Annual Report 2011

Fiscal year ended March 31, 2011

Superior Technology, Greater Production Capacity
MGC Defines the MXDA Market

MITSUBISHI GAS CHEMICAL COMPANY, INC.

Message from the Management

Kazuo Sakai
Representative Director, President

Hideki Odaka
Representative Director, Chairman

We offer our sincerest sympathy for all those affected by the Great East Japan Earthquake which struck this past March.

During fiscal 2010, the Japanese economy continued to show signs of recovery. In the second half of the year, however, recovery paused in the continuous trend of the yen appreciation against the dollar. Further, the Great East Japan Earthquake on March 11, 2011 had a serious impact on the economy.

The MGC Group's overseas businesses in general, including exports, were affected by the strong yen, and demand for some semiconductor and LCD-products declined in the second half of the year. However, higher sales volumes for most products and increases in the market price for chemicals pushed up both revenue and earnings.

The March 11 earthquake affected buildings and equipment at the MGC Kashima Plant and MGC electronic materials production subsidiary Electrotechno Co., Ltd. An extraordinary loss of ¥3,003 million due to the disaster was, therefore, included in the financial statements, but the effect on operating income was limited.

Against this business backdrop, the MGC Group implemented various measures in accordance with the basic policy stated in its medium-term management plan, "MGC Will 2011," while at the same time making efforts to increase sales volume and maintain margins at acceptable levels.

After the earthquake, the company made all-out efforts to restore the affected sites as quickly as possible.

As a result, consolidated net sales increased by ¥66,505 million, or 17.3%, to ¥451,033 million, operating income increased by ¥19,273 million, or 471.2%, to ¥23,364 million, and ordinary income increased by ¥29,029 million, or 394.1%, to ¥36,394 million. Net income increased by ¥13,122 million, or 225.2%, to ¥18,950 million, while extraordinary losses of ¥13,936 million were recorded due to loss on devaluation of investments in securities, loss on disaster and the cumulative effect of the application of the Accounting Standard for Asset Retirement Obligations.

Year-end dividends were unchanged from the previous year at ¥4.0 per share. With interim dividends also at ¥4.0 for the year, annual dividends per share remained unchanged from the previous year at ¥8.0 with a consolidated payout ratio of 19.1%.

The MGC Group started "MGC Will 2011", its three-year management plan, in April 2009.

In advancing its business strategy, the MGC Group's policy is to pursue further strength and expansion by concentrating management resources into MGC's competitively advantageous product line.

Tasks such as making use of the "technology platform" developed under the previous medium-term plan, aligning the multiple technologies in the Group with the actual needs of the marketplace, and creating synergies among the various businesses, including Group companies and divisions, are the key issues to be addressed in the creation and cultivation of new products.

In the qualitative progress of management to achieve sustainable growth, the Group is pursuing the following as priority policies: achievement of zero accidents or disasters, active contribution to the reduction of environmental impact, recruitment and development of human resources, cost reductions, productivity improvements, fine-tuning of existing technologies, construction of a more firm financial foundation, the enhancement of "global group management," and other policies.

Although the way forward is uncertain due to factors such as the influence of the Great East Japan Earthquake and fluctuations in the prices of raw materials, fuel, and the currency markets, in the fiscal year 2011 and the last year of "MGC Will 2011," the MGC Group will continue to steadily pursue strong cost reductions, correction of sales prices, persistent reform and strengthening of the business structure.

June 2011

Hideki Odaka
K. Sakai

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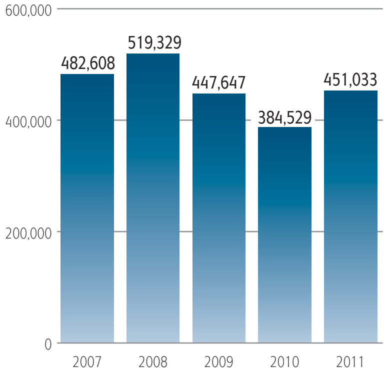
Financial Highlights

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

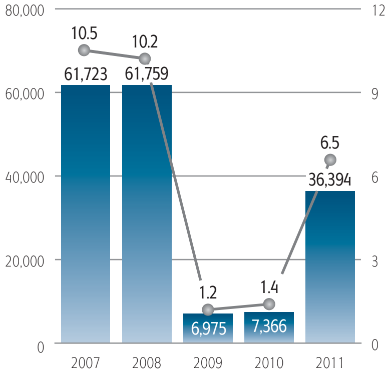
	Millions of yen					Thousands of U.S. dollars
	2011	2010	2009	2008	2007	**2011**
For the year:						
Net sales	**¥ 451,033**	¥ 384,529	¥ 447,647	¥ 519,329	¥ 482,608	**$ 5,424,330**
Natural Gas Chemicals	**145,564**	110,503	143,496	146,607	136,087	**1,750,619**
Aromatic Chemicals	**111,182**	94,475	120,672	143,365	133,165	**1,337,126**
Specialty Chemicals	**134,016**	118,311	124,537	151,637	141,216	**1,611,738**
Information and Advanced Materials	**59,508**	60,376	58,041	76,812	71,071	**715,671**
Other	**763**	864	901	908	1,069	**9,176**
Gross profit	**80,070**	57,790	52,021	102,179	91,679	**962,959**
Selling, general and administrative expenses	**56,706**	53,699	55,125	54,812	49,459	**681,973**
Operating income (loss)	**23,364**	4,091	(3,104)	47,367	42,220	**280,986**
EBITDA	**54,970**	39,225	36,403	82,735	83,375	**661,094**
Ordinary income	**36,394**	7,366	6,975	61,759	61,723	**437,691**
Net income	**18,950**	5,828	7,014	40,209	40,044	**227,901**
R&D costs	**16,380**	16,199	14,707	13,563	11,489	**196,993**
Capital expenditures	**35,401**	27,567	35,120	39,448	29,502	**425,749**
Depreciation and amortization	**28,950**	29,536	28,935	24,521	28,626	**348,166**
At year end:						
Total assets	**¥ 577,046**	¥ 539,431	¥ 530,593	¥ 601,386	¥ 609,966	**$ 6,939,820**
Current assets	**244,523**	218,083	215,299	268,660	275,926	**2,940,734**
Current liabilities	**182,528**	160,298	161,088	213,531	221,669	**2,195,165**
Working capital	**61,995**	57,785	54,211	55,129	54,257	**745,580**
Total net assets	**288,258**	278,095	272,084	312,021	292,696	**3,466,723**
Interest-bearing debt	**182,679**	165,848	174,934	150,573	163,950	**2,196,981**
Per share of common stock (Yen/U.S. dollars):						
Net income—basic	**¥ 41.92**	¥ 12.89	¥ 15.30	¥ 87.01	¥ 86.63	**$ 0.50**
Net income—diluted	**41.00**	12.61	14.97	85.13	85.64	**0.49**
Net assets	**615.25**	595.56	585.90	654.25	613.64	**7.40**
Cash dividends	**8.00**	8.00	16.00	16.00	14.00	**0.10**
Ratios:						
Gross profit margin (%)	**17.8**	15.0	11.6	19.7	19.0	
Operating income margin (%)	**5.2**	1.1	(0.7)	9.1	8.7	
Return on sales (%)	**4.2**	1.5	1.6	7.7	8.3	
Return on assets (ROA) (%)	**6.5**	1.4	1.2	10.2	10.5	
Return on equity (ROE) (%)	**6.9**	2.2	2.5	13.7	15.0	
Current ratio (times)	**1.34**	1.36	1.34	1.26	1.24	
Equitiy ratio (%)	**48.2**	49.9	49.9	50.3	46.5	
Number of employees	**4,979**	4,920	4,902	4,686	4,561	

Notes: 1. U.S. dollar amounts are translated from yen, for convenience only, at the approximate rate of ¥83.15 = US$1 prevailing on March 31, 2011.
2. EBITDA= Net income before taxes + Interest expense + Depreciation and amortization
3. Ordinary income, a common indicator in Japan, corresponds to income before income taxes and minority interests, less any extraordinary profit or loss.
4. Cash dividends for each year represent the total of the interim dividend and the year-end dividend declared as applicable to the respective year.
5. Return on assets = Ordinary income / Average total assets
6. The calculation of return on equity uses net assets excluding minority interests.

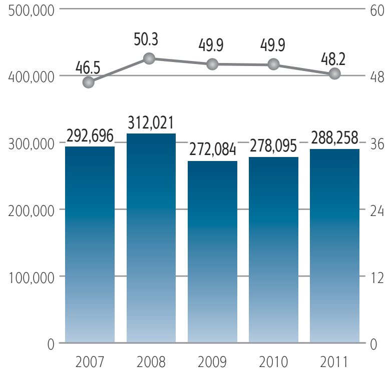
NET SALES
(Millions of yen)



ORDINARY INCOME AND ROA
(Millions of yen, %)



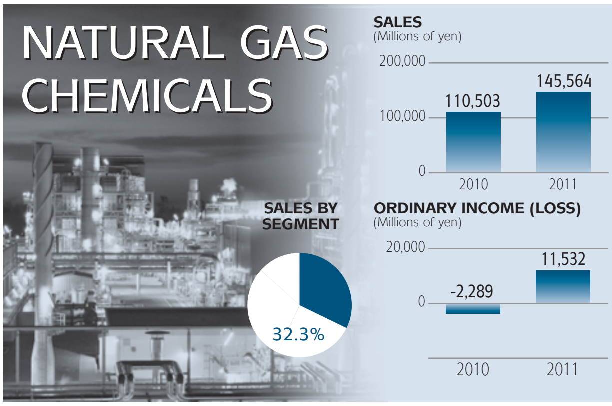
NET ASSETS AND EQUITY RATIO
(Millions of yen, %)



MGC at a Glance

Mitsubishi Gas Chemical Company, Inc. (MGC) was established in 1951 through a merger between Japan Gas Chemical Co., Inc. and Mitsubishi Edogawa Chemical Co., Ltd. Today the MGC Group includes over 120 affiliates at home and abroad. Starting in 2000, MGC introduced an "internal company" system to broadly develop its businesses—spanning basic chemicals to functional materials and products—based on its four companies: Natural Gas Chemicals, Aromatic Chemicals, Specialty Chemicals, and Information & Advanced Materials. In addition to exploration of natural gas and petroleum and development of geothermal energy, MGC is also at the global forefront of the promotion of the next-generation clean energy, DME. MGC is active worldwide in a variety of sectors, including automobiles, electronics, life sciences, the environment and energy. Since its establishment, MGC has continually aimed to create its own technologies, and as a result, it has developed over 90% of the products it handles.

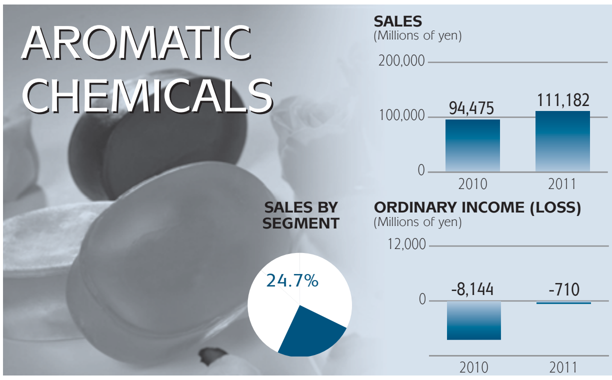
NATURAL GAS CHEMICALS



OUTLINE

Includes a wide product lineup, spanning from basic chemicals such as methanol, ammonia and their derivatives to CoenzymeQ10 made using biotechnology. Also involved in the exploration and drilling of petroleum and natural gas and geothermal development.

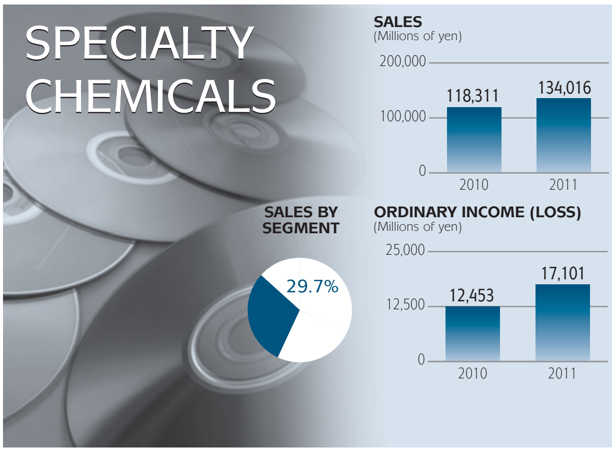
AROMATIC CHEMICALS



OUTLINE

Develops unique aromatic products centered on the metaxylene chain, including aromatic aldehydes and aromatic polycarboxylic acids, which are used as intermediates in pharmaceuticals, agrochemicals and fragrances, and monomers and additives for resins. One of our core products, Nylon-MXD6, is a derivative of metaxylene that is used for PET bottles and food packaging because of its excellent gas barrier property.

SPECIALTY CHEMICALS



OUTLINE

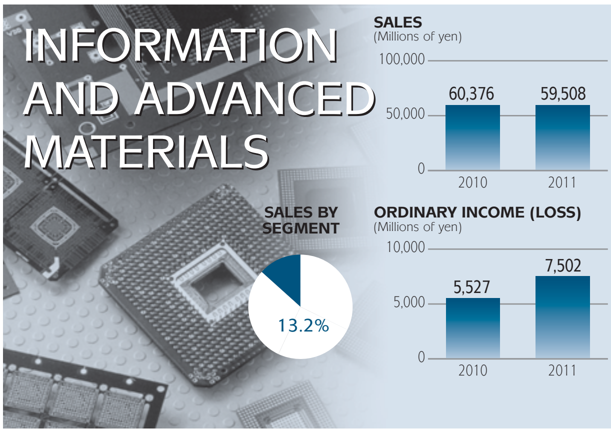
Inorganic Chemicals

Develops a range of products from industrial-use hydrogen peroxide, to chemicals for use in the electronics industry and environmental agents. Also involved in the development of functional thermosetting resin, and has a product lineup that ranges from monomers for high refractive index plastic lenses to photoresist monomers.

Engineering Plastics

Mainly involved in development of engineering plastics, including polycarbonate and polyacetal. Also develops special polycarbonate for specific optical applications as well as polycarbonate sheet & film with excellent surface coating technology.

INFORMATION AND ADVANCED MATERIALS



OUTLINE

Electronic Materials

Mainly involved in laminate materials for printed circuit boards and entry sheets, used in mechanical drilling of printed circuit boards. Its core product BT laminate material led the move towards using plastic material for semiconductor packaging, and it still remains synonymous with semiconductor package boards.

Oxygen Absorbers

Expanding the business with a focus on oxygen absorber AGELESS® which was developed based on the idea to create an oxygen-free packaging environment that prevents food deterioration by oxidation. Currently it is not only used for preserving food freshness but also in other areas as a total solution for maintaining quality, including for pharmaceuticals, medical devices, electronic/metal parts and important cultural assets.

A wide array of MGC technologies appear in a broad range of business sectors, with the MGC Group playing a variety of roles, including its activities as a global methanol supplier, a laminate maker for plastic packaging for semiconductors, a key Asian engineering plastic maker, a maker of chemicals for use in the global electronics industry, a developer and maker of the AGELESS® oxygen absorber that revolutionized the food distribution sector, and the world's first petrochemical maker to succeed in industrially producing highly-pure metaxylene.

