, 2005. As a result, income before income taxes and minority interests declined by ¥385 million.

(o) Accrual for Environmental Measures

An accrual for environmental measures is provided at an estimated amount of disposal and transport costs of polychlorinated biphenyl waste based on the handling cost publicized by Japan Environment Safety Corporation. The Law of Special Measures for Proper Handling of Polychlorinated Biphenyl Waste requires proper handling of polychlorinated biphenyl waste.

(p) Appropriation of Retained Earnings

Under the Commercial Code of Japan, the appropriation of retained earnings with respect to a given financial period is made by resolution of the stockholders at a general meeting to be held subsequent to the close of such financial period. The accounts for that period do not, therefore, reflect such appropriation. (See note 10)

(q) Data per Common Share

Basic net income per share is computed on the basis of the weighted average number of shares of common stock outstanding during the respective years. (See note 13)

Cash dividends per share are computed based on dividends actually paid during the year. (See note 10)

(r) Reclassifications

Certain reclassifications have been made to the prior years' consolidated financial statements to conform to the presentation used for the year ended March 31, 2006.

Note 2. Financial Statement Translation

The consolidated financial statements are expressed in Japanese yen. However, solely for the convenience of the reader, the consolidated financial statements as of and for the year ended March 31, 2006 have been translated into United States dollars at the rate of ¥117.47=U.S.\$1, the approximate exchange rate on the Tokyo Foreign Exchange Market on March 31, 2006. This translation should not be construed as a representation that the amounts shown could be converted into U.S. dollars at such rate.

Note 3. Cash and Cash Equivalents

Reconciliation between "Cash" in the consolidated balance sheets and "Cash and cash equivalents" in the consolidated statements of cash flows at March 31, 2006 and 2005 is follows:

	Millions of yen		Thousands of
	2006	2005	2006
Cash.....	¥29,396	¥24,574	\$250,243
Time deposits with maturities of over three months.....	(39)	(110)	(332)
Short-term investments	11,233	4,233	95,624
Cash and cash equivalents.....	¥40,590	¥28,697	\$345,535

Note 4. Short-term Investments and Investments in Securities

Balance sheet amount, fair value and gross unrealized gain and loss of held-to-maturity securities with fair value as of March 31, 2006 and 2005 are summarized as follows:

	Millions of yen			
	Balance sheet amount	Gross unrealized gain	Gross unrealized loss	Fair value
March 31, 2006				
Government bond securities	¥51	¥1	¥—	¥52
	¥51	¥1	¥—	¥52
March 31, 2005				
Government bond securities	¥51	¥2	¥—	¥53
	¥51	¥2	¥—	¥53

	Thousands of U.S. dollars			
	Balance sheet amount	Gross unrealized gain	Gross unrealized loss	Fair value
March 31, 2006				
Government bond securities	\$434	\$9	\$—	\$443
	\$434	\$9	\$—	\$443

Acquisition cost, balance sheet amount and gross unrealized gain and loss of other securities with fair value as of March 31, 2006 and 2005 are summarized as follows:

	Millions of yen			
	Acquisition cost	Gross unrealized gain	Gross unrealized loss	Balance sheet amount
March 31, 2006				
Equity securities	¥26,921	¥43,500	¥(72)	¥70,349
Other securities	33	—	—	33
	¥26,954	¥43,500	¥(72)	¥70,382
March 31, 2005				
Equity securities	¥26,968	¥19,706	¥(93)	¥46,581
Other securities	43	0	(1)	42
	¥27,011	¥19,706	¥(94)	¥46,623

	Thousands of U.S. dollars			
	Acquisition cost	Gross unrealized gain	Gross unrealized loss	Balance sheet amount
March 31, 2006				
Equity securities	\$229,174	\$370,307	\$(613)	\$598,868
Other securities	281	—	—	281
	\$229,455	\$370,307	\$(613)	\$599,149

It is not practicable to estimate the fair value of securities as of March 31, 2006 and 2005 described below because of lack of market price and difficulty in estimating fair value.

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Held-to-maturity securities:			
Certificates of deposit	¥12,142	¥4,752	\$103,362
Other securities:			
Unlisted equity securities	3,544	3,613	30,170
	¥15,686	¥8,365	\$133,532

Projected future redemption of other securities with maturities and held-to-maturity securities at March 31, 2006 are summarized as follows:

	Millions of yen			
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Debt securities:				
Government bond securities ...	¥ 1	¥48	¥ 9	¥ 1
Other:				
Certificates of deposit	12,142	—	—	—
	¥12,143	¥48	¥ 9	¥ 1

	Thousands of U.S. dollars			
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Debt securities:				
Government bond securities ...	\$ 9	\$409	\$77	\$9
Other:				
Certificates of deposit	103,362	—	—	—
	\$103,371	\$409	\$77	\$9

For the years ended March 31, 2006 and 2005, proceeds from the sale of other securities are ¥301 million (\$2,562 thousand) and ¥1,528 million, gross realized gains are ¥158 million (\$1,345 thousand) and ¥497 million, gross realized losses are ¥2 million (\$17 thousand) and nil, respectively.

Note 5. Investments in Affiliates

The aggregate carrying amounts of investments in affiliates as of March 31, 2006 and 2005 are ¥84,928 million (\$722,976 thousand) and ¥67,668 million, respectively.