The "Gas Chemical" in MGC's name comes from its predecessor, Japan Gas Chemical Co., Inc., which aimed to be a chemicals company that used domestic natural gas rather than depend on imported raw materials.

MAJOR PRODUCTS

Methanol, Formalin, Methanol synthesis catalyst, Ammonia, Amine, Polyol, Methyl methacrylate, Dimethyl ether (DME), Catalase, CoenzymeQ10

SUBSIDIARIES: 11 COMPANIES

- Japan Finechem Co., Inc. • Japan Pionics Co., Ltd.
- A&C Co., Inc. • Kinoe Terminal Co., Inc.
- Marine Transport and Terminal Co., Ltd.
- Kokuka Sangyo Co., Ltd. • Polyols Asia Co., Ltd.
- Japan Bio Co., Ltd. • Iwai Kaiun Ltd.
- KSK (Panama) Corp. • Glorious & KSK (Panama) S. A.

AFFILIATES: 6 COMPANIES

- Japan Saudi Arabia Methanol Co., Inc.
- Metanol de Oriente, Metor, S.A.
- Brunei Methanol Company Sdn. Bhd.
- Japan Acryace Corporation • Toho Earthtech, Inc.
- Te An Ling Tian (Nanjing) Fine Chemical Corporation

MAJOR PRODUCTS

Metaxylene, Metaxylenediamine, Nylon-MXD6, Aromatic aldehydes, Aromatic polycarboxylic acids, Purified isophthalic acid, Plasticizers

SUBSIDIARIES: 5 COMPANIES

- A.G. International Chemical Co., Inc.
- MGC Advanced Polymers, Inc. • Fudow Co., Ltd.
- Fudow Techno Co., Ltd. • Taiyo Industry Co., Ltd.

AFFILIATES: 2 COMPANIES

- Mizushima Aroma Co., Ltd.
- CG Ester Corporation

MAJOR PRODUCTS

Inorganic Chemicals

Hydrogen peroxide, Chemicals for use in the electronics industry, Persulfates, Organic titanates, Water treatment agents, Environmental agents, Monomers for high refractive index plastic lenses, Adamantane derivatives

Engineering Plastics

Polycarbonate Iupilon®, Polyacetal Iupital®, Polyamide MXD6 Reny®, Polycarbonate sheet Iupilon® sheet, Special polycarbonate Iupizeta®

SUBSIDIARIES: 12 COMPANIES

- Ling You Engineering-Plastics (Shanghai) Co., Ltd.
- Eiwa Chemical Ind. Co., Ltd.
- Kyoudou Kasankasuiso Corporation
- P. T. Peroksida Indonesia Pratama
- Samyoung Pure Chemicals Co., Ltd.
- MGC Pure Chemicals America, Inc. • Thai Polyacetal Co., Ltd.
- Toyo Kagaku Co., Ltd. • MGC Filsheet Co., Ltd.
- MGC Pure Chemicals Singapore Pte. Ltd.
- MGC Pure Chemicals Taiwan, Inc.
- Suzhou MGC Suhua Peroxide Co., Ltd.

AFFILIATES: 3 COMPANIES

- Mitsubishi Engineering-plastics Corporation
- Korea Engineering Plastics Co., Ltd.
- Otuska-MGC Chemical Co., Inc.

MAJOR PRODUCTS

Electronic Materials

Laminate materials for printed circuit boards (epoxy-related materials, BT-related materials), entry sheets ("LE sheets") used for the mechanical drilling of printed circuit boards

Oxygen Absorbers

Oxygen absorber AGELESS®, PharmaKeep®, RP System®, anaerobic cultivation system AnaeroPack®, desiccant AGELESS DRY®

SUBSIDIARIES: 3 COMPANIES

- Electrotechno Co., Ltd.
- Yonezawa Dia Elecronics Co., Inc.
- Japan Circuit Industrial Co., Ltd.

SUBSIDIARIES: 7 COMPANIES

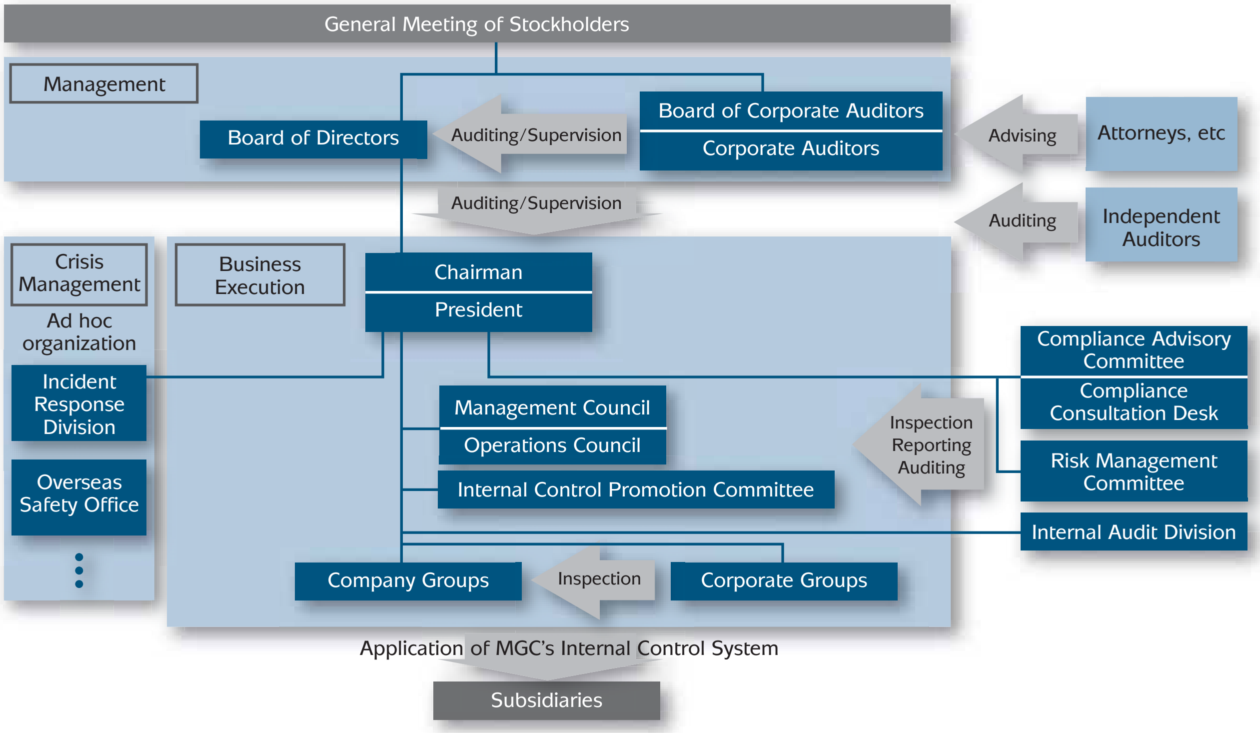
- Tokyo Shokai, Ltd.
- Ryoko Chemical Co., Ltd.
- Ryoyo Trading Co., Ltd.
- Mitsubishi Gas Chemical America, Inc.
- Mitsubishi Gas Chemical Singapore Pte. Ltd.
- Ryowa Enterprise Co., Ltd.
- MGC Finance Co., Ltd.

AFFILIATES: 2 COMPANIES

- Japan U-Pica Co., Ltd.
- JSP Corporation

Corporate Governance

CORPORATE GOVERNANCE FRAMEWORK



Corporate Governance Policy

At Mitsubishi Gas Chemical Company, Inc., (MGC), the establishment and maintenance of a sound and transparent management system is a key management issue, and a number of measures are being pursued with the aim of improving transparency, ensuring fairness, and accelerating decision-making.

MGC 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 and improved management performance.

MGC aims to enhance the transparency and fairness of management through internal audits performed by the company's Board of Corporate Auditors and will develop effective corporate governance through appropriate disclosure of management information.

Corporate Governance System

MGC has adopted a corporate auditing system and, to carry out the functions of business execution, uses an executive officer system, which clearly separates the decision making of management and supervisory functions from business executions. The Board of Directors decides the basic policies of management, as well as important matters relating to items decreed by law and articles of incorporation. The Board of Directors oversees business execution, while executive officers carry out the functions of business execution.

For matters arising in the course of its business execution that may have a significant effect on the company, MGC makes its decisions on the basis of multifaceted deliberations. The Management Council deliberates on management policies and the Operations Council deliberates on specific plans for the implementation of these. MGC receives advice from attorneys and other experts when necessary in the course of its decision making and business execution. In MGC's articles of incorporation, the Board of Directors is stipulated to comprise 15 or fewer members and as of June 28, 2011 there are 10 members.

MGC's Board of Auditors is comprised of five corporate auditors (three full-time) and of these, three are outside corporate auditors. The outside corporate auditors have no special interests in the company. Their tasks are to attend important meetings such as those held by the Board of Directors, to conduct audits of each division and surveys of subsidies, to strive to ascertain the process for important decision-making and the state of business execution, to ensure the rationality of the decisions and compliance with the law and corporate ethics, and in addition, to audit the execution of business. MGC has assigned full-time staff to aid all of its corporate auditors in the execution of their duties.

The Internal Audit Division was established to enhance internal controls and to raise business management efficiency. In order to confirm the proper execution of business by MGC and its Group companies, MGC conducts internal audits based on an annual plan and evaluates the effectiveness of its internal control system. In order to ensure that MGC and its Group companies construct, maintain and operate internal controls appropriately, while correctly and appropriately

BOARD OF DIRECTORS, CORPORATE AUDITORS AND EXECUTIVE OFFICERS

Representative Director, Chairman
Hideki Odaka

Representative Director, President
Kazuo Sakai

Representative Directors, Senior Managing Executive Officers
Yoshishige Yamazaki
Jin Hata

Directors, Managing Executive Officers
Yuh Miyauchi
Kunio Oya
Toshikiyo Kurai
Makoto Mizutani
Masami Orisaku
Yukio Sakai

Corporate Auditors
Shoji Uematsu
Kuniaki Kawakami

Outside Corporate Auditors
Hiroshi Shibata
Wataru Taguchi
Yoshimasa Nihei

Executive Officers
Katsuhiko Sugita
Takayuki Watanabe
Yoshihiro Yamane
Shigenobu Ono
Kunio Kawa
Hirotsugu Yamamura
Osamu Kondo
Shuichi Murai
Kenji Inamasa
Katsushige Hayashi
Masahiro Johno
Takafumi Abe

Executive General Manager
Kinya Tsuji

fulfilling the internal control reporting system requirements stipulated by the Financial Instruments and Exchange Law, MGC has established an Internal Control Promotion Committee headed by the executive officer responsible for the Internal Audit Division. Pursuant to the Companies Act, the company has appointed BDO Toyo & Co. as its independent auditor, and delegates auditing responsibilities to it pursuant to the Financial Instruments and Exchange Law.

Reasons for Adopting the Current Corporate Governance Framework

MGC has not appointed any outside directors, but has appointed three outside corporate auditors with no special interests in the company, one of whom is a full-time auditor. In terms of external checking of total governance, we believe our outside auditors fulfill the function of neutral oversight by participating in the process on important company decisions and conducting audits. We also believe that a governance framework enhancing management supervision by auditors and oversight functions through a reasonably-sized Board of Directors comprised of internal directors familiar with MGC business, are currently appropriate measures for MGC to increase management transparency and impartiality.

Decision Policies and Method for Officer Compensation

Director Compensation

Policies for deciding compensation and other benefits of Directors are decided by the Board of Directors. Directors' compensation consists of a basic compensation and reserved retirement benefit and is decided in accordance with each Director's position and under consideration of MGC's operational status and other companies' standards etc. The basic compensation is a fixed compensation corresponding to each Director's position in MGC, but it may be increased or decreased to reflect the company's performance or the performance of each Director.

The reserved retirement benefit is an aggregate amount to be paid out upon retirement corresponding to a Director's term of service, calculated in increments of one year, and reserved through a resolution by a General Meeting of Stockholders.

Separate from the above compensation, bonuses may be paid through a resolution by a General Meeting of Stockholders, the amount of which would appropriately correspond to MGC's performance and each Director's performance.

Auditor Compensation

Corporate Auditors' compensation consists only of a basic compensation and is decided in consultation with the Corporate Auditors.

DIRECTOR / AUDITOR COMPENSATION (FOR THE FISCAL YEAR 2010)

Officer type	Total compensation (in millions of yen)	Categorized total compensation (in millions of yen)			Number of officers
		Base compensation	Retirement benefits	Reserved retirement benefits	
Directors	452	353	25	74	12
Auditors (excl. outside auditors)	52	52	—	—	3
Outside officers (outside auditors)	41	41	—	—	3
Total	545	446	25	74	18

Notes: 1) At the completion of the 83rd Ordinary General Meeting of Stockholders, held on June 25, 2010, MGC abolished the existing director retirement benefit system and introduced a reserved retirement benefits system. The amount given in the retirement benefits for directors above is this fiscal year's provision for director retirement benefits for ten directors from before the old system's abolition.
2) The amount given for reserved retirement benefits for directors above is this fiscal year's provision for director reserved retirement benefits for ten directors. In the 84th Ordinary General Meeting of Stockholders, held on June 28, 2011, we resolved that total reserved retirement benefits of 99 million yen would be paid to the ten directors at the time of their retirement for performance of their professional duties from June 25, 2010 to June 28, 2011.
3) Based on our resolutions at the 83rd Ordinary General Meeting of Stockholders, held on June 25, 2010, we paid 102 million yen total in retirement benefits to two retired directors.

Management's Discussion and Analysis

1. Results of Operations

1) Net Sales & Operating Income

The MGC Group's overseas businesses in general, including exports, were affected by the strong yen, and demand for some semiconductor and LCD-products declined in the second half of the year. However, higher sales volumes for most products and increases in the market price for chemicals pushed up both revenue and earnings.

The March 11 earthquake affected buildings and equipment at the MGC Kashima Plant and MGC electronic materials production subsidiary Electrotechno Co., Ltd. An extraordinary loss of ¥3,003 million due to the disaster was, therefore, included in the financial statements, but the effect on operating income was limited.

Against this business backdrop, the MGC Group implemented various measures in accordance with the basic policy stated in its medium-term management plan, "MGC Will 2011," while at the same time making efforts to increase sales volume and maintain margins at acceptable levels.

After the earthquake, the company made all-out efforts to restore the affected sites as quickly as possible.

As a result, consolidated net sales increased by ¥66,505 million, or 17.3%, to ¥451,033 million, and operating income increased by ¥19,273 million, 471.2%, to ¥23,364 million.

2) Non-Operating Revenue

Non-operating revenue increased by ¥8,889 million from the previous year, or 73.3%, to ¥21,023 million. The main factor for the increase was increased equity in the earnings of affiliates. Non-operating expenditures decreased ¥866 million from the previous year, or 9.8%, to ¥7,993 million. These figures resulted in ordinary income of ¥36,394 million, a ¥29,029 million, or 394.1%, increase from the previous year.

Due to gains on sale of fixed assets and other factors, extraordinary profit decreased ¥952 million from the previous year, or 39.1%, to ¥1,482 million. Extraordinary losses reached ¥13,936 million, a ¥11,667 million, or 514.2%, increase from the previous year due to loss on devaluation of investments in securities, loss on disaster and the cumulative effect of the application of the Accounting Standard for Asset Retirement Obligations, and other factors.