Note 6. Short-term and Long-term Debt

Short-term debt is represented by bank loans which are due within one year. The weighted average interest rate of short-term debt at March 31, 2006 and 2005 is 0.7%.

Long-term debt as of March 31, 2006 and 2005 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Loans, principally from banks, maturing in installments through 2032; bearing weighted average interest of 1.5% and 1.4% at March 31, 2006 and 2005, respectively, partially secured by mortgage of property, plant and equipment and cash	¥84,457	¥81,584	\$718,966
2.57% unsecured yen bonds, due 2006...	5,000	5,000	42,564
2.57% unsecured yen bonds, due 2006...	5,000	5,000	42,564
1.18% unsecured yen bonds issued by a subsidiary, due 2009	1,000	—	8,513
1.38% unsecured yen bonds issued by a subsidiary, due 2006.....	—	1,000	—
	95,457	92,584	812,607
Less current installments	33,756	18,720	287,358
	61,701	73,864	525,249
Elimination on consolidation	(59)	(78)	(502)
	¥61,642	¥73,786	\$524,747

The aggregate annual maturities of long-term debt after March 31, 2007 are as follows:

Year ending March 31:	Millions of yen	Thousands of U.S. dollars
2008	¥15,726	\$133,872
2009	23,757	202,239
2010	11,919	101,464
2011	1,475	12,556

Property, plant and equipment with a book value at March 31, 2006 of ¥32,513 million (\$276,777 thousand) are mortgaged to secure certain debts.

As is customary in Japan, both short-term and long-term bank loans are under general agreements which provide that security and guarantees for present and future indebtedness will be given upon request of the bank, and that the bank shall have the right, as the obligations become due or in the event of default, to offset cash deposits against obligations due the banks.

Note 7. Retirement and Severance Benefits

The Company and its domestic subsidiaries have defined benefit retirement and pension plans, which consist of unfunded lump-sum payment plans and tax qualified noncontributory pension plans.

The funded status of the pension plans at March 31, 2006 and 2005 is outlined as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Projected benefit obligation.....	¥(43,976)	¥(44,563)	\$(374,359)
Plan assets at fair value.....	18,634	15,517	158,628
Assets contributed to the trust.....	27,609	20,172	235,030
Funded status.....	2,267	(8,874)	19,299
Unrecognized actuarial loss (gain)....	(10,225)	1,379	(87,044)
Unrecognized prior service benefit....	(300)	(361)	(2,554)
Unrecognized plan assets	—	(293)	—
Net amount recognized in the consolidated balance sheets	(8,258)	(8,149)	(70,299)
Prepaid retirement and severance benefits.....	1,128	1,350	9,602
Accrued retirement and severance benefits.....	¥ (9,386)	¥ (9,499)	\$ (79,901)

Net periodic pension cost for the years ended March 31, 2006 and 2005 consists of the following components:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Service cost	¥1,838	¥1,834	\$15,647
Interest cost.....	1,013	1,042	8,623
Expected return on plan assets	(333)	(312)	(2,835)
Amortization of actuarial loss	190	280	1,617
Amortization of prior service benefit....	(61)	(61)	(519)
Net periodic pension cost	¥2,647	¥2,783	\$22,533

Significant assumptions of pension plans used to determine these amounts in fiscal 2006 and 2005 are as follows:

	2006	2005
	Periodic allocation method for projected benefit	Straight-line
Discount rate	Mainly 2.5%	Mainly 2.5%
Expected rate of return on plan assets....	Mainly 2.5%	Mainly 2.5%
Period for amortization of unrecognized prior service cost/benefit.....	10 years	10 years
Period for amortization of unrecognized actuarial loss/gain	Mainly 10 years	Mainly 10 years

Directors, corporate auditors and executive officers are not covered by the plans described above. For such persons, the Company and certain subsidiaries have unfunded defined benefit pension plans. Under the plans, directors, corporate auditors and executive officers are entitled to lump-sum payments based on the current rate of pay and length of service when they leave the Company. The Company provides for the amount of the vested benefits to which directors, corporate auditors and executive officers are entitled if they were to retire or sever immediately at the balance sheet dates. As of March 31, 2006 and 2005, the liabilities for retirement and severance benefits related to the plans were ¥1,152 million (\$9,807 thousand) and ¥930 million, respectively.

Note 8. Income Taxes

The Company and its domestic subsidiaries are subject to Japanese corporate, inhabitant and business taxes based on income which, in the aggregate, result in a statutory tax rate of approximately 40.5% in 2006 and 2005.

A reconciliation of the statutory tax rate and the effective tax rate as a percentage of income before income taxes and minority interests for the years ended March 31, 2006 and 2005 is follows:

	2006	2005
Statutory tax rate	40.5%	40.5%
Equity in earnings of affiliates	(13.9)	(16.3)
Difference in statutory tax rates of subsidiaries....	(2.0)	(3.0)
Expenses not deductible for tax purposes.....	1.6	1.3
Income not credited for tax purposes.....	(3.1)	(2.6)
Other.....	(0.6)	(3.1)
Effective tax rate	22.5%	16.8%

Significant components of deferred tax assets and liabilities at March 31, 2006 and 2005 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Deferred tax assets:			
Liabilities for retirement and severance benefits	¥ 9,969	¥ 9,665	\$ 84,864
Tax loss carryforward	3,272	3,384	27,854
Devaluation loss on investments in securities.....	2,539	1,977	21,614
Accrued bonuses	1,622	1,476	13,808
Intercompany profits.....	1,014	1,009	8,632
Depreciation	738	771	6,282
Other.....	5,532	5,327	47,093
	24,686	23,609	210,147
Valuation allowance.....	(2,118)	(2,339)	(18,030)
	22,568	21,270	192,117
Deferred tax liabilities:			
Net unrealized gain on other securities	(17,760)	(8,109)	(151,188)
Gain by contributing the assets to the trust	(3,130)	(3,806)	(26,645)
Tax purpose reserves etc. regulated by Japanese tax law....	(2,479)	(2,841)	(21,103)
Other.....	(456)	(564)	(3,882)
	(23,825)	(15,320)	(202,818)
Net deferred tax assets (liabilities).....	¥ (1,257)	¥ 5,950	\$ (10,701)

Net deferred tax assets and liabilities as of March 31, 2006 and 2005 are reflected in the accompanying consolidated balance sheets under the following captions:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Current assets — Deferred income taxes.....	¥ 5,250	¥ 5,142	\$ 44,692
Investments and other assets — Deferred income taxes	2,962	2,622	25,215
Current liabilities — Other current liabilities.....	(79)	(77)	(673)
Non-current liabilities — Deferred income taxes	(9,390)	(1,737)	(79,935)
Net deferred tax assets (liabilities).....	¥(1,257)	¥ 5,950	\$(10,701)

Note 9. Common Stock

Under the Commercial Code of Japan, the entire amount of the issue price of shares is required to be designated as stated common stock account although a company in Japan may, by resolution of its Board of Directors, account for an amount not exceeding 50% of the issue price of new shares as additional paid-in capital. On October 1, 2001, the Commercial Code of Japan was amended to eliminate the provision of common stock par value resulting in all common stock being recorded with no par value.

Note 10. Retained Earnings and Dividends

The Commercial Code of Japan provides that an amount equal to at least 10% of appropriations paid in cash be appropriated as a legal reserve until an aggregated amount of such reserve and additional paid-in capital equal 25% of common stock. Either additional paid-in capital or the legal reserve may be available for dividends by resolution of the stockholders to the extent that the amount of total additional paid-in capital and legal reserve exceeds 25% of stated common stock. Balances of the legal reserve are included in retained earnings in the accompanying consolidated balance sheets.

The amount available for dividends is based on the amount recorded in the Company's non-consolidated books of account in accordance with the Commercial Code of Japan.

In accordance with the Commercial Code of Japan, proposed appropriations of retained earnings have not been reflected in the financial statements at the end of each fiscal year. The proposed appropriation of retained earnings at March 31, 2006 of cash dividends of ¥6.0 (\$0.05) per common share aggregating ¥2,774 million (\$23,615 thousand) and bonuses to directors and corporate auditors was approved at the Company's general meeting of stockholders held on June 29, 2006.

Note 11. Selling, General and Administrative Expenses

Significant components of selling, general and administrative expenses are as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Freight.....	¥10,762	¥9,989	\$91,615
Stevedoring and warehouse fee.....	2,182	2,001	18,575
Salaries.....	9,337	9,161	79,484
Employees' bonuses	3,438	3,072	29,267
Pension cost	1,309	1,373	11,143
Welfare	2,554	2,642	21,742
Transportation.....	1,576	1,405	13,416
Depreciation.....	1,963	1,933	16,711

Note 12. Research and Development Costs

Research and development costs charged to income for the years ended March 31, 2006 and 2005 are ¥10,702 million (\$91,104 thousand) and ¥10,726 million, respectively.

Note 13. Net Income per Share Information

Reconciliation of the numbers and the amounts used in the basic net income per share computations for the years ended March 31, 2006 and 2005 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Net income	¥32,944	¥23,349	\$280,446
Net income not applicable to common stockholders:			
Directors' and corporate auditors' bonuses.....	(124)	(32)	(1,056)
Net income applicable to common stockholders	¥32,820	¥23,317	\$279,390

	Number of shares	
	2006	2005
Weighted average number of shares on which basic net income per share is calculated.....	462,355,096	462,495,163

Note 14. Leases

A summary of assumed amounts of acquisition cost which includes interest portion, accumulated depreciation and net book value at March 31, 2006 and 2005 are as follows:

	Millions of yen		
	Machinery, equipment and vehicles	Other tangible assets	Total
March 31, 2006			
Acquisition cost	¥2,822	¥1,711	¥4,533
Accumulated depreciation	1,684	589	¥2,273
Net book value	¥1,138	¥1,122	¥2,260

March 31, 2005			
Acquisition cost	¥2,825	¥665	¥3,490
Accumulated depreciation	1,263	277	1,540
Net book value	¥1,562	¥388	¥1,950

	Thousands of U.S. dollars		
	Machinery, equipment and vehicles	Other tangible assets	Total
March 31, 2006			
Acquisition cost	\$24,023	\$14,565	\$38,588
Accumulated depreciation	14,335	5,014	19,349
Net book value	\$ 9,688	\$ 9,551	\$19,239

Future minimum payments which include interest portion required under finance leases at March 31, 2006 and 2005 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Within one year.....	¥ 971	¥ 740	\$ 8,266
Over one year.....	1,289	1,210	10,973
	¥2,260	¥1,950	\$19,239

Lease payments for the years ended March 31, 2006 and 2005 amounted to ¥999 million (\$8,504 thousand) and ¥724 million, respectively.