The above brought net income before income taxes to ¥23,940 million, a ¥16,410 million, or 217.9%, increase over the previous year, and net income to ¥18,950 million, a ¥13,122 million, or 225.2%, increase over the previous year.

3) Dividend

Year-end dividends were unchanged from the previous year at ¥4.0 per share. With interim dividends also at ¥4.0 for the year, annual dividends per share remained unchanged from the previous year at ¥8.0 with a consolidated payout ratio of 19.1%.

2. Segment Information

1) Natural Gas Chemicals Company

In methanol, global demand increased, driven by demand in China for fuel application and other uses. Net sales increased due to factors such as higher market price, as well as higher sales volumes from new plants in Brunei and Venezuela.

Methanol and ammonia derivatives marked improvements both in net sales and earnings because strong demand in Asian countries caused an upward trend in the market price for MMA and neopentylglycol.

Despite a reduction in fixed cost, the enzyme and coenzyme business suffered from low earnings, as sales of coenzyme Q10 remained sluggish.

Crude oil and other energy increased in earnings due to an increase in the sales price of crude oil.

Consolidated net sales in the Natural Gas Chemicals Company for the year ended March 31, 2011 increased by ¥35,061 million, or 31.7%, to ¥145,564 million, and operating income improved ¥7,269 million to ¥1,343 million. Due to improvement in the performance of overseas methanol producing companies, equity in earnings of affiliates of ¥11,760 million was posted, resulting in ordinary income of ¥11,532 million, a year-on-year improvement of ¥13,821 million.

2) Aromatic Chemicals Company

Specialty aromatic chemicals improved both in terms of net sales and earnings, due to the strong performance of metaxylenediamine for epoxy resin curing agents, Nylon-MXD6 for gas barriers in PET bottles and engineering plastics, and aromatic aldehydes for resin additives in Europe and the USA.

Purified isophthalic acid enjoyed growing demand mainly in PET bottle applications in China and other Asian markets, resulting in higher prices in the fourth quarter. However, profitability did not fully recover due to such factors as the strong yen against the dollar.

Consolidated net sales in the Aromatic Chemicals Company for the year ended March 31, 2011 increased by ¥16,708 million, or 17.7%, to ¥111,182 million, and operating income improved ¥6,108 million to ¥296 million, and ordinary loss improved ¥7,434 million to ¥710 million.

3) Specialty Chemicals Company

The inorganic chemicals for industrial use improved both in terms of revenue and earnings due to higher sales volumes of hydrogen peroxide for paper pulp and industrial-use oxidizing agents.

The electronic chemicals business, including overseas subsidiaries, grew both in terms of revenue and earnings, as sales volumes of products for both semiconductors and LCD applications increased.

In engineering plastics, polycarbonates decreased in earnings due to a decline in sales volume and increases in raw material prices. By contrast, revenue and earnings of polyacetal surpassed the prior-year levels, driven by strong demand in Asia.

Due to the earthquake, the Kashima Plant, a key production site in the company, suspended operation. The negative effects on business results will be mainly reflected in the financial statements for fiscal 2011.

Polycarbonate sheets and films achieved higher revenue and earnings with increases in the sales volumes of sheets for luxury sunglasses and mobile phones, although the average unit sales prices of films used in flat panel displays declined.

Consolidated net sales in the Specialty Chemicals Company for the year ended March 31, 2011 increased by ¥15,705 million, or 13.3%, to ¥134,016 million, and operating income increased by ¥3,667 million, or 32.0%, to ¥15,132 million. Due to a ¥3,004 million equity in earnings of affiliates, ordinary income increased by ¥4,648 million, or 37.3%, to ¥17,101 million.

4) Information & Advanced Materials Company

BT materials for semiconductor packaging showed good performance in the beginning of the fiscal year due to strong demand for applications for mobile phones and digital consumer electronics. But they slowed down in the late second quarter due to inventory adjustments by customers. For the full year, however, an increase in earnings was achieved thanks to cost reduction effects. On the other hand, the sales volume remained at the same level as the previous year, partly because Electrotechno suspended production temporarily following the earthquake.

Despite being affected by the summer heat in the core market for domestic food, oxygen absorbers such as AGELESS® increased revenue and earnings thanks to the spread of individual food packaging and successful sales of products for other applications.

Consolidated net sales in the Information & Advanced Materials Company for the year ended March 31, 2011 decreased ¥868 million, or 1.4%, to ¥59,508 million, and operating income increased by ¥1,570 million, or 25.6%, to ¥7,711 million, Ordinary income increased by ¥1,974 million, or 35.7%, to ¥7,502 million.

5) Other

Consolidated net sales in the Other business segment for the year ended March 31, 2011 decreased ¥101 million, or 11.7%, to ¥763 million, operating income decreased ¥188 million, or 38.8%, to ¥296 million, and ordinary income increased by ¥724 million, or 44.8%, to ¥2,339 million.

3. Financial Position

As of March 31, 2011, total consolidated assets were ¥577,046 million, ¥37,614 million higher than at the end of the previous fiscal year.

Current assets increased by ¥26,440 million to ¥244,523 million, primarily due to an increase in trade notes and accounts receivable associated with a recovery of sales.

Fixed assets increased by ¥11,175 million to ¥332,523 million, primarily due to an increase in leased assets.

Total liabilities increased by ¥27,452 million to ¥288,788 million. Current liabilities rose by ¥22,230 million. Contributions include a decline due to ¥4,159 million in repayment of short-term debt, a ¥20,000 million current portion of corporate bonds transferred from non-current liabilities, a ¥3,622 million increase in trade notes and accounts payable. Non-current liabilities increased by ¥5,222 million: While ¥20,000 million in corporate bonds was transferred to current liabilities, there were increases in lease liabilities, long-term debt, and other such factors.

Net assets increased by ¥10,163 million to ¥288,258 million. Valuation gains on other investment securities and a net income of ¥18,950 million more than offset the decrease from foreign currency translation adjustments.

As a result, the shareholders' equity ratio was 48.2% as of March 31, 2011 (March 31, 2010: 49.9%). Net assets per share at the end of the period were ¥615.25, compared to ¥595.56 one year earlier.

4. Cash Flow

As of March 31, 2011, total cash and cash equivalents were ¥46,768 million, ¥10,720 million higher than at the end of the previous fiscal year.

1) Operating Activity Cash Flow

Net cash provided by operating activities increased by ¥8,447 million from the previous year to ¥39,774 million. The primary contribution came from a ¥16,410 million increase in net income before income taxes to ¥23,940 million.

2) Investing Activity Cash Flow

Net cash outflow from investing activities was ¥24,626 million, ¥9,036 million less than the outflow for the previous year. This was primarily because outflow due to capital expenditure fell by ¥5,721 million from the previous year to ¥25,914 million.

3) Financing Activity Cash Flow

Net cash outflow from financing activity was ¥1,849 million, a decline of ¥13,505 million from the previous year. This was because debt increased in fiscal 2010, following a decline in the previous year.

5. Capital Expenditure

The MGC Group (including MGC and consolidated subsidiaries) capital expenditures for the consolidated fiscal year were ¥35,401 million.

By segment, capital expenditure of ¥14,020 million, ¥4,504 million, ¥14,826 million, ¥1,790 million and ¥1 million were made in natural gas chemicals, aromatic chemicals, specialty chemicals, information and advanced materials and other segments, respectively.

6. Research and Development

In 2010, the midway point of MGC Group's 3-year medium-term management plan, MGC Will 2011, we set out to realize the Group Vision of seeking to "achieve sustainable growth as an outstanding chemicals company that is characterized by its own unique technologies and creates a strong impression". To achieve this vision, we actively engaged in research and development in close cooperation with group companies and in line with the plan's key policies of "strengthening and expanding core businesses and accelerating new product development and commercialization."

MGC is aiming to achieve synergy by sharing and further developing the technologies it has acquired and developed over many years under its R&D system based on its research laboratories in Tokyo, Niigata, and Hiratsuka, the MGC Chemical Analysis Center, the Research and Development Division of corporate groups, Planning and Development divisions of company groups, as well as the research divisions of individual plants. Further, we aim to cultivate new products faster and more efficiently via research and development utilizing MGC's comprehensive strengths through collaborative development with affiliates and outsourcing of research.

We also restructured the organization within Tokyo Techno Park, completed in 2009, establishing the Electronics Materials R&D Center and Oxygen Absorbers Techno Center. Along with the Tokyo Research Laboratory, the park operates as an urban research and development base, mainly researching functional products and materials.

There are a total of 769 Group research and development personnel, including those in affiliate R&D divisions, making up around 15% of the total workforce. Expenditures on research totaled ¥16,380 million. Research and development costs by segment were as follows:

Natural Gas Chemicals Company: ¥4,394 million
Aromatic Chemicals Company: ¥2,970 million
Specialty Chemicals Company: ¥5,498 million
Information and Advanced Materials Company: ¥3,518 million

7. Risk Factors

The following are the main foreseeable risks that have the potential to affect the MGC Group's operating results, stock price and financial condition. Please note that the following does not represent an exhaustive list of risks. All forward-looking statements in the text are based on the judgment of the MGC Group as of June 28, 2011.

1) Economic Conditions

The business revenues of the MGC Group are affected by economic conditions in the countries and regions where the Group's products are sold. In particular, market-sensitive commodities such as methanol, methanol derivatives and xylene products, are generally prone to declines in sales volume and selling prices during times of economic downturn, which adversely affects the MGC Group's operating results and financial condition. In addition, rapid increases in raw material prices could also have an adverse effect on the MGC Group's operating results and financial condition.

Other factors, including appreciation of the yen, interest rate increases, and downturns in the stock market, could have adverse effects on the MGC Group's operating results and financial condition, such as decreases in sales or increases in expenses or losses.

2) Overseas Business

The MGC Group has established subsidiaries and conducts manufacturing and sales in Asia, North America, South America, the Middle East and other regions. Financial statement items denominated in foreign currencies are translated into Japanese yen for the purpose of preparing the consolidated financial statements. Depending on the exchange rates at the time of translation, this could have an adverse effect on the MGC Group's operating results and financial condition.

Moreover, the MGC Group makes large investments in plant and equipment at overseas subsidiaries. Although the Group takes various measures to mitigate risks, local business activities, including manufacturing, remittance of dividend and recovery of investment could become difficult due to local political instability, social or economic turmoil, or other reasons.

Other risks that could have an adverse effect on the MGC Group's operating results and financial condition include problems due to differences in legal systems, the possibility of restrictions by foreign governments on investments, and personnel or labor issues.

3) Business Characteristics

The MGC Group manufactures and sells various chemical products, and conducts its business in a competitive environment. The Group competes mainly on the basis of price in commodity products, and on the basis of categories including price, market trends, quality, function, delivery time and customer service in specialty products and high value added products. A rise in the level of competition in these areas could lead to lower selling prices or a decrease in sales volume.

In addition, because of their characteristics, businesses of the MGC Group have risks such as those described below.

For example, the MGC Group purchases raw materials such as mixed xylene, electric power and other items from outside suppliers. The Group takes measures such as purchasing from various suppliers to reduce the risk that procurement will become impossible. However, the inability of a major supplier to deliver necessary raw materials or other items could be detrimental to the Group's production activities.

Many of the MGC Group's manufacturing bases have multiple production facilities that share electricity, water supply, steam and other utilities. Consequently, if a shared utility at any base shuts down due to an accident or other trouble, the production activities of the entire base could be suspended.

The specialty chemical products manufactured and sold by the MGC Group include some products that are sold only to specific customers. The MGC Group reduces risks with measures such as entering into long-term supply contracts with these customers; however, sales could decline if customers discontinue their use of these products.

Electronic materials and other high-performance products, for which the electronics industry is the primary customer segment, typically have a short product life and are constantly exposed to competition in technological innovation. Therefore, sales could decline if existing products become obsolete or if new product development is delayed.

For products other than commodity and basic chemicals, including engineering plastics and specialty chemicals, selling prices could drop and sales volume could decline due to the emergence of cheaper competing products.

The MGC Group takes all possible measures to mitigate these risks, but they could have an adverse effect on the Group's operating results and financial condition.

4) Product Defects

Nearly all of the MGC Group's manufacturing bases conduct production activities in accordance with globally recognized quality management standards, and ship products that conform to specifications agreed upon with customers. However, the possibility exists that defective products could be manufactured or shipped. In the event that a product with a quality defect is shipped, the MGC Group may have to compensate the customer who used the defective product not only for direct damages but also for opportunity loss. In addition, MGC may lose the trust of society.

To deal with this type of risk, the MGC Group has obtained product liability insurance and other liability insurance. However, the full amount of the damages for which the MGC Group is ultimately liable may not be covered by this insurance, and therefore the MGC Group's operating results and financial condition could be adversely affected.

5) Legal Restrictions

The MGC Group handles hazardous chemical substances including poisonous and deleterious substances, hazardous materials and high-pressure gas as part of its business, and is subject to various legal restrictions, both in Japan and overseas, at each stage, including manufacturing, storage, distribution and sale. In addition, with rising environmental awareness worldwide, regulations on chemical substances are becoming increasingly stringent, which could disrupt the MGC Group's business activities.

Penalties, social sanctions, remediation costs and other consequences of the failure of the MGC Group to comply with legal regulations related to its business activities could have an adverse effect on the Group's operating results and financial condition.

6) Natural Disasters

The MGC Group has manufacturing bases not only in Japan but also in the rest of Asia, North America, South America, the Middle East and other regions. The production activities at these bases could be suspended or otherwise disrupted if equipment is damaged or trouble occurs due to the effects of natural disasters such as earthquakes, windstorms and floods. In some cases, material loss or opportunity loss caused by natural disasters may be excluded from casualty insurance, and thus could have an adverse effect on the MGC Group's operating results and financial condition.

7) Accidents and Disasters

The MGC Group routinely handles hazardous chemical substances including poisonous and deleterious substances, hazardous materials and high-pressure gas as part of its business. Although the MGC Group makes efforts to ensure maintenance and stable operation of production facilities with a world-class security and disaster prevention system, explosions, fires, toxic gas leaks or other accidents may occur as a result of equipment malfunction or human error. Such events could not only damage production facilities, but also, depending on circumstances, damage the area surrounding the production facility or harm customers. The MGC Group takes out fire insurance, profit insurance, oil pollution insurance, liability insurance and other insurance against these risks. However, the MGC Group's operating results and financial condition could be adversely affected if this insurance does not cover the full amount of the damages for which the MGC Group is ultimately liable.

8) Research and Development

The MGC Group conducts basic and applied research to develop new products and processes and improve existing products and processes. Research and development is complex and long-term, and results are uncertain. If the MGC Group does not continue to develop new products that are accepted in the market, or if the markets for products newly developed by the MGC Group do not grow as much as anticipated, the Group's future operating results and financial condition could be adversely affected.

9) Joint Ventures

The MGC Group procures virtually all of its methanol, the Group's largest-selling product when derivatives are included, from joint ventures in Saudi Arabia, Venezuela and other countries. The Group also has numerous joint ventures that manufacture other products. Because the MGC Group does not control its joint venture partners, there is no guarantee that the joint venture partners will make decisions that are best for the MGC Group or the joint ventures. Moreover, the partners may not fulfill their obligations under the joint venture agreements. Such circumstances could have an adverse effect on the MGC Group's operating results and financial condition.

10) Intellectual Property

The MGC Group consistently files and obtains patents in Japan and overseas to protect the research findings used in its businesses and licenses, and has entered into numerous patent licensing agreements and technology agreements. The MGC Group works to protect intellectual property with these patent rights and confidentiality agreements. However, failure of these protections could have an adverse effect on the Group's operating results and financial condition.

Consolidated Balance Sheets

Mitsubishi Gas Chemical Company, Inc. and Consolidated Subsidiaries
March 31, 2011 and 2010

Assets

	Millions of yen		Thousands of U.S. dollars (note 2)
	2011	2010	**2011**
Current assets:			
Cash (note 3)	**¥ 47,965**	¥ 27,561	**$ 576,849**
Trade notes and accounts receivable (note 18)	**112,029**	104,087	**1,347,312**
Short-term investments (notes 4 and 6)	**614**	10,017	**7,384**
Inventories	**68,217**	62,006	**820,409**
Deferred income taxes (note 9)	**5,160**	3,494	**62,057**
Other current assets	**11,317**	11,623	**136,104**
Less allowance for doubtful receivables	**779**	705	**9,369**
Total current assets	**244,523**	218,083	**2,940,746**
Property, plant and equipment (note 6):			
Buildings and structures	**128,227**	123,652	**1,542,117**
Machinery, equipment and vehicles	**354,351**	340,217	**4,261,587**
Land	**22,832**	22,940	**274,588**
Leased assets	**18,495**	529	**222,429**
Construction in progress	**15,713**	17,301	**188,972**
Other	**30,390**	29,289	**365,484**
	570,008	533,928	**6,855,177**
Less accumulated depreciation	**393,185**	372,594	**4,728,623**
Net property, plant and equipment	**176,823**	161,334	**2,126,554**
Intangible assets, net:			
Goodwill	**56**	—	**674**
Leased assets	**40**	54	**481**
Software	**2,269**	2,671	**27,288**
Other	**1,866**	1,933	**22,441**
Net intangible assets	**4,231**	4,658	**50,884**
Investments and other assets:			
Investments in securities (notes 4, 5 and 6)	**131,048**	130,471	**1,576,043**
Long-term loans receivable	**523**	2,733	**6,290**
Deferred income taxes (note 9)	**15,565**	17,457	**187,192**
Other investments and other assets (notes 5 and 8)	**4,795**	6,324	**57,667**
Less allowance for doubtful receivables	**462**	1,629	**5,556**
Total investments and other assets	**151,469**	155,356	**1,821,636**
Total assets	**¥ 577,046**	¥ 539,431	**$ 6,939,820**

See accompanying notes to consolidated financial statements.

Liabilities and Net Assets

	Millions of yen		Thousands of U.S. dollars (note 2)
	2011	2010	**2011**
Current liabilities:			
Trade notes and accounts payable	**¥ 60,109**	¥ 56,487	**$ 722,898**
Short-term debt and current installments of long-term debt (note 6)	**90,945**	74,121	**1,093,746**
Accrued expenses	**11,820**	12,851	**142,153**
Accrued income taxes (note 9)	**1,869**	2,422	**22,477**
Accrued bonuses	**3,726**	3,646	**44,811**
Other current liabilities (note 9)	**14,059**	10,771	**169,080**
Total current liabilities	**182,528**	160,298	**2,195,165**
Non-current liabilities:			
Long-term debt (note 6)	**91,734**	91,727	**1,103,235**
Liabilities for retirement and severance benefits (note 8)	**5,853**	5,677	**70,391**
Deferred income taxes (note 9)	**1,038**	866	**12,484**
Other non-current liabilities (notes 7 and 8)	**7,635**	2,768	**91,822**
Total non-current liabilities	**106,260**	101,038	**1,277,932**
Total liabilities	**288,788**	261,336	**3,473,097**
Stockholders' equity:			
Common stock (note 10):	**41,970**	41,970	**504,750**
Authorized 984,856,000 shares; issued 483,478,398 shares in 2011 and 2010			
Additional paid-in capital (note 10)	**35,592**	35,590	**428,046**
Retained earnings (note 11)	**236,597**	222,394	**2,845,424**
Treasury stock, at cost; 31,471,354 shares in 2011 and 31,446,964 shares in 2010	**(7,920)**	(7,905)	**(95,249)**
Total stockholders' equity	**306,239**	292,049	**3,682,971**
Accumulated other comprehensive income (loss):			
Net unrealized gain (loss) on other securities (note 4)	**4,198**	(1,013)	**50,487**
Deferred losses on hedges	**—**	(2)	**—**
Surplus on revaluation of land	**192**	192	**2,309**
Foreign currency translation adjustments	**(32,532)**	(22,013)	**(391,245)**
Total accumulated other comprehensive loss	**(28,142)**	(22,836)	**(338,449)**
Minority interests	**10,161**	8,882	**122,201**
Total net assets	**288,258**	278,095	**3,466,723**
Commitments and contingencies (note 19)			
Total liabilities and net assets	**¥ 577,046**	¥ 539,431	**$6,939,820**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income

Mitsubishi Gas Chemical Company, Inc. and Consolidated Subsidiaries
For the years ended March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (note 2)
	2011	2010	2011
Net sales (note 18)	¥451,033	¥384,529	$5,424,330
Cost of sales (note 13)	370,963	326,739	4,461,371
Gross profit	80,070	57,790	962,959
Selling, general and administrative expenses (notes 12 and 13)	56,706	53,699	681,973
Operating income	23,364	4,091	280,986
Other income (deductions):			
Interest income	123	202	1,479
Dividend income	1,248	1,183	15,009
Interest expenses	(2,079)	(2,159)	(25,003)
Equity in earnings of affiliates	17,873	8,794	214,949
Gain (loss) on sale of investments in securities	(137)	1,942	(1,648)
Exchange loss	(1,700)	(1,047)	(20,445)
Personnel expenses for seconded employees	(1,529)	(1,768)	(18,388)
Loss on sale/disposal of property, plant and equipment	(326)	(1,127)	(3,921)
Impairment loss	(599)	(520)	(7,204)
Loss on devaluation of investments in securities (note 4)	(6,480)	—	(77,931)
Loss on disaster (note 14)	(3,003)	—	(36,115)
Cumulative effect of accounting change (note 1(p))	(1,777)	—	(21,371)
Restructuring charges of affiliates	(1,643)	—	(19,760)
Other, net	605	(2,060)	7,276
	576	3,440	6,927
Income before income taxes and minority interests	23,940	7,531	287,913
Income taxes (note 9):			
Current	3,683	4,304	44,293
Deferred	(49)	(3,248)	(589)
	3,634	1,056	43,704
Income before minority interests	20,306	6,475	244,209
Minority interests	1,356	647	16,308
Net income	¥ 18,950	¥ 5,828	$ 227,901

See accompanying notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Mitsubishi Gas Chemical Company, Inc. and Consolidated Subsidiaries
For the year ended March 31, 2011

	Millions of yen	Thousands of U.S. dollars (note 2)
	2011	2011
Income before minority interests	¥20,306	$244,209
Other comprehensive income (loss) arising during the year:		
Net unrealized gain on other securities	5,276	63,452
Foreign currency translation adjustments	(1,844)	(22,177)
Other comprehensive loss of affiliates accounted by the equity method	(7,177)	(86,314)
Total other comprehensive loss arising during the year	(3,745)	(45,039)
Comprehensive income	¥ 16,561	$ 199,170
Comprehensive income attributable to:		
Owners of the parent	¥ 15,481	$ 186,182
Minority interests	¥ 1,080	$ 12,988

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

Mitsubishi Gas Chemical Company, Inc. and Consolidated Subsidiaries
For the years ended March 31, 2011 and 2010

	Millions of yen											
	Stockholders' equity					Accumulated other comprehensive income (loss)						
	Common stock (note 10)	Additional paid-in capital (note 10)	Retained earnings (note 11)	Treasury stock	Total	Net unrealized gain (loss) on other securities (note 4)	Deferred gains (losses)on hedges	Surplus on revaluation of land	Foreign currency translation adjustments	Total	Minority interests	Total net assets
Balance at March 31, 2009	¥ 41,970	¥ 35,589	¥ 221,991	¥ (7,891)	¥ 291,659	¥ (3,330)	¥ 30	¥ 192	¥ (23,689)	¥ (26,797)	¥ 7,222	¥ 272,084
Changes arising during year:												
Cash dividends			(5,425)		(5,425)							(5,425)
Net income			5,828		5,828							5,828
Purchase of treasury stock				(15)	(15)							(15)
Disposition of treasury stock		1		1	2							2
Net changes other than stockholders' equity						2,317	(32)		1,676	3,961	1,660	5,621
Total changes during the year	—	1	403	(14)	390	2,317	(32)	—	1,676	3,961	1,660	6,011
Balance at March 31, 2010	41,970	35,590	222,394	(7,905)	292,049	(1,013)	(2)	192	(22,013)	(22,836)	8,882	278,095
Changes arising during year:												
Cash dividends			**(3,616)**		**(3,616)**							**(3,616)**
Net income			**18,950**		**18,950**							**18,950**
Change in the scope of consolidated subsidiaries			**(135)**		**(135)**							**(135)**
Change in the scope of affiliates accounted for by the equity method			**(996)**		**(996)**							**(996)**
Purchase of treasury stock				**(16)**	**(16)**							**(16)**
Disposition of treasury stock		**2**		**1**	**3**							**3**
Net changes other than stockholders' equity						**5,211**	**2**		**(10,519)**	**(5,306)**	**1,279**	**(4,027)**
Total changes during the year	**—**	**2**	**14,203**	**(15)**	**14,190**	**5,211**	**2**	**—**	**(10,519)**	**(5,306)**	**1,279**	**10,163**
Balance at March 31, 2011	**¥ 41,970**	**¥ 35,592**	**¥ 236,597**	**¥ (7,920)**	**¥306,239**	**¥ 4,198**	**¥ —**	**¥192**	**¥(32,532)**	**¥ (28,142)**	**¥10,161**	**¥ 288,258**

	Thousands of U.S. dollars (note 2)											
	Stockholders' equity					Accumulated other comprehensive income (loss)						
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total	Net unrealized gain (loss) on other securities	Deferred gains (losses)on hedges	Surplus on revaluation of land	Foreign currency translation adjustments	Total	Minority interests	Total net assets
Balance at March 31, 2010	$ 504,750	$ 428,022	$ 2,674,612	$ (95,069)	$ 3,512,315	$ (12,183)	$ (24)	$ 2,309	$ (264,738)	$ (274,636)	$ 106,819	$ 3,344,498
Changes arising during year:												
Cash dividends			**(43,488)**		**(43,488)**							**(43,488)**
Net income			**227,901**		**227,901**							**227,901**
Change in the scope of consolidated subsidiaries			**(1,623)**		**(1,623)**							**(1,623)**
Change in the scope of affiliates accounted for by the equity method			**(11,978)**		**(11,978)**							**(11,978)**
Purchase of treasury stock				**(192)**	**(192)**							**(192)**
Disposition of treasury stock		**24**		**12**	**36**							**36**
Net changes other than stockholders' equity						**62,670**	**24**		**(126,507)**	**(63,813)**	**15,382**	**(48,431)**
Total changes during the year	**—**	**24**	**170,812**	**(180)**	**170,656**	**62,670**	**24**	**—**	**(126,507)**	**(63,813)**	**15,382**	**122,225**
Balance at March 31, 2011	**$504,750**	**$ 428,046**	**$2,845,424**	**$(95,249)**	**$3,682,971**	**$50,487**	**$ –**	**$2,309**	**$(391,245)**	**$(338,449)**	**$122,201**	**$3,466,723**

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, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (note 2)
	2011	2010	**2011**
Cash flows from operating activities:			
Income before income taxes and minority interests	**¥ 23,940**	¥ 7,531	**$ 287,913**
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	**29,097**	29,507	**349,934**
Loss on sale/disposal of property, plant and equipment	**114**	466	**1,371**
Impairment loss	**599**	520	**7,204**
Restructuring charges of affiliates	**1,643**	—	**19,760**
Equity in earnings of affiliates	**(17,873)**	(8,794)	**(214,949)**
Loss on disaster	**3,003**	—	**36,115**
Allowance for doubtful receivables	**5**	168	**60**
Increase in liabilities for retirement and severance benefits	**888**	892	**10,680**
Interest and dividend income	**(1,371)**	(1,385)	**(16,488)**
Interest expenses	**2,079**	2,159	**25,003**
(Gain) loss on sale of short-term investments and investments in securities	**137**	(2,050)	**1,648**
Loss on devaluation of short-term investments and investments in securities	**6,480**	4	**77,931**
Cumulative effect of accounting change	**1,777**	—	**21,371**
Increase in trade notes and accounts receivable	**(10,606)**	(29,579)	**(127,553)**
(Increase) decrease in inventories	**(6,225)**	3,510	**(74,865)**
Increase in trade notes and accounts payable	**4,636**	17,147	**55,755**
Other, net	**(1,195)**	32	**(14,372)**
Sub total	**37,128**	20,128	**446,518**
Interest and dividend received	**1,372**	1,392	**16,500**
Dividend received from affiliates accounted for by the equity method	**7,785**	9,183	**93,626**
Interest paid	**(2,178)**	(2,201)	**(26,194)**
Income taxes refunded (paid)	**(4,814)**	2,825	**(57,895)**
Other, net	**481**	—	**5,785**
Net cash provided by operating activities	**39,774**	31,327	**478,340**
Cash flows from investing activities:			
Purchase of short-term investments	**(730)**	(990)	**(8,779)**
Proceeds from sale of short-term investments	**1,073**	895	**12,904**
Capital expenditures	**(25,914)**	(31,635)	**(311,654)**
Proceeds from sale of property, plant and equipment	**2,682**	1,181	**32,255**
Purchase of investments in securities	**(2,277)**	(6,879)	**(27,384)**
Proceeds from sale of investments in securities and subsidiaries	**320**	4,031	**3,848**
Decrease in long-term loans receivable	**538**	178	**6,470**
Other, net	**(318)**	(444)	**(3,824)**
Net cash used in investing activities	**(24,626)**	(33,663)	**(296,164)**
Cash flows from financing activities:			
Decrease in short-term debt	**(2,352)**	(3,130)	**(28,286)**
Proceeds from long-term debt	**11,232**	9,080	**135,081**
Payments on long-term debt	**(6,469)**	(15,097)	**(77,799)**
Purchase of treasury stock	**(16)**	(15)	**(192)**
Dividends paid to stockholders	**(3,616)**	(5,425)	**(43,488)**
Dividends paid to minority stockholders of subsidiaries	**(841)**	(622)	**(10,114)**
Other, net	**213**	(145)	**2,562**
Net cash used in financing activities	**(1,849)**	(15,354)	**(22,236)**
Effect of exchange rate changes on cash and cash equivalents	**(3,049)**	(445)	**(36,669)**
Increase (decrease) in cash and cash equivalents	**10,250**	(18,135)	**123,271**
Cash and cash equivalents at beginning of year	**36,049**	53,065	**433,542**
Increase in cash and cash equivalents resulting from change in the scope of consolidated subsidiaries	**469**	1,119	**5,640**
Cash and cash equivalents at end of year (note 3)	**¥ 46,768**	¥ 36,049	**$ 562,453**

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Mitsubishi Gas Chemical Company, Inc. and Consolidated Subsidiaries
For the years ended March 31, 2011 and 2010

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.