Note 15. Balances and Transactions with Related Party

A corporate auditor of the Company was concurrently serving as a representative director of Nippon Life Insurance Company, and the balances with the company at March 31, 2005, and related transactions for the year then ended were summarized as follows:

	Millions of yen
	2005
Balances:	
Long-term debt.....	¥2,800
Accrued expenses	8
Transactions:	
Interest expenses.....	42

The Company has a 50% equity ownership in Mitsubishi Engineering-Plastics Corp. at March 31, 2006 and 2005.

Balances with the company at March 31, 2006 and 2005, and related transactions for the years then ended are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Balances:			
Trade accounts receivable	¥13,788	¥13,879	\$117,375
Transactions:			
Sales	58,152	44,884	495,037

Note 16. Commitments and Contingencies

It is common practice in Japan for companies, in the ordinary course of business, to receive promissory notes in settlement of trade accounts receivable and to subsequently discount such notes at banks or to transfer them by endorsement to suppliers in the settlement of accounts payable. At March 31, 2006 and 2005, the Company was contingently liable with respect to trade notes receivable discounted in the amounts of ¥2,375 million (\$20,218 thousand) and ¥3,039 million, respectively. Notes discounted are accounted for as sales and removed from the balance sheets.

Contingent liabilities at March 31, 2006 for loans guaranteed amounted to ¥11,869 million (\$101,039 thousand).

Note 17. Derivative Financial Instruments

The Company does not hold or issue derivative financial instruments for the purpose of trading. Derivative financial instruments held by the Company comprise forward exchange contracts, interest rate and currency swap agreements and interest rate swap agreements. The Company has entered into forward exchange contracts to hedge the risk of changes in foreign currency exchange rates associated with assets and liabilities denominated in foreign currencies. And the Company has entered into interest rate and currency swap agreements to manage interest rate exposures and changes in foreign currency exchange rates on certain foreign currency borrowings, and interest rate swap agreements to manage interest rate exposures on certain borrowings.

If interest rate swap agreements are used as hedges and meet certain hedging criteria, the difference in amounts to be paid or received on the interest rate swap agreements is recognized over the life of the agreements as an adjustment to interest expense.

The counterparties to these derivative transactions are financial institutions with high credit ratings and consequently, the Company does not anticipate credit-related losses from non-performance by the counterparties to transactions involving derivative financial instruments.

Derivative transactions have been executed and controlled in accordance with the Company's derivative regulations. The finance department has executed the derivative transactions with the director's approval and the transaction records have been reported to the accounting department regularly. At consolidated subsidiaries, the finance departments have executed the derivative transactions with the director's approval.

The contract or notional amounts disclosed below do not represent straightforwardly the extent of market risk or credit risk of the derivatives.

The contract or notional amounts and fair value of derivative financial instruments held as of March 31, 2006 and 2005 are summarized as follows:

	Millions of yen		
	Contract or notional amounts	Fair value	Valuation gain (loss)
March 31, 2006			
Forward exchange contracts:			
To buy foreign currency:			
U.S. dollar.....	¥ 563	¥562	¥ (1)
To sell foreign currency:			
Euro	363	370	(7)
Interest rate and currency swap agreements:			
U.S. dollar received for Thai baht...	2,499	(74)	(74)
Interest rate swap agreements:			
Fixed rate received for variable rate.....	195	(2)	(2)
Variable rate received for fixed rate	14,719	52	52

March 31, 2005

Forward exchange contracts:			
To buy foreign currency:			
U.S. dollar.....	¥ 1,000	¥1,001	¥ 1
To sell foreign currency:			
Euro	364	373	(9)
Interest rate and currency swap agreements:			
U.S. dollar received for Thai baht...	2,913	(140)	(140)
Interest rate swap agreements:			
Fixed rate received for variable rate.....	225	(1)	(1)
Variable rate received for fixed rate	12,801	(139)	(139)

	Thousands of U.S. dollars		
	Contract or notional amounts	Fair value	Valuation gain (loss)
March 31, 2006			
Forward exchange contracts:			
To buy foreign currency:			
U.S. dollar	\$ 4,793	\$4,784	\$ (9)
To sell foreign currency:			
Euro	3,090	3,150	(60)
Interest rate and currency swap agreements:			
U.S. dollar received for Thai baht.....	21,274	(630)	(630)
Interest rate swap agreements:			
Fixed rate received for variable rate	1,660	(17)	(17)
Variable rate received for fixed rate	125,300	443	443

The fair value of forward exchange contracts or interest rate and currency swap agreements is computed using prices on the futures market, and the fair values of interest rate swap agreements are estimated based on quotes from counterparties.

Receivables and payables denominated in foreign currencies, of which yen amounts at settlement are fixed and stated at the corresponding yen amounts on the consolidated balance sheets due to forward exchange contracts, are not subject to disclosure.