"Practical Solution on unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (ASBJ Practical Issues Task Force (PITF) No. 18, May 17, 2006) requires that for the preparation of consolidated financial statements, the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should be unified, in principle, and financial statements prepared by foreign subsidiaries in accordance with IFRSs or the generally accepted accounting principles in the United States (U.S. GAAP) tentatively may be used for the consolidation process, however, the items listed in the PITF should be adjusted in the consolidation process so that net income is accounted for in accordance with Japan GAAP unless they are not material. The Company made necessary modification to the consolidated financial statements according to the PITF.

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments 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 (38 subsidiaries for 2011 and 35 subsidiaries for 2010). The Company and its consolidated subsidiaries are collectively referred to as "MGC."

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 difference between the cost and the underlying net assets at the date of investments in subsidiaries or affiliates is allocated to identifiable assets and liabilities based on fair market value at the date of investments.

The unallocated portion of the difference, which is recognized as goodwill, is being amortized over 5 to 7 years. Negative goodwill which occurred before March 31, 2010 is being amortized over 5 years. Negative goodwill which occurred on or after April 1, 2010 is immediately recognized as a gain in the income statement.

(c) Cash and Cash Equivalents

For the purpose of the statements of cash flows, MGC 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 income. 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 net assets. 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 MGC are classified as held-to-maturity securities and other securities.

(e) Inventories

Inventories held for sale in the ordinary course of business are measured at the lower of cost or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses, determined principally by the average method.

(f) Property, Plant and Equipment

Property, plant and equipment are carried substantially at cost. Depreciation of the Company and its domestic consolidated subsidiaries is provided principally by the declining-balance method based on the estimated useful lives. And depreciation of overseas subsidiaries is provided principally by the straight-line method.

The estimated useful lives are as follows:

Buildings and structures	7-50 years
Machinery, equipment and vehicles	8-15 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

The standard for the impairment of long-lived assets 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.

Recognized impairment losses, except for those to be deducted directly from acquisition costs of corresponding fixed assets, are included in accumulated depreciation on the consolidated balance sheet.

(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

MGC 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.

From the year ended March 31, 2010, the Company adopted "Partial Amendments to Accounting Standard for Retirement Benefits (Part3)" (ASBJ Statement No. 19, July 31, 2008) and the Accounting Standard is to remove the treatment, which provides that a company may use the discount rate determined taking into consideration fluctuations in the yield of bonds over a certain period, and the Company is required to use the discount rate at the each year end. The effect of the change on profit and loss was immaterial for the year ended March 31, 2010.

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. (See note 8)

(k) Leases

All finance lease transactions are capitalized. Leased assets related to finance lease transactions without title transfer are depreciated on a straight-line method, with the lease periods as their useful lives and no residual value. Finance leases which commenced prior to April 1, 2008 and have been accounted for as operating leases, continue to be accounted for as operating leases with disclosure of certain "as if capitalized" information.

(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 of overseas subsidiaries are translated into yen at the rate of exchange as of the balance sheet date, and revenues and expenses of them are translated into yen using the average rate in the year, and a comprehensive adjustment resulting from translation is presented as "Foreign currency translation adjustments" and "Minority interests" in a component of net assets.

(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

MGC provided the accrued estimated cost of abandonment of a 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 MGC's plan for the abandonment of the well (See note 1(p)).

(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) Asset retirement obligations

From the year ended March 31, 2011, the Company applied "the Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No.18, March 31, 2008) and "the Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No.21, March 31, 2008). The Standard and the Guidance require that a company should recognize an asset retirement obligation which is a statutory or similar obligation with regard to the removal of assets as a liability. An asset retirement obligation is recognized as a liability at the time that the asset is incurred by its acquisition, construction, development or ordinary use. When an asset retirement obligation is recognized as a liability, the asset retirement cost corresponding to it is included in the cost of the relevant asset by the same amount.

As a result of this change, operating income decreased by ¥47 million ($565 thousand) and income before income taxes and minority interests decreased by ¥1,828 million ($21,984 thousand). Accrued estimated cost of abandonment of wells of ¥582 million as of March 31, 2010 has been transferred to a part of asset retirement obligations. (See note 1(n))

(q) Presentation of comprehensive income

From the year ended March 31, 2011, the Company applied "the Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No.25, June 30, 2010) and "the Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No.22, Revised on June 30, 2010). Comprehensive income is the change in net assets that is recognized in an entity's financial statements for a period, other than those changes resulting from direct transactions with equity holders in the entity's net assets. Other comprehensive income is a portion of comprehensive income that is not included in net income for the period or minority interest's share in it.

Comprehensive income is required to be presented in either of, (a) a format composed of the statement of income that presents net income and the statement of comprehensive income that presents calculation of comprehensive income (two-statement format), or (b) a format using one statement (statement of income and comprehensive income) that presents net income and comprehensive income (one-statement format).

The Company presents comprehensive income in two-statement format.

(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, 2011.

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, 2011 have been translated into United States dollars at the rate of ¥83.15=U.S.$1, the approximate exchange rate on the Tokyo Foreign Exchange Market on March 31, 2011. This translation should not be construed as a representation that the amounts shown could be converted into U.S. dollars at such rate.

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, 2011 and 2010 is follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Cash	**¥ 47,965**	¥ 27,561	**$ 576,849**
Time deposits with maturities of over three months	**(1,327)**	(642)	**(15,959)**
Short-term investments	**130**	9,130	**1,563**
Cash and cash equivalents	**¥ 46,768**	¥ 36,049	**$ 562,453**

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, 2011 and 2010 are summarized as follows:

	Millions of yen			
	Balance sheet amount	Gross unrealized gain	Gross unrealized loss	Fair value
March 31, 2011				
Government bond securities	**¥ 8**	**¥ 0**	**¥ 0**	**¥ 8**
Certificates of deposit	**603**	**—**	**—**	**603**
Other	**10**	**0**	**0**	**10**
	¥ 621	**¥ 0**	**¥ 0**	**¥ 621**
March 31, 2010				
Government bond securities	¥ 17	¥ 0	¥ 0	¥ 17
Certificates of deposit	9,998	—	—	9,998
Other	10	0	0	10
	¥10,025	¥ 0	¥ 0	¥10,025

	Thousands of U.S. dollars			
	Balance sheet amount	Gross unrealized gain	Gross unrealized loss	Fair value
March 31, 2011				
Government bond securities	**$ 96**	**$ 0**	**$ 0**	**$ 96**
Certificates of deposit	**7,252**	**—**	**—**	**7,252**
Other	**120**	**0**	**0**	**120**
	$ 7,468	**$ 0**	**$ 0**	**$ 7,468**

Acquisition cost, balance sheet amount and gross unrealized gain and loss of other securities with fair value as of March 31, 2011 and 2010 are summarized as follows:

	Millions of yen			
	Acquisition cost	Gross unrealized gain	Gross unrealized loss	Balance sheet amount
March 31, 2011				
Equity securities	**¥ 28,639**	**¥ 9,161**	**¥ (2,010)**	**¥ 35,790**
Corporate bond securities	**66**	**1**	**—**	**67**
Other securities	**33**	**0**	**—**	**33**
	¥ 28,738	**¥ 9,162**	**¥ (2,010)**	**¥ 35,890**
March 31, 2010				
Equity securities	¥ 33,579	¥ 8,814	¥ (7,365)	¥ 35,028
Corporate bond securities	66	1	—	67
Other securities	33	0	—	33
	¥ 33,678	¥ 8,815	¥ (7,365)	¥ 35,128

	Thousands of U.S. dollars			
	Acquisition cost	Gross unrealized gain	Gross unrealized loss	Balance sheet amount
March 31, 2011				
Equity securities	**$344,425**	**$110,175**	**$ (24,173)**	**$430,427**
Corporate bond securities	**794**	**12**	**—**	**806**
Other securities	**397**	**0**	**—**	**397**
	$345,616	**$110,187**	**$ (24,173)**	**$431,630**

Securities classified as other securities for which fair value is not available are unlisted equity securities amounting to ¥3,678 million ($44,233 thousand) and ¥3,841 million at March 31, 2011 and 2010, respectively.

For the years ended March 31, 2011 and 2010, proceeds from the sale of other securities are ¥4 million ($48 thousand) and ¥4,031 million, respectively. Gross realized gains were ¥2,050 million for the year ended March 31, 2010.

The Company recognized impairment losses on securities of ¥6,480 million ($77,931 thousand) and ¥4 million for the years ended March 31, 2011 and 2010, respectively. The Company recognizes impairment losses on securities with market value when the market value declines by more than 50 percent, or when the market value declines by more than 30 percent but less than 50 percent, the Company recognizes necessary impairment losses as a result of considering the possibility of recovery. The Company recognizes impairment losses on securities without market value when the value declines significantly due to an issuer's financial condition.

5. Investments in Affiliates

The aggregate carrying amounts of investments in affiliates as of March 31, 2011 and 2010 are ¥91,570 million ($1,101,263 thousand) and ¥91,599 million, respectively.

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 is 0.7% both at March 31, 2011 and 2010.

Long-term debt as of March 31, 2011 and 2010 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Loans, principally from banks, maturing in installments through 2028 with weighted average interest of 1.3% and 1.4% at March 31, 2011 and 2010, respectively, partially secured by mortgage of property, plant and equipment and securities	**¥ 80,143**	¥76,633	**$ 963,837**
Lease liabilities maturing in installments through 2026 with weighted average interest of 3.4% and 2.2% at March 31, 2011 and 2010, respectively	**16,983**	448	**204,245**
Yen zero coupon convertible bonds (bonds with stock acquisition rights), due 2011	**20,000**	20,000	**240,529**
	117,126	97,081	**1,408,611**
Less current installments:			
Loans	**4,292**	5,238	**51,618**
Lease liabilities	**1,100**	116	**13,229**
Convertible bonds	**20,000**	-	**240,529**
	¥ 91,734	¥ 91,727	**$1,103,235**

The yen zero coupon convertible bonds (bonds with stock acquisition rights), due 2011 is exercisable for the period from October 5, 2006 to September 7, 2011 and entitling the bearer to acquire fully-paid and non-assessable shares of common stock of the Company at the conversion price of ¥1,959.30 ($23.56) per share at March 31, 2011.

The aggregate annual maturities of loans after March 31, 2012, are as follows:

	Millions of yen	Thousands of U.S. dollars
Year ending March 31		
2013	¥21,886	$ 263,211
2014	23,483	282,417
2015	2,128	25,592
2016	3,595	43,235

Annual maturities of lease liabilities after March 31, 2012, are as follows:

	Millions of yen	Thousands of U.S. dollars
Year ending March 31		
2013	¥ 1,229	$ 14,781
2014	1,200	14,432
2015	1,152	13,854
2016	1,135	13,650

Property, plant and equipment and securities with a book value at March 31, 2011 of ¥11,642 million ($140,012 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.

7. Asset Retirement Obligations

(a) Asset retirement obligations recognized on the consolidated balance sheet

The Company is obliged to restore its natural gas mining facilities except for mentioned below (b) according to law and land lease contracts. The asset retirement obligations are based on estimated future cash flows for the restorations. The obligations are calculated by using the estimated mine lives of 12 to 76 years and discounted rate of 1.579% to 2.385%.

Asbestos are used in part of fixed assets held by the Company and certain consolidated subsidiaries. The Company is obliged to conduct a special treatment when asbestos are removed. The asset retirement obligations are based on estimated future cash flows for the treatment. The obligations are calculated by using the estimated useful lives of the fixed assets mainly of 8 years and discounted rate of 1.035%.

The Company and certain consolidated subsidiaries are obliged to restore their head offices and plant premises according to leasehold contracts. The asset retirement obligations are based on estimated future cash flows for the restorations. The obligations are calculated by using the estimated lease terms of 31 to 50 years and discounted rate mainly of 2.295%.

The following table provides a total asset retirement obligation for the year ended March 31, 2011:

	Millions of yen	Thousands of U.S. dollars
Balance, beginning of year	**¥ 3,514**	**$ 42,261**
Accretion expenses	**64**	**770**
Liabilities settled	**(105)**	**(1,263)**
Balance, end of year	**¥ 3,473**	**$ 41,768**

The above asset retirement obligation at the beginning of year is calculated by estimating the undiscounted future cash flow as of the beginning of the year and by using a discount rate.

(b) Asset retirement obligations not recognized on the consolidated balance sheet

The Company is obliged to restore its natural gas mining facilities according to law and land lease contracts. The Company plan to use part of the facilities as storage facilities after mining continuingly. The Company and certain subsidiaries are obliged to restore their piers and pipelines according to law and lease contracts. The piers and pipelines can be used for a substantial long-term with appropriate repair. Asset retirement obligations relating to these assets are not recognized because it is extremely difficult to estimate the time of fulfilling the obligations reasonably.

8. 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, defined benefit corporate pension plans and tax qualified noncontributory pension plans, and defined contribution pension plans.

The funded status of the pension plans at March 31, 2011 and 2010 is outlined as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Projected benefit obligation	**¥(36,608)**	¥(37,568)	**$(440,265)**
Plan assets at fair value	**13,029**	13,614	**156,693**
Assets contributed to the trust	**12,237**	13,646	**147,168**
Funded status	**(11,342)**	(10,308)	**(136,404)**
Unrecognized actuarial loss	**5,283**	4,828	**63,536**
Unrecognized prior service cost	**657**	922	**7,901**
Net amount recognized in the consolidated balance sheets	**(5,402)**	(4,558)	**(64,967)**
Prepaid retirement and severance benefits	**—**	72	**—**
Accrued retirement and severance benefits	**¥ (5,402)**	¥ (4,630)	**$ (64,967)**

Net periodic pension cost for the years ended March 31, 2011 and 2010 consists of the following components:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Service cost	**¥1,644**	¥ 1,868	**$ 19,771**
Interest cost	**675**	680	**8,118**
Expected return on plan assets	**(280)**	(245)	**(3,367)**
Amortization of actuarial loss	**985**	2,535	**11,846**
Amortization of prior service cost	**64**	80	**770**
Net periodic pension cost	**3,088**	4,918	**37,138**
Contribution to the defined contribution pension plan	**326**	320	**3,920**
	¥ 3,414	¥ 5,238	**$ 41,058**

Significant assumptions of pension plans used to determine these amounts in fiscal 2011 and 2010 are as follows:

	2011	2010
Periodic allocation method for projected benefit	**Straight-line**	Straight-line
Discount rate	**Mainly 2.0%**	Mainly 2.0%
Expected rate of return on plan assets	**Mainly 2.5%**	Mainly 2.5%
Period for amortization of unrecognized prior service cost / benefit	**Mainly 10 years**	Mainly 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 had 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 companies. MGC 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, 2011 and 2010, the liabilities for retirement and severance benefits related to the plans were ¥451 million ($5,424 thousand) and ¥1,046 million, respectively.

At the general meeting of stockholders held on June 28, 2007, abolishment of retirement benefit system for corporate auditors of the Company was approved and corporate auditors were entitled to lump-sum payment up to the date of the abolishment when they leave the Company. No additional provision for corporate auditors has been made and the balance at the date of the abolishment will be reversed when they leave the Company.

The Company has established a "Reserved System for Retirement Remuneration" at the Board of Directors held in May 2010, and it was approved that directors' remuneration should be approved at general meeting of stockholders and executive officers' remuneration should be approved at the Board of directors. Accordingly, the liabilities for retirement and severance benefits for directors, corporate auditors and executive officers whose amount was approved at the general meeting of stockholders or the Board of directors is to be transferred from liabilities for retirement and severance benefits to long-term other payables.The liabilities of ¥637 million ($7,661 thousand) at June 30, 2010 was transferred to other noncurrent liabilities.