Note 18. Segment Information

(a) Industry segments

The Company had categorized its business into the three segments of "Chemical products," "Advanced materials" and "Other." Effective in the year ended March 31, 2006, to reflect the actual business condition of the Company and its subsidiaries more appropriately and to provide more effective segment information, the business has been reclassified into five segments as "Natural gas chemicals," "Aromatic chemicals," "Specialty chemicals," "Information and advanced materials" and "Other." The segments are divided based on the classification for internal management and type of products.

Segment information by industry for the year ended March 31, 2006 is summarized as follows:

		Millions of yen						
		2006						
	Natural gas chemicals	Aromatic chemicals	Specialty chemicals	Information and advanced materials	Other	Total	Elimination / corporate	Consolidated
Sales to outside customers	¥117,629	¥129,097	¥123,308	¥68,392	¥ 1,404	¥439,830	¥ —	¥439,830
Inter-segment sales	6,856	1,102	1,694	68	57	9,777	(9,777)	—
	124,485	130,199	125,002	68,460	1,461	449,607	(9,777)	439,830
Operating expenses.....	119,117	124,495	111,349	54,975	1,060	410,996	(10,136)	400,860
Operating income	¥ 5,368	¥ 5,704	¥ 13,653	¥13,485	¥ 401	¥ 38,611	¥ 359	¥ 38,970
Assets	¥147,650	¥116,858	¥143,668	¥64,479	¥12,039	¥484,694	¥ 79,790	¥564,484
Depreciation.....	4,465	3,626	7,150	3,503	15	18,759	—	18,759
Capital expenditures.....	2,649	4,681	6,915	3,227	12	17,484	—	17,484

		Thousands of U.S. dollars						
		2006						
	Natural gas chemicals	Aromatic chemicals	Specialty chemicals	Information and advanced materials	Other	Total	Elimination / corporate	Consolidated
Sales to outside customers	\$1,001,353	\$1,098,979	\$1,049,698	\$582,208	\$ 11,952	\$3,744,190	\$ —	\$3,744,190
Inter-segment sales	58,364	9,381	14,421	579	485	83,230	(83,230)	—
	1,059,717	1,108,360	1,064,119	582,787	12,437	3,827,420	(83,230)	3,744,190
Operating expenses.....	1,014,020	1,059,803	947,893	467,992	9,024	3,498,732	(86,286)	3,412,446
Operating income	\$ 45,697	\$ 48,557	\$ 116,226	\$114,795	\$ 3,413	\$ 328,688	\$ 3,056	\$ 331,744
Assets	\$1,256,917	\$ 994,790	\$1,223,019	\$548,897	\$102,486	\$4,126,109	\$679,237	\$4,805,346
Depreciation.....	38,010	30,867	60,867	29,820	128	159,692	—	159,692
Capital expenditures.....	22,550	39,849	58,866	27,471	102	148,838	—	148,838

Notes: 1. The main products of each segment are as follows:

Natural gas chemicals: Methanol, ammonia, amines, methacrylates, polyols, enzyme and coenzyme, natural gas and crude oil

Aromatic chemicals: Xylene isomers and xylene derivatives

Specialty chemicals: Hydrogen peroxide and other industrial chemicals, electronic chemicals and engineering plastics

Information and advanced materials: Printed circuit board materials, printed circuit boards and oxygen absorber (AGELESS®)

Other: Real estate business, etc.

2. Corporate assets of ¥100,520 million (\$855,708 thousand) as of March 31, 2006 in the Elimination / corporate line consist primarily of surplus funds (cash and deposits, and securities), long-term investments (investment securities etc.) and assets relating to the administrative operations.

3. As described in Note 1 (j), the Company changed its accounting for retirement and severance benefits. As a result of the changes, operating income of each segment decreased as follows:

	Millions of yen	Thousands of U.S. dollars
Natural gas chemicals	¥187	¥1,592
Aromatic chemicals	218	1,856
Specialty chemicals	300	2,554
Information and advanced materials	135	1,149

Decrease in operating income of "Other" segment was immaterial.

Segment information by industry for the year ended March 31, 2005 which are restated to conform to the segmentation for the year ended March 31, 2006 are as follows:

	Millions of yen							Elimination / corporate	Consolidated
	2005								
	Natural gas chemicals	Aromatic chemicals	Specialty chemicals	Information and advanced materials	Other	Total			
Sales to outside customers	¥112,172	¥110,045	¥106,541	¥57,890	¥1,941	¥388,589	¥ —	¥388,589	
Inter-segment sales	4,994	1,242	1,536	7	36	7,815	(7,815)	—	
	117,166	111,287	108,077	57,897	1,977	396,404	(7,815)	388,589	
Operating expenses.....	110,592	104,429	98,705	50,470	1,638	365,834	(8,114)	357,720	
Operating income	¥ 6,574	¥ 6,858	¥ 9,372	¥ 7,427	¥ 339	¥ 30,570	¥ 299	¥ 30,869	
Assets	¥129,599	¥109,885	¥131,233	¥61,521	¥7,156	¥439,394	¥55,183	¥494,577	
Depreciation.....	5,364	3,697	6,772	3,580	17	19,430	—	19,430	
Capital expenditures.....	4,693	2,914	4,493	6,361	130	18,591	—	18,591	

The following is based on the former business segmentation for the year ended March 31, 2005:

	Millions of yen					Elimination / corporate	Consolidated
	2005						
	Chemical products	Advanced materials	Other	Total			
Sales to outside customers.....	¥223,952	¥138,976	¥25,661	¥388,589	¥ —	¥388,589	
Inter-segment sales.....	6,730	192	3,128	10,050	(10,050)	—	
	230,682	139,168	28,789	398,639	(10,050)	388,589	
Operating expenses.....	219,422	121,387	26,935	367,744	(10,024)	357,720	
Operating income.....	¥ 11,260	¥ 17,781	¥ 1,854	¥ 30,895	¥ (26)	¥ 30,869	
Assets.....	¥224,999	¥181,411	¥29,279	¥435,689	¥ 58,888	¥494,577	
Depreciation.....	9,283	9,164	983	19,430	—	19,430	
Capital expenditures.....	6,268	11,409	914	18,591	—	18,591	

The main products of each segment are as follows:

- Chemical products: Methanol, ammonia, amines, methacrylates, polyols, xylene isomers and xylene derivatives, hydrogen peroxide, and other industrial chemicals.
- Advanced materials: Engineering plastics, printed circuit board materials, printed circuit boards, electronic materials, oxygen absorber (AGELESS®), enzyme and coenzyme.
- Other: Gasification equipment and purification equipment for high-purity gases, refrigeration equipment and air conditioning equipment, disposable heating pads.

Corporate assets of ¥69,002 million as of March 31, 2005 in the Elimination / corporate line consist primarily of surplus funds (cash and deposits, and securities), long-term investments (investment securities etc.) and assets relating to the administrative operations.

(b) Geographic segments

Segment information by geographic area for the year ended March 31, 2006 is summarized as follows:

	Millions of yen				Elimination / corporate	Consolidated
	2006					
	Japan	Other	Total			
Sales to outside customers.....	¥398,154	¥41,676	¥439,830	¥ —	¥439,830	
Inter-segment sales.....	23,425	8,457	31,882	(31,882)	—	
	421,579	50,133	471,712	(31,882)	439,830	
Operating expenses.....	385,643	47,134	432,777	(31,917)	400,860	
Operating income.....	¥ 35,936	¥ 2,999	¥ 38,935	¥ 35	¥ 38,970	
Assets.....	¥536,302	¥31,480	¥567,782	¥ (3,298)	¥564,484	

	Thousands of U.S. dollars				
	2006				
	Japan	Other	Total	Elimination / corporate	Consolidated
Sales to outside customers.....	\$3,389,410	\$354,780	\$3,744,190	\$ —	\$3,744,190
Inter-segment sales.....	199,412	71,993	271,405	(271,405)	—
	3,588,822	426,773	4,015,595	(271,405)	3,744,190
Operating expenses.....	3,282,906	401,243	3,684,149	(271,703)	3,412,446
Operating income.....	\$ 305,916	\$ 25,530	\$ 331,446	\$ 298	\$ 331,744
Assets.....	\$4,565,438	\$267,983	\$4,833,421	\$ (28,075)	\$4,805,346

The Company has classified its geographic areas other than Japan into “North and South America” and “Asia.” Sales in “North and South America” and “Asia” are less than 10% of total sales, therefore, all are totally stated as “Other.”

The major countries or regions in the respective divisions are as follows:

North and South America: U.S.A.

Asia: Korea, Singapore, Thailand and Indonesia

Both domestic sales and assets located in Japan were over 90% of all segments for the year ended March 31, 2005.

(c) Overseas sales

Information for overseas sales for the years ended March 31, 2006 and 2005 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Overseas sales			
Asia.....	¥ 98,127	¥ 76,936	\$ 835,337
North and South America.....	24,557	18,886	209,049
Other.....	10,789	9,723	91,845
	¥133,473	¥105,545	\$1,136,231
Consolidated sales.....	¥439,830	¥388,589	\$3,744,190
Percentage of overseas sales to consolidated sales.....	30.4%	27.2%	30.4%

The major countries or regions in the respective divisions are as follows:

Asia: Thailand, Malaysia, India, Indonesia, Korea, China and Taiwan

North and South America: U.S.A., Mexico and Brazil

Other: Australia, New Zealand, Germany, the Netherlands, Italy, Great Britain and South Africa

Independent Auditors' Report

**To the Board of Directors of
Mitsubishi Gas Chemical Company, Inc.:**

We have audited the accompanying consolidated balance sheets of Mitsubishi Gas Chemical Company, Inc. and consolidated subsidiaries as of March 31, 2006 and 2005, and related consolidated statements of income, stockholders' equity and cash flows for the years then ended, all expressed in Japanese yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Mitsubishi Gas Chemical Company, Inc. and consolidated subsidiaries as of March 31, 2006 and 2005, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

As more fully described in Note 1(j) to the consolidated financial statements, effective in the year ended March 31, 2006, the Company has adopted the provisions of the amended accounting standards for retirement and severance benefits, and the Company has changed its methods of accounting for unrecognized actuarial loss/gain. As more fully described in Note 1(h) to the consolidated financial statements, the Company has adopted the provisions of a new accounting standard for the impairment of fixed assets, effective April 1, 2005. As more fully described in Note 18 to the consolidated financial statements, effective in the year ended March 31, 2006, the Company has changed its classification of segmentation in the segment information by industry.