9. 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 2011 and 2010.

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, 2011 and 2010 is follows:

	2011	2010
Statutory tax rate	**40.5%**	40.5%
Equity in earnings of affiliates	**(30.2)**	(47.3)
Dividend income eliminated in consolidation	**18.5**	60.7
Valuation allowance	**2.2**	32.6
Income not credited for tax purposes	**(18.6)**	(62.6)
Difference in statutory tax rates of subsidiaries	**—**	(12.5)
Other	**2.8**	2.6
Effective tax rate	**15.2%**	14.0%

Significant components of deferred tax assets and liabilities at March 31, 2011 and 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Deferred tax assets:			
Liabilities for retirement and severance benefits	¥ 6,521	¥ 6,419	$ 78,424
Tax loss carryforward	18,713	17,715	225,051
Devaluation loss on investments in securities	1,183	1,233	14,227
Accrued bonuses	1,471	1,437	17,691
Intercompany profits	521	519	6,266
Depreciation	3,099	2,959	37,270
Asset retirement obligations	1,460	—	17,559
Other	6,879	8,166	82,730
	39,847	38,448	479,218
Valuation allowance	(10,644)	(10,110)	(128,009)
	29,203	28,338	351,209
Deferred tax liabilities:			
Net unrealized gain on other securities	(3,095)	(2,620)	(37,222)
Gain by contributing the assets to the trust	(2,040)	(2,040)	(24,534)
Tax purpose reserves etc. regulated by Japanese tax law	(2,935)	(2,764)	(35,298)
Asset retirement cost	(506)	—	(6,085)
Other	(1,130)	(1,004)	(13,590)
	(9,706)	(8,428)	(116,729)
Net deferred tax assets	¥ 19,497	¥ 19,910	$ 234,480

Net deferred tax assets and liabilities as of March 31, 2011 and 2010 are reflected in the accompanying consolidated balance sheets under the following captions:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Current assets - Deferred income taxes	¥ 5,160	¥ 3,494	$ 62,057
Investments and other assets - Deferred income taxes	15,565	17,457	187,192
Current liabilities - Other current liabilities	(190)	(175)	(2,285)
Non-current liabilities - Deferred income taxes	(1,038)	(866)	(12,484)
Net deferred tax assets	¥19,497	¥ 19,910	$ 234,480

10. Common Stock

Under the Corporation Law 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.

11. Retained Earnings and Dividends

The Corporation Law of Japan provides that an amount equal to 10% of distributions from retained earnings paid by the Company and its Japanese subsidiaries be appropriated as a legal reserve. No further appropriations are required when the total amount of the additional paid-in capital and the legal reserve equals 25% of their respective stated capital. The Corporation Law also provides that additional paid-in capital and legal reserve are available for appropriations by the resolution of the stockholders. Balances of the legal reserve are included in retained earnings in the accompanying consolidated balance sheets.

Cash dividends charged to retained earnings for the years ended March 31, 2011 and 2010 represent dividends paid out during those years. The amount available for dividends is based on the amount recorded in the Company's non-consolidated books of account in accordance with the Corporation Law.

(a) Dividends paid during the year ended March 31, 2010

The following was approved by the Board of Directors held on May 22, 2009.

(a) Total dividends	¥3,616 million
(b) Cash dividends per common share	¥8
(c) Record date	March 31, 2009
(d) Effective date	June 8, 2009

The following was approved by the Board of Directors held on October 30, 2009.

(a) Total dividends	¥1,808 million
(b) Cash dividends per common share	¥4
(c) Record date	September 30, 2009
(d) Effective date	December 4, 2009

(b) Dividends paid during the year ended March 31, 2011

The following was approved by the Board of Directors held on May 21, 2010.

(a) Total dividends	¥1,808 million ($21,744 thousand)
(b) Cash dividends per common share	¥4 ($0.05)
(c) Record date	March 31, 2010
(d) Effective date	June 7, 2010

The following was approved by the Board of Directors held on October 29, 2010.

(a) Total dividends	¥1,808 million ($21,744 thousand)
(b) Cash dividends per common share	¥4 ($0.05)
(c) Record date	September 30, 2010
(d) Effective date	December 3, 2010

(c) Dividends to be paid after the balance sheet date but the record date for the payment belongs to the year ended March 31, 2011

The following was approved by the Board of Directors held on May 24, 2011.

(a) Total dividends	¥1,808 million ($21,744 thousand)
(b) Dividend source	Retained earnings
(c) Cash dividends per common share	¥4 ($0.05)
(d) Record date	March 31, 2011
(e) Effective date	June 9, 2011

12. Selling, General and Administrative Expenses

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

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Freight	¥11,894	¥ 10,624	$ 143,043
Stevedoring and warehouse fee	3,049	2,435	36,669
Salaries	9,163	8,694	110,198
Employees' bonuses	3,347	3,208	40,253
Pension cost	1,433	2,324	17,234
Welfare	2,851	2,681	34,287
Transportation	1,658	1,563	19,940
Depreciation	5,065	4,598	60,914

13. Research and Development Costs

Research and development costs charged to income for the years ended March 31, 2011 and 2010 are ¥16,380 million ($196,993 thousand) and ¥16,199 million, respectively.

14. Loss on Disasters

Loss on disasters is payments required to restore inventories and property, plant and equipment (PPE) devastated in the Great East Earthquake and depreciation of inactive PPE while operations were shutdown.

The Company and its consolidated subsidiaries jointly or separately insure their main inventories and PPE. Inventories and PPE devastated in the Great East Earthquake on March 11, 2011 held by Kashima Plant and Electrotechno Co., Ltd., its subsidiary are covered by earthquake insurances (Insurance amount: ¥2,200 million ($26,458 thousand), Deductible: ¥500 million ($6,013 thousand)). It appears that insurance settlements for the disaster damages take time to finalize, insurance income is to be booked when the settlements are made.

15. Comprehensive Income

a) Comprehensive income for the year ended March 31, 2010 was as follows:

	Millions of yen
Comprehensive income attributable to:	
Owners of parent	¥ 9,742
Minority interests	908
Total comprehensive income	¥10,650

b) Other comprehensive income for the year ended March 31, 2010 was consisted of as follows:

	Millions of yen
Net unrealized gain on other securities	¥ 2,255
Deferred hedge loss	(13)
Foreign currency translation adjustments	862
Other comprehensive income of affiliates accounted for by the equity method	1,072
Total other comprehensive income	¥ 4,176

16. Per Share Information

(a) Net Income per Share

Basic and diluted net income per share, and reconciliation of the numbers and the amounts used in the basic and diluted net income per share computations for the years ended March 31, 2011 and 2010 are as follows:

	Yen		U.S. dollars
	2011	2010	**2011**
Basic net income per share	**¥ 41.92**	¥12.89	**$ 0.50**
Diluted net income per share	**41.00**	12.61	**0.49**

	Millions of yen		Thousand of U.S. dollars
	2011	2010	**2011**
Net income	**¥18,950**	¥ 5,828	**$ 227,901**
Net income not applicable to common stockholders	**—**	—	—
Net income applicable to common stockholders	**¥18,950**	¥ 5,828	**$ 227,901**

	Number of shares	
	2011	2010
Weighted average number of shares outstanding on which basic net income per share is calculated	**452,023,503**	452,044,572
Effect of dilutive convertible bonds	**10,207,727**	10,207,727
Number of shares outstanding on which diluted net income per share is calculated	**462,231,230**	462,252,299

(b) Net Assets per Share

Net assets per share at March 31, 2011 and 2010 are as follows:

	yen		U.S. dollars
	2011	2010	**2011**
Net assets per share	**¥ 615.25**	¥595.56	**$ 7.40**

17. Leases

(a) Finance Lease

A summary of assumed amounts of acquisition cost which includes interest portion, accumulated depreciation and net book value at March 31, 2011 and 2010 are as follows, which would have been reflected in the consolidated balance sheets if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:

	Millions of yen		
	Machinery, equipment and vehicles	Other tangible assets	Total
March 31, 2011			
Acquisition cost	**¥ 2,633**	**¥ 1,150**	**¥ 3,783**
Accumulated depreciation	**1,023**	**856**	**1,879**
Net book value	**¥ 1,610**	**¥ 294**	**¥ 1,904**
March 31, 2010			
Acquisition cost	¥ 1,994	¥ 1,325	¥ 3,319
Accumulated depreciation	894	878	1,772
Net book value	¥ 1,100	¥ 447	¥ 1,547

	Thousands of U.S. dollars		
	Machinery, equipment and vehicles	Other tangible assets	Total
March 31, 2011			
Acquisition cost	**$31,665**	**$13,831**	**$45,496**
Accumulated depreciation	**12,303**	**10,295**	**22,598**
Net book value	**$19,362**	**$ 3,536**	**$22,898**

Future minimum payments which include interest portion required under finance leases at March 31, 2011 and 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Within one year	**¥ 497**	¥ 509	**$ 5,977**
Over one year	**1,484**	1,038	**17,844**
	¥1,981	¥1,547	**$23,824**

Lease payments for the years ended March 31, 2011 and 2010 amounted to ¥689 million ($8,286 thousand) and ¥721 million, respectively.

(b) Operating Lease

Future minimum lease payments required under noncancellable operating leases as of March 31, 2011 and 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Within one year	**¥ 943**	¥ 1,044	**$ 11,341**
Over one year	**4,315**	5,823	**51,894**
	¥5,258	¥6,867	**$ 63,235**

18. Balances and Transactions with Related Party

The Company has a 50% equity ownership in Mitsubishi Engineering-Plastics Corp. at March 31, 2011 and 2010.

Balances with the company at March 31, 2011 and 2010, and related transactions for the years then ended are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Balances:			
Trade accounts receivable	**¥ 6,163**	¥ 7,525	**$ 74,119**
Transactions:			
Sales	**27,557**	25,613	**331,413**

The Company has a 50% equity ownership in Mizushima Aroma Co., Ltd. at March 31, 2011 and 2010.

Balances with the company at March 31, 2011 and 2010 and related transactions for the years then ended are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Balances:			
Trade accounts receivable	**¥ 4,180**	¥ 4,561	**$ 50,271**
Transactions:			
Sales	**16,852**	15,540	**202,670**

The Company has a 50% equity ownership in BRUNEI METHANOL COMPANY SDN. BHD. at March 31, 2011 and 2010.

At March 31, 2011 and 2010, the Company has guaranteed ¥13,540 million ($162,838 thousand) and ¥14,161 million of the company's loans to financial institutions, respectively.

The condensed financial information of all affiliates accounted for by equity method, including the significant affiliate, Japan Saudi Arabia Methanol Company, Inc. are as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Total current assets	**¥148,585**	¥138,652	**$ 1,786,951**
Total non-current assets	**241,168**	202,117	**2,900,397**
Total current liabilities	**108,419**	106,386	**1,303,897**
Total non-current liabilities	**76,866**	44,662	**924,426**
Total net assets	**204,467**	189,721	**2,459,014**
Sales	**315,792**	272,058	**3,797,859**
Income before income taxes	**43,061**	23,690	**517,871**
Net income	**39,377**	21,578	**473,566**

19. 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, 2011 and 2010, MGC was contingently liable with respect to recourse obligations related to trade notes receivable transferred in the amounts of ¥131 million ($1,575 thousand) and ¥205 million, respectively.

Contingent liabilities at March 31, 2011 for loans guaranteed amounted to ¥18,516 million ($222,682 thousand).

20. Financial Instruments

"Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, March 10, 2008) and its "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19 Guidance, March 10, 2008) were applied for the year ended March 31, 2010.

Conditions of Financial instruments

(1) Management policy

MGC raises necessary funds through bank borrowings and issue of bonds. Surplus funds are invested in highly safe financial instruments. MGC raises funds through bank borrowings for short-term operating fund. MGC uses derivatives to avoid risks mentioned below and does not enter into derivatives for speculative purposes.

(2) Financial instruments and risks

Trade notes and accounts receivable are exposed to customer's credit risk. Maturities of trade notes and accounts payable are mostly within one year. Part of trade receivables and payables are denominated in foreign currency and are exposed to fluctuation risk of foreign exchange rates. MGC uses foreign exchange contracts to hedge the net position.

Short-term investments and investments in securities are mainly held-to maturity bonds and equity securities held for business relations and are exposed to market fluctuation risk.

Borrowings, bonds and lease obligations for finance leases are for financing of funds for capital expenditure and operating. Part of the liabilities is with variable interest rate and thus is exposed to interest rate fluctuation risk. MGC uses interest rate swaps to hedge the risk.

MGC uses foreign exchange contracts to hedge future fluctuation of foreign exchange rates of receivables and payables denominated in foreign currency, interest rate swaps and currency swaps to hedge future fluctuation of interest rates and foreign exchange rates of borrowings.

Hedge accounting is applied for certain derivative transactions. MGC has entered into 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. MGC employs derivative transactions within actual demand and does not hold or issue derivative financial instruments for speculative purposes.

(3) Financial instruments risk management

1) Credit risk

To mitigate and quickly capture the collectability issues, sales administration division regularly monitors major customers' credit status, and performs due date controls and balance controls for each customer in accordance with trade receivables and credit control rules. Held-to-maturity securities are debt securities readily convertible into cash which are invested in accordance with investment of surplus funds rules.

Maximum risk at March 31, 2011 and 2010 is represented by the carrying amount of financial assets exposed to credit risk.

2)Market risk

The finance departments have executed the transactions with market risk with the director's approval in accordance with the finance rules and the derivatives control rules. To mitigate the foreign currency fluctuation risk recognized by currency and month, MGC enters into a forward exchange contract for hedging the cash flow fluctuation risk associated with operating receivables and payables and surplus funds denominated in foreign currencies. To mitigate the foreign currency and interest rate fluctuation risk, MGC enters into an interest rate swap and a currency swap for hedging the cash flow fluctuation risk associated with borrowings.

MGC regularly monitors a price and an issuer's financial condition, and continuously considers whether MGC holds the short-term investments or the investments in securities except for held-to-maturity bond.

3) Liquidity risk
To mitigate the liquidity risk, a finance department prepares and updates a funds management plan as necessary, and maintains an appropriate level of liquidity.

(4) Supplemental explanation regarding fair value of financial instruments

Fair value of financial instruments are measured based on the quoted market price, if available, or reasonably assessed value if a quoted market price is not available. Fair value of financial instruments which quoted market price is not available is calculated based on certain assumptions, and the fair value might differ if different assumptions are used. In addition, the contract amount of the derivative transactions described below in **Fair value of financial instruments** does not represent the market risk of the derivative transactions.

Fair value of financial instruments

Balance sheet amount, fair value, and differences as of March 31, 2011 and 2010 are as follows.

Financial instruments, of which it is extremely difficult to measure the fair value, are not included in the table below. (Please see “<2> Financial instruments of which the fair value is extremely difficult to measure”)

	Millions of yen			Thousands of U.S. dollars		
March 31, 2011	Balance sheet amount	Fair value	Differences	Balance sheet amount	Fair value	Differences
Assets:						
(1) Cash	**¥ 47,965**	**¥ 47,965**	**¥ —**	**$ 576,849**	**$ 576,849**	**$ —**
(2) Trade notes and accounts receivable	**112,029**	**112,029**	**—**	**1,347,312**	**1,347,312**	**—**
(3) Short-term investments and Investments in securities:	**58,070**	**57,413**	**(657)**	**698,376**	**690,475**	**(7,901)**
Total assets	**¥ 218,064**	**¥ 217,407**	**¥ (657)**	**$2,622,537**	**$ 2,614,636**	**$ (7,901)**
Liabilities:						
(1) Trade notes and accounts payable	**¥ 60,109**	**¥ 60,109**	**¥ —**	**$ 722,898**	**$ 722,898**	**$ —**
(2) Short-term borrowings	**69,846**	**69,846**	**—**	**840,000**	**840,000**	**—**
(3) Accrued expenses	**11,819**	**11,819**	**—**	**142,141**	**142,141**	**—**
(4) Current portion of bonds	**20,000**	**19,900**	**(100)**	**240,529**	**239,327**	**(1,202)**
(5) Lease obligations (current)	**1,100**	**1,100**	**—**	**13,229**	**13,229**	**—**
(6) Long-term borrowings	**75,850**	**76,776**	**926**	**912,207**	**923,343**	**11,136**
(7) Lease obligations (non-current)	**15,883**	**15,629**	**(254)**	**191,016**	**187,961**	**(3,055)**
Total liabilities	**¥ 254,607**	**¥ 255,179**	**¥ 572**	**$3,062,020**	**$ 3,068,899**	**$ 6,879**
Derivative transactions:						
Hedge accounting not applied	**¥ 11**	**¥ 11**	**¥ —**	**$ 132**	**$ 132**	**$ —**
Hedge accounting applied	**(5)**	**(479)**	**(474)**	**(60)**	**(5,761)**	**(5,701)**
Total derivatives	**¥ 6**	**¥ (468)**	**¥ (474)**	**$ 72**	**$ (5,629)**	**$ (5,701)**

	Millions of yen		
March 31, 2010	Balance sheet amount	Fair value	Differences
Assets:			
(1) Cash	¥ 27,561	¥ 27,561	¥ —
(2) Trade notes and accounts receivable	104,087	104,087	—
(3) Short-term investments and Investments in securities:			
Held-to-maturity securities	10,025	10,025	0
Other securities	35,128	35,128	—
Total assets	¥ 176,801	¥ 176,801	¥ 0
Liabilities:			
(1) Trade notes and accounts payable	¥ 56,487	¥ 56,487	¥ —
(2) Short-term borrowings	74,005	74,005	—
(3) Accrued expenses	12,851	12,851	—
(4) Bonds	20,000	19,600	(400)
(5) Long-term borrowings	71,395	71,606	211
Total liabilities	¥ 234,738	¥ 234,549	¥ (189)
Derivative transactions:			
Hedge accounting not applied	¥ (22)	¥ (22)	¥ —
Hedge accounting applied	2	(821)	(823)
Total derivatives	¥ (20)	¥ (843)	¥ (823)

*1 Derivative receivables and payables are on net basis. Items that are net payables are shown in parenthesis.

*2 Other than the above, the Company held listed associated company stocks, at March 31, 2010, their carrying value were ¥20,546 million and fair value were ¥15,401 million.

<1> Fair value measurement of financial instruments

Assets:

- Cash, Trade notes and accounts receivable
  The carrying amount approximates fair value because of the short maturity of these instruments.
- Short-term investments and investments in securities
  The fair value of equity securities is calculated by quoted market price and the fair value of bond securities is estimated based on quotes from counterparties. Please see note 4 Short-term Investments and Investments in Securities for information by category.

Liabilities:

- Trade notes and accounts payable, Short-term borrowings, Accrued expenses and Lease obligations (current)
  The carrying amount approximates fair value because of the short maturity of these instruments.
- Current portion of bonds and bonds
  The fair value of bonds issued by the Company is calculated by market price.
- Long-term borrowings and Lease obligations (non-current)
  Fair value of long-term borrowings and lease obligations (non-current) is based on the present value of future cash flows discounted using the current borrowing rate for similar debt or lease of a comparable maturity.

Derivative Transactions:
Please see note 21 Derivative Financial Instruments.

<2> Financial instruments of which the fair value is extremely difficult to measure

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Unlisted equity securities	**¥73,591**	¥3,841	**$885,039**

*It is extremely difficult to measure the fair value, and thus above are not included in "Assets (3) Short-term investments and Investments in securities." Other than the above, at March 31, 2010, the Company held unlisted associated company stocks of ¥70,949 million.

<3> Projected future redemption of monetary claim and securities with maturities at March 31, 2011

	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
(1) Cash	¥ 47,965	¥ —	¥ —	¥ —
(2) Trade notes and accounts receivable	112,029	—	—	—
(3) Short-term investments and investments in securities:				
Held-to-maturity securities:				
Government bonds	1	6	1	0
Certificates of deposit	603	—	—	—
Other	10	—	—	—
Other securities with maturities				
Corporate bonds	—	—	66	—
Other	—	23	—	—
Total	¥ 160,608	¥29	¥67	¥ 0

	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
(1) Cash	$ 576,849	$ —	$ —	$ —
(2) Trade notes and accounts receivable	1,347,312	—	—	—
(3) Short-term investments and investments in securities:				
Held-to-maturity securities:				
Government bonds	12	72	12	0
Certificates of deposit	7,252	—	—	—
Other	120	—	—	—
Other securities with maturities				
Corporate bonds	—	—	794	—
Other	—	277	—	—
Total	$1,931,545	$ 349	$ 806	$ 0

<4> The annual maturities of the bonds, long-term borrowings and lease obligations at March 31, 2011

	Millions of yen					
	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Bonds	¥ 20,000	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term borrowings	4,292	21,886	23,483	2,128	3,595	24,758
Lease obligations	1,099	1,229	1,200	1,152	1,135	11,167

	Thousands of U.S. dollars					
	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Bonds	$240,529	$ —	$ —	$ —	$ —	$ —
Long-term borrowings	51,618	263,211	282,417	25,592	43,235	297,751
Lease obligations	13,217	14,781	14,432	13,854	13,650	134,299

21. Derivative Financial Instruments

The contract or notional amounts and fair value of derivative financial instruments held as of March 31, 2011 and 2010 are summarized as follows:

Derivative financial instruments to which hedge accounting is not applied are summarized as follows:

	Millions of yen		
	Contract or notional amounts	Fair value	Valuation gain (loss)
March 31, 2011			
Forward exchange contracts:			
To buy foreign currency:			
U.S. dollar	**¥ 96**	**¥ 4**	**¥ 4**
To sell foreign currency:			
U.S. dollar	**13,880**	**12**	**12**
Euro	**54**	**(4)**	**(4)**
New Taiwan dollar	**408**	**(1)**	**(1)**
		¥ 11	**¥ 11**
March 31, 2010			
Forward exchange contracts:			
To buy foreign currency:			
U.S. dollar	¥ 28	¥ (5)	¥ (5)
To sell foreign currency:			
U.S. dollar	186	(5)	(5)
Euro	62	(1)	(1)
New Taiwan dollar	362	(11)	(11)
		¥ (22)	¥ (22)

	Thousands of U.S. dollars		
	Contract or notional amounts	Fair value	Valuation gain (loss)
March 31, 2011			
Forward exchange contracts:			
To buy foreign currency:			
U.S. dollar	**$ 1,155**	**$ 48**	**$ 48**
To sell foreign currency:			
U.S. dollar	**166,927**	**144**	**144**
Euro	**649**	**(48)**	**(48)**
New Taiwan dollar	**4,907**	**(12)**	**(12)**
		$ 132	**$ 132**

Derivative financial instruments to which hedge accounting is applied are summarized as follows:

	Millions of yen	
	Contract or notional amounts	Fair value
March 31, 2011		
Forward exchange contracts:		
To sell foreign currency:		
U.S. dollar	**¥ 342**	**¥ (2)**
Euro	**205**	**5**
		¥ 3
March 31, 2010		
Forward exchange contracts:		
To sell foreign currency:		
U.S. dollar	¥ 203	¥ 0
Euro	69	3
		¥ 3

	Thousands of U.S. dollars	
	Contract or notional amounts	Fair value
March 31, 2011		
Forward exchange contracts:		
To sell foreign currency:		
U.S. dollar	**$ 4,113**	**$ (24)**
Euro	**2,465**	**60**
		$ 36

The fair value of forward exchange contracts are estimated based on quotes from counterparties.

Accounts receivable 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 the above forward exchange contracts.

	Millions of yen	
	Contract or notional amounts	Fair value
March 31, 2011		
Interest rate swap agreements:		
Variable rate received for fixed rate *1	**¥ 2,445**	**¥ 11**
Variable rate received for fixed rate *2	**28,190**	**(493)**
	¥ 30,635	**¥ (482)**
March 31, 2010		
Interest rate swap agreements *2:		
Fixed rate received for variable rate	¥ 40	¥ 0
Variable rate received for fixed rate	30,495	(824)
	¥ 30,535	¥ (824)

	Thousands of U.S. dollars	
	Contract or notional amounts	Fair value
March 31, 2011		
Interest rate swap agreements:		
Variable rate received for fixed rate *1	**$ 29,405**	**$ 132**
Variable rate received for fixed rate *2	**339,026**	**(5,929)**
	$ 368,431	**$ (5,797)**

The fair value of interest rate swap agreements is estimated based on quotes from counterparties.

*1 Deferral hedge accounting is applied and deferred gains and losses on interest rate swaps are carried as a separate component of net assets.

*2 The difference in amounts to be paid or received on interest rate swaps is recognized over the life of the agreements as an adjustment to interest expense.

22. Investment and Rental Property

MGC applies "Accounting Standard for Disclosures about Fair Value of Investment and Rental Property" (ASBJ Statement No. 20, November 28, 2008) and its "Guidance on Accounting Standard for Disclosures about Fair Value of Investment and Rental Property" (ASBJ Guidance No. 23, November 28, 2008) from the year ended March 31, 2010. The standards require to disclose fair value of investment and rental property in the notes to financial statements.

The Company and certain consolidated subsidiaries own land and buildings for rent in Tokyo prefecture and other area (hereafter "rental property").

The amounts recognized in the consolidated balance sheet and fair values related to the rental property for the years ended March 31, 2011 and 2010 are as follows:

Millions of yen			
Consolidated balance sheet amount			
Balance at beginning of the year	Increase/ (decrease)	Balance at end of the year	Fair value
March 31, 2011			
¥ 3,923	**¥ 42**	**¥ 3,965**	**¥ 8,795**
March 31, 2010			
¥ 4,165	¥(242)	¥ 3,923	¥ 7,537

	Thousands of U.S. dollars		
Consolidated balance sheet amount			
Balance at beginning of the year	Increase/ (decrease)	Balance at end of the year	Fair value
March 31, 2011			
$47,180	**$505**	**$47,685**	**$105,773**

1. Consolidated balance sheet amount is its cost minus accumulated depreciation.
2. Increase for the year ended March 31, 2011 is mainly increase in subsidiary's head office of ¥22 million ($265 thousand) and decrease for the year ended March 31, 2010 was mainly due to impairment loss of ¥223 million.
3. Fair value is based on roadside value etc.

Income from the rental property is ¥282 million ($3,391 thousand) and ¥253 million for the years ended March 31, 2011 and 2010, respectively.

23. Supplemental Cash Flow Information

Significant non-cash transactions

For the year ended March 31, 2011, the Company acquired property, plant and equipment by finance lease of ¥17,387 million ($209,104 thousand) and recognized liabilities of ¥17,149 million ($206,242 thousand) due to changes in consolidation scope, etc.

24. Segment Information

March 31, 2011

From the year ended March 31, 2011, the Company applied "the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No.17, March 27, 2009) and "the Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No.20, March 21, 2008).

The Standard and the Guidance adopt the management approach. Disclosures about segments of an enterprise and related information should provide proper information on the nature of various business activities in which it engages and the economic environments in which it operates.

The Company introduced company-based organization for clarifying management's responsibility in operation and for managing efficiently. Each company develops a business strategy for their products and services and conducts business.

The reported segments of the Company are the business units for which the Company is able to obtain respective financial information separately in order for the Board of Directors to conduct periodic investigation to determine distribution of management resources and evaluate their business results. "Natural gas chemicals business", "Aromatic chemicals business", "Specialty chemicals business" and "Information and advanced materials business" are the Company's reported segments.

Natural gas chemicals business mainly produces and sells methanol, ammonia, amines, methacrylates, polyols, enzymes and coenzymes and crude oil.

Aromatic chemicals business mainly produces and sells xylene isomers and xylene derivatives.

Specialty chemicals business mainly produces and sells hydrogen peroxide and other industrial inorganic chemicals, electronic chemicals and engineering plastics.

Information and advanced materials business mainly produces and sells printed circuit board materials, printed circuit boards and oxygen absorber (AGELESS®).

Segment sales, income, assets, liabilities and others are calculated by accounting methods similar to those employed to prepare the accompanying consolidated financial statements. Segment income are calculated based on "Keijo-soneki" disclosed in the consolidated statements of income under accounting principles generally accepted in Japan (See note 25). Intersegment revenue and transfer are based on arms-length transactions.