Furthermore, as more fully described in Note 1(n) to the consolidated financial statements, effective in the year ended March 31, 2005, the Company has changed its method of accounting for the costs of abandonment of the well at an offshore oil field.

The accompanying consolidated financial statements as of and for the year ended March 31, 2006 have been translated into United States dollars solely for the convenience of the reader. We have recomputed the translation and, in our opinion, the consolidated financial statements expressed in yen have been translated into United States dollars on the basis described in Note 2 to the consolidated financial statements.

Toyo & Co.

Toyo & Co.

Tokyo, Japan
June 29, 2006

Main Subsidiaries and Affiliates

(As of March 31, 2006)

Name	Issued share capital (millions)	The Company's share ownership	Principal business
● TOKYO SHOKAI CO., LTD.	¥200	99.9%	Sale of compound resins and other products
● RYOKO CHEMICAL CO., LTD.	100	100.0	Sale of industrial chemicals and resins
● JAPAN CIRCUIT INDUSTRIAL CO., LTD.	1,497	92.2	Manufacture and sale of printed wiring boards
● KINOE TERMINAL CO., INC.	500	74.5	Storage service for methanol
● JAPAN FINECHEM CO., INC.	274	84.7	Manufacture and sale of fine chemicals and electronic products
● JAPAN PIONICS CO., LTD.	200	100.0	Manufacture and sale of gas generators and gas purifiers and manufacture of disposable body warmers
● EIWA CHEMICAL INDUSTRY CO., LTD.	420	88.6	Manufacture and sale of foaming agents for rubber and plastic
● MGC PURE CHEMICALS AMERICA, INC.	US\$5	90.0	Manufacture and sale of chemicals for semiconductors
● ELECTROTECHNO CO., LTD.	¥500	100.0	Manufacture of copper-clad laminate and multilayer prepreg
● MARINE TRANSPORT AND TERMINAL CO., LTD.	400	100.0	Storage and transport of methanol, other chemical products
● RYOYO TRADING CO., LTD.	90	73.8	Sale of industrial chemicals and insurance agency businesses
● KOKUKA SANGYO CO., LTD.	250	93.8	Transport of chemical products
● FUDOW CO., LTD.	1,058	100.0	Manufacture and sale of molding resin
● A.G. INTERNATIONAL CHEMICAL CO., INC.	850	91.6	Manufacture and sale of purified isophthalic acid
■ MITSUBISHI ENGINEERING PLASTICS CORPORATION	3,000	50.0	Manufacture and sale of engineering plastics
■ JSP CORPORATION	9,962	43.5	Manufacture and sale of foamed plastic
■ JAPAN U-PICA COMPANY, LTD.	1,100	45.7	Manufacture and sale of unsaturated polyester
■ JAPAN SAUDI ARABIA METHANOL COMPANY, INC.	2,310	47.0	Management of AR-RAZI
■ KOREA ENGINEERING PLASTICS CO., LTD.	W11,000	40.0	Manufacture and sale of polyacetal
■ MIZUSHIMA AROMA CO., LTD.	¥2,000	50.0	Manufacture and sale of purified terephthalic acid

- A&C CO., INC.
- POLYOLS ASIA CO., LTD.
- ▲ SAUDI METHANOL COMPANY (AR-RAZI)
- METANOL DE ORIENTE, METOR, S.A.
- TOHO EARTHTECH, INC.
- JAPAN ACRYACE CO., LTD.
- LING TIAN (NANJING) FINE CHEMICAL CO.
- MGC ADVANCED POLYMERS, INC.
- MRM TOLUIC CO., INC.
- DIA TEREPHTHALIC ACID CORPORATION
- TOYO KAGAKU CO., LTD.
- MGC FILSHEET CO., LTD.
- KYODOU KASANKASUISO CORPORATION
- SAMYOUNG PURE CHEMICALS CO., LTD.
- THAI POLYACETAL CO., LTD.

- P. T. PEROKSIDA INDONESIA PRATAMA
- ▲ MGC PURE CHEMICALS SINGAPORE PTE. LTD.
- ▲ MGC PURE CHEMICALS TAIWAN, INC.
- ▲ POLYXYLENOL SINGAPORE PTE. LTD.
- ▲ THAI POLYCARBONATE CO., LTD.
- ▲ PTM ENGINEERING PLASTICS (NANTONG) CO., LTD.
- YONEZAWA DIA ELECTRONICS CO., INC.
- ▲ TAI HONG CIRCUIT INDUSTRIAL CO., LTD.
- ▲ AGELESS (THAILAND) CO., LTD.
- MITSUBISHI GAS CHEMICAL AMERICA, INC.
- MITSUBISHI GAS CHEMICAL SINGAPORE PTE. LTD.
- ▲ MGC TRADING (THAILAND) LTD.
- ▲ MITSUBISHI GAS CHEMICAL EUROPE GMBH
- RYOWA ENTERPRISE CO., LTD.
- MGC FINANCE CO., LTD.

- Consolidated subsidiary
- Equity method affiliate
- ▲ Other
- Natural Gas Chemicals
- Aromatic Chemicals
- Specialty Chemicals
- Information & Advanced Materials
- Other

Corporate Data

(As of March 31, 2006)

Mitsubishi Gas Chemical Company, Inc.

Established

April 21, 1951

Paid-in Capital

¥41,970 million

Offices and Plants

Head Office

Mitsubishi Building
5-2 Marunouchi 2-chome,
Chiyoda-ku, Tokyo 100-8324, Japan

Branch Offices

Osaka, Nagoya, New York, Singapore,
Dusseldorf, Shanghai

Research Institutes

Tokyo Research Laboratory
Niigata Research Laboratory
Hiratsuka Research Laboratory
Tokyo Techno-Center
MGC Chemical Analysis Center

Plants

Niigata, Mizushima, Yokkaichi,
Yamakita, Kashima, Naniwa*, Saga*

*Part of Yokkaichi Plant

Annual Meeting of Stockholders

The annual meeting of stockholders is normally held in June in Tokyo, Japan.

Auditor

Toyo & Co.

Transfer Agent and Registrar

Mitsubishi UFJ Trust and Banking Corp.

Number of Employees

2,159 (non-consolidated)

4,446 (consolidated)

Outstanding Shares

483,478,398

Number of Stockholders

33,478

Listings

Tokyo, Osaka and Nagoya

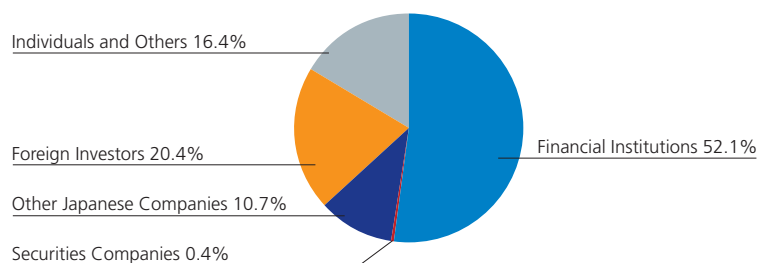
Ticker Code

4182

Principal Stockholders

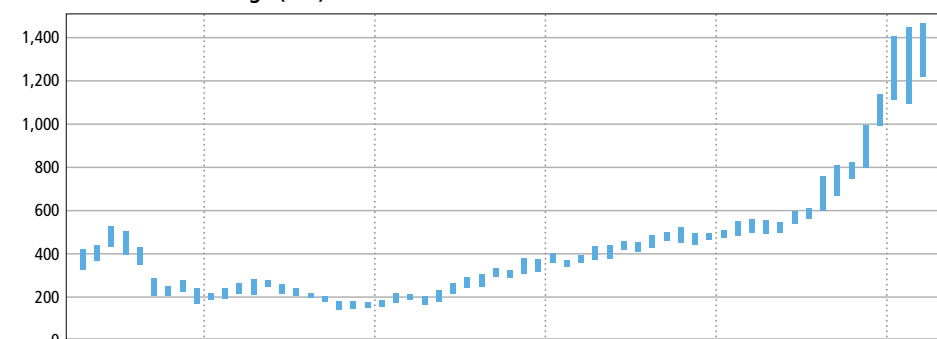
Name	Number of Shares Held (thousands)	Percentage of Total Shares Outstanding
The Master Trust Bank of Japan (Trust Account)	42,985	8.9%
Japan Trustee Services Bank, Ltd. (Trust Account)	40,058	8.3
Nippon Life Insurance Company	21,452	4.4
Meiji Yasuda Life Insurance Company	16,795	3.5
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	16,403	3.4
Mitsubishi UFJ Trust and Banking Corp.	11,686	2.4
The Norinchukin Bank	10,053	2.1
Asahi Glass Co., Ltd.	9,671	2.0
Tokio Marine & Nichido Fire Insurance Co., Ltd.	9,008	1.9
The Nomura Trust and Banking Co., Ltd.	8,811	1.8

Composition of Stockholders

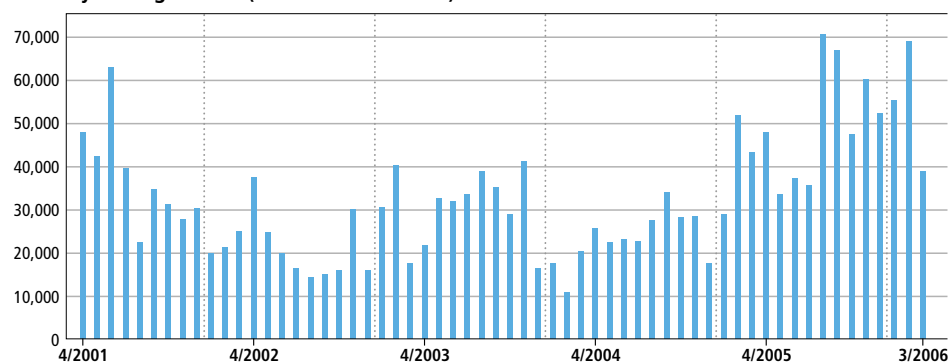


Monthly Stock Price Range and Trading Volume

Common Stock Price Range (Yen)



Monthly Trading Volume (Thousands of Shares)





MITSUBISHI GAS CHEMICAL COMPANY, INC.

Mitsubishi Building, 5-2 Marunouchi 2-chome, Chiyoda-ku, Tokyo 100-8324, Japan

Tel. +81-3-3283-5000 Fax. +81-3-3287-0833

<http://www.mgc.co.jp>



Printed in Japan with soy ink on 100% recycled paper.