The reported segment information for the Company and its consolidated subsidiaries for the year ended March 31, 2011 is summarized as follows:

	Millions of yen						
	2011						
	Natural gas chemicals	Aromatic chemicals	Specialty chemicals	Information and advanced materials	Other	Adjustments	Consolidated
Sales:							
Sales to third parties	**¥145,564**	**¥ 111,182**	**¥134,016**	**¥ 59,508**	**¥ 763**	**¥ —**	**¥451,033**
Inter-segment sales	**6,124**	**2,257**	**2,027**	**2**	**98**	**(10,508)**	**—**
	¥ 151,688	**¥ 113,439**	**¥136,043**	**¥ 59,510**	**¥ 861**	**¥ (10,508)**	**¥451,033**
Segment income (loss)	**¥ 11,532**	**¥ (710)**	**¥ 17,101**	**¥ 7,502**	**¥ 2,339**	**¥ (1,370)**	**¥ 36,394**
Segment assets	**¥ 177,715**	**¥ 103,749**	**¥152,758**	**¥ 57,538**	**¥ 41,969**	**¥ 43,317**	**¥577,046**
Others:							
Depreciation and amortization	**¥ 8,562**	**¥ 7,757**	**¥ 7,990**	**¥ 4,204**	**¥ 35**	**¥ 402**	**¥ 28,950**
Amortization of goodwill	**53**	**354**	**0**	**13**	**—**	**(274)**	**146**
Amortization of negative goodwill	**(16)**	**(28)**	**(228)**	**(2)**	**—**	**274**	**—**
Interest income	**48**	**33**	**80**	**51**	**1**	**(90)**	**123**
Interest expenses	**1,069**	**724**	**493**	**144**	**10**	**(361)**	**2,079**
Equity in earnings of affiliates	**11,760**	**637**	**3,004**	**—**	**2,477**	**(5)**	**17,873**
Investments in affiliates accounted for by equity method	**50,232**	**1,400**	**9,378**	**—**	**21,637**	**(123)**	**82,524**
Capital expenditures	**14,020**	**4,504**	**14,826**	**1,790**	**1**	**260**	**35,401**

	Thousands of U.S. dollars						
	2011						
	Natural gas chemicals	Aromatic chemicals	Specialty chemicals	Information and advanced materials	Other	Adjustments	Consolidated
Sales:							
Sales to third parties	**$ 1,750,619**	**$ 1,337,126**	**$ 1,611,738**	**$ 715,671**	**$ 9,176**	**$ —**	**$ 5,424,330**
Inter-segment sales	**73,650**	**27,143**	**24,378**	**24**	**1,179**	**(126,374)**	**—**
	$ 1,824,269	**$ 1,364,269**	**$ 1,636,116**	**$ 715,695**	**$ 10,355**	**$ (126,374)**	**$ 5,424,330**
Segment income (loss)	**$ 138,689**	**$ (8,539)**	**$ 205,664**	**$ 90,223**	**$ 28,130**	**$ (16,476)**	**$ 437,691**
Segment assets	**$ 2,137,282**	**$ 1,247,733**	**$ 1,837,138**	**$ 691,978**	**$ 504,739**	**$ 520,950**	**$ 6,939,820**
Others:							
Depreciation and amortization	**$ 102,971**	**$ 93,289**	**$ 96,091**	**$ 50,559**	**$ 421**	**$ 4,835**	**$ 348,166**
Amortization of goodwill	**638**	**4,257**	**0**	**156**	**—**	**(3,295)**	**1,756**
Amortization of negative goodwill	**(192)**	**(337)**	**(2,742)**	**(24)**	**—**	**3,295**	**—**
Interest income	**577**	**397**	**962**	**613**	**12**	**(1,082)**	**1,479**
Interest expenses	**12,856**	**8,707**	**5,929**	**1,732**	**120**	**(4,341)**	**25,003**
Equity in earnings (losses) of affiliates	**141,431**	**7,661**	**36,127**	**—**	**29,790**	**(60)**	**214,949**
Investments in affiliates accounted for by equity method	**604,113**	**16,837**	**112,784**	**—**	**260,216**	**(1,479)**	**992,471**
Capital expenditures	**168,611**	**54,167**	**178,304**	**21,528**	**12**	**3,127**	**425,749**

1. Other includes listed affiliates and real estate business which are not included in reported segments.
2. Adjustments in the above table are made for the followings:
   (1) "Adjustments in segment income" of ¥(1,370) million ($(16,476) thousand) include elimination of intersegment transactions of ¥406 million ($4,883 thousand) and unallocated company-wide expenses of ¥(1,776) million ($(21,359) thousand). Company-wide expenses are administrative expenses, financial income and expenses and other income and expenses which are not allocated to reported segments.
   (2) "Adjustments in segment assets" of ¥43,317 million ($520,950 thousand) include elimination of intersegment balances of ¥(41,780) million ($(502,465) thousand) and unallocated company-wide assets of ¥85,097 million ($1,023,416 thousand). Company-wide assets are cash, investments in securities and deferred taxes assets which are not allocated to reported segments.
   (3) "Adjustments in depreciation and amortization" of ¥402 million ($4,835 thousand) are depreciation and amortization of company-wide assets which are not allocated to reported segments.
   (4) "Adjustments in amortization of goodwill" of ¥(274) million ($(3,295) thousand) and "Adjustments in amortization of negative goodwill" of ¥274 million ($3,295 thousand) are the amount of their offset.
   (5) "Adjustments in interest income" of ¥(90) million ($(1,082) thousand) are mainly elimination of intersegment transactions.
   (6) "Adjustments in interest expenses" of ¥(361) million ($(4,341) thousand) are mainly elimination of intersegment transactions.
   (7) "Adjustments in equity in earnings of affiliates" of ¥(5) million ($(60) thousand) are mainly elimination of intersegment transactions.
   (8) "Adjustments in investments in affiliates accounted for by equity method" of ¥(123) million ($(1,479) thousand) are mainly elimination of intersegment transactions.
   (9) "Adjustments in capital expenditures" of ¥260 million ($3,127 thousand) are related to company-wide assets which are not allocated to reported segments.
3. Segment income is adjusted with "Keijo-soneki" disclosed in the consolidated statements of income under accounting principles generally accepted in Japan (See note 25).

The reported segment information for the year ended March 31, 2010 which are restated to conform to the segmentation for the year ended March 31, 2011 are as follows:

	Millions of yen						
	2010						
	Natural gas chemicals	Aromatic chemicals	Specialty chemicals	Information and advanced materials	Other	Adjustments	Consolidated
Sales:							
Sales to third parties	¥ 110,503	¥ 94,475	¥ 118,311	¥ 60,376	¥ 864	¥ —	¥ 384,529
Inter-segment sales	10,799	1,392	1,867	11	186	(14,255)	—
	¥ 121,302	¥ 95,867	¥ 120,178	¥ 60,387	¥ 1,050	¥ (14,255)	¥ 384,529
Segment income (loss)	¥ (2,289)	¥ (8,144)	¥ 12,453	¥ 5,527	¥ 1,616	¥ (1,797)	¥ 7,366
Segment assets	¥ 156,898	¥ 103,166	¥ 135,309	¥ 64,430	¥ 41,005	¥ 38,623	¥ 539,431
Others:							
Depreciation and amortization	¥ 7,504	¥ 7,925	¥ 8,606	¥ 5,139	¥ 10	¥ 352	¥ 29,536
Amortization of goodwill	0	260	0	2	—	(262)	—
Amortization of negative goodwill	(15)	(23)	(251)	(2)	—	262	(29)
Interest income	91	15	78	53	2	(37)	202
Interest expenses	958	765	451	195	4	(214)	2,159
Equity in earnings (losses) of affiliates	5,534	(37)	1,949	—	1,363	(15)	8,794
Investments in affiliates accounted for by equity method	41,217	1,158	8,544	—	20,625	(150)	71,394
Capital expenditures	7,090	7,732	8,129	4,473	3	140	27,567

1. Other includes listed affiliates and real estate business which are not included in reported segments.
2. Adjustments in the above table are made for the followings:
   (1) "Adjustments in segment income" of ¥(1,797) million include elimination of intersegment transactions of ¥(189) million and unallocated company-wide expenses of ¥(1,608) million. Company-wide expenses are administrative expenses, financial income and expenses and other income and expenses which are not allocated to reported segments.
   (2) "Adjustments in segment assets" of ¥38,623 million include elimination of intersegment balances of ¥(42,682) million and unallocated company-wide assets of ¥81,305 million. Company-wide assets are cash, investments in securities and deferred taxes assets which are not allocated to reported segments.
   (3) "Adjustments in depreciation and amortization" of ¥352 million are depreciation and amortization of company-wide assets which are not allocated to reported segments.
   (4) "Adjustments in amortization of goodwill" of ¥(262) million and "Adjustments in amortization of negative goodwill" of ¥262 million are the amount of their offset.
   (5) "Adjustments in interest income" of ¥(37) million are mainly elimination of intersegment transactions.
   (6) "Adjustments in interest expenses" of ¥(214) million are mainly elimination of intersegment transactions.
   (7) "Adjustments in equity in earnings (losses) of affiliates" of ¥(15) million are mainly elimination of intersegment transactions.
   (8) "Adjustments in investments in affiliates accounted for by equity method" of ¥(150) million are mainly elimination of intersegment transactions.
   (9) "Adjustments in capital expenditures" of ¥140 million are related to company-wide assets which are not allocated to reported segments.
3. Segment income is adjusted with "Keijo-soneki" disclosed in the consolidated statements of income under accounting principles generally accepted in Japan (See note 25).

Related information

1. Information by products and services

Disclosures are omitted because the classification of products and services are same as the classification of the reported segments.

2. Geographical information

(1)Sales

Millions of yen			
2011			
Japan	Asia	Other	Total
¥ 259,312	**¥ 140,199**	**¥ 51,522**	**¥ 451,033**

Thousands of U.S. dollars			
2011			
Japan	Asia	Other	Total
$ 3,118,605	**¥1,686,098**	**¥619,627**	**¥5,424,330**

Geographical sales are classified by customer's location.

(2) Property, plant and equipment

Millions of yen			
2011			
Japan	Asia	Other	Total
¥ 160,248	**¥ 14,211**	**¥ 2,364**	**¥ 176,823**

Thousands of U.S. dollars			
2011			
Japan	Asia	Other	Total
$ 1,927,216	**¥ 170,908**	**¥ 28,430**	**¥ 2,126,554**

3. Information by major customers

Disclosures are omitted because no particular customer whose sales are over 10% of sales in the consolidated statements of income exists.

Information of impairment loss on fixed assets by reported segments

	Millions of yen						
	2011						
	Natural gas chemicals	Aromatic chemicals	Specialty chemicals	Information and advanced materials	Other	Adjustments	Consolidated
Impairment loss	**¥ 253**	**¥ 346**	**¥ —**	**¥ —**	**¥ —**	**¥ —**	**¥ 599**

	Thousands of U.S. dollars						
	2011						
	Natural gas chemicals	Aromatic chemicals	Specialty chemicals	Information and advanced materials	Other	Adjustments	Consolidated
Impairment loss	**$ 3,043**	**$ 4,161**	**$ —**	**$ —**	**$ —**	**$ —**	**$ 7,204**

Information of balance of goodwill and negative goodwill by reported segments

	Millions of yen						
	2011						
	Natural gas chemicals	Aromatic chemicals	Specialty chemicals	Information and advanced materials	Other	Adjustments	Consolidated
Goodwill	**¥ 177**	**¥ 379**	**¥ 136**	**¥ 4**	**¥ —**	**¥ (640)**	**¥ 56**
Negative goodwill	**(33)**	**(56)**	**(551)**	**—**	**—**	**640**	**—**

	Thousands of U.S. dollars						
	2011						
	Natural gas chemicals	Aromatic chemicals	Specialty chemicals	Information and advanced materials	Other	Adjustments	Consolidated
Goodwill	**$ 2,129**	**$ 4,558**	**$ 1,636**	**$ 48**	**$ —**	**$ (7,697)**	**$ 674**
Negative goodwill	**(397)**	**(673)**	**(6,627)**	**—**	**—**	**7,697**	**—**

Negative goodwill incurred by reported segments

No negative goodwill is incurred for the year ended March 31, 2011.

March 31, 2010

(a) Industry segments

MGC operates principally in 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, 2010 was summarized as follows:

	Millions of yen							
	Natural gas chemicals	Aromatic chemicals	Specialty chemicals	Information and advanced materials	Other	Total	Elimination /corporate	Consolidated
Sales to outside customers	¥ 110,503	¥ 94,475	¥ 118,311	¥ 60,376	¥ 864	¥ 384,529	¥ —	¥ 384,529
Inter-segment sales	5,165	1,392	1,867	10	186	8,620	(8,620)	—
	115,668	95,867	120,178	60,386	1,050	393,149	(8,620)	384,529
Operating expenses	122,199	102,195	109,362	54,582	571	388,909	(8,471)	380,438
Operating income (loss)	¥ (6,531)	¥ (6,328)	¥ 10,816	¥ 5,804	¥ 479	¥ 4,240	¥ (149)	¥ 4,091
Assets	¥ 154,567	¥ 113,798	¥ 125,698	¥ 59,854	¥ 14,622	¥ 468,539	¥ 70,892	¥ 539,431
Depreciation and amortization	7,133	8,550	8,852	4,990	11	29,536	—	29,536
Capital expenditures	6,915	8,206	8,611	3,827	8	27,567	—	27,567

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

Natural gas chemicals: Methanol, ammonia, amines, methacrylates, polyols, enzymes and coenzymes, natural gas and crude oil

Aromatic chemicals: Xylene isomers and xylene derivatives

Specialty chemicals: Hydrogen peroxide and other industrial inorganic 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 ¥99,850 million as of March 31, 2010 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

MGC has classified its geographic areas other than Japan into "North and South America" and "Asia."

Segment information by geographic area for the year ended 2010 was summarized as follows:

	Millions of yen					
	Japan	Asia	Other	Total	Elimination /corporate	Consolidated
Sales to outside customers	¥ 333,114	¥ 30,510	¥ 20,905	¥384,529	¥ —	¥ 384,529
Inter-segment sales	31,997	4,594	69	36,660	(36,660)	—
	365,111	35,104	20,974	421,189	(36,660)	384,529
Operating expenses	365,249	32,291	19,792	417,332	(36,894)	380,438
Operating income (loss)	¥ (138)	¥ 2,813	¥ 1,182	¥ 3,857	¥ 234	¥ 4,091
Assets	¥ 509,486	¥ 31,335	¥ 13,126	¥553,947	¥ (14,516)	¥ 539,431

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

Asia:Korea, China, Taiwan, Singapore, Thailand and Indonesia

Other: U.S.A.

(c) Overseas sales

Information for overseas sales for the year ended 2010 was summarized as follows:

	Millions of yen
Overseas sales	
Asia	¥ 131,441
North and South America	27,183
Other	8,043
	¥ 166,667
Consolidated sales	¥384,529
Percentage of overseas sales to consolidated sales	43.3%

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

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

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

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

25. The Income Statement Disclosure under Accounting Principles Generally Accepted in Japan

Under accounting principles generally accepted in Japan, an ordinary income or loss, "Keijo-soneki" should be disclosed in the income statement. The ordinary income or loss is an income or loss figure with certain adjustments made to income or loss before income taxes and minority interests.

Followings are the summary information of the income statement under accounting principles generally accepted in Japan.

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Sales	**¥ 451,033**	¥ 384,529	**$5,424,330**
Gross profit	**80,070**	57,790	**962,959**
Operating income	**23,364**	4,091	**280,986**
Ordinary income	**36,394**	7,366	**437,691**
Income before income taxes and minority interests	**23,940**	7,531	**287,913**
Net income	**18,950**	5,828	**227,901**

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, 2011 and 2010, and related consolidated statements of income, changes in net assets and cash flows for the years then ended, and related statement of comprehensive income for the year ended March, 31 2011, 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 consolidated 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, 2011 and 2010, 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(p) to the consolidated financial statements, effective in the year ended March 31, 2011, the Company has adopted "Accounting Standard for Asset Retirement Obligations."

The accompanying consolidated financial statements as of and for the year ended March 31, 2011 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.

BDO Toyo & Co.

BDO Toyo & Co.

Tokyo, Japan

June 28, 2011

Corporate Data / Investor Information

As of March 31, 2011

Mitsubishi Gas Chemical Company, Inc.

Establishment
April 21, 1951

Paid-in Capital
¥ 41.97 billion

Outstanding Shares
483,478,398

Number of Stockholders
31,067

Listing (Ticker Code)
Tokyo (4182)

Stock Transaction Units
1,000 - share units

Annual General Meeting of Stockholders
The annual general meeting of stockholders is normally held in June in Tokyo, Japan.

Independent Auditor
BDO Toyo & Co.

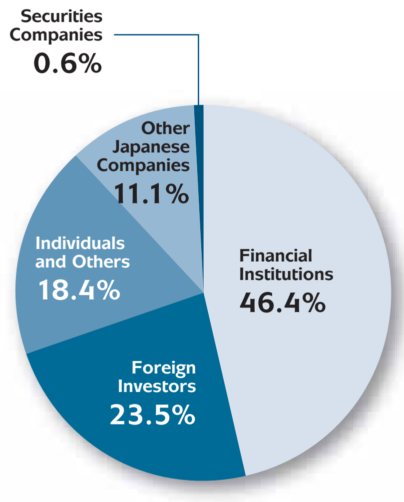
Transfer Agent and Registrar
Mitsubishi UFJ Trust and Banking Corp.

Major Stockholders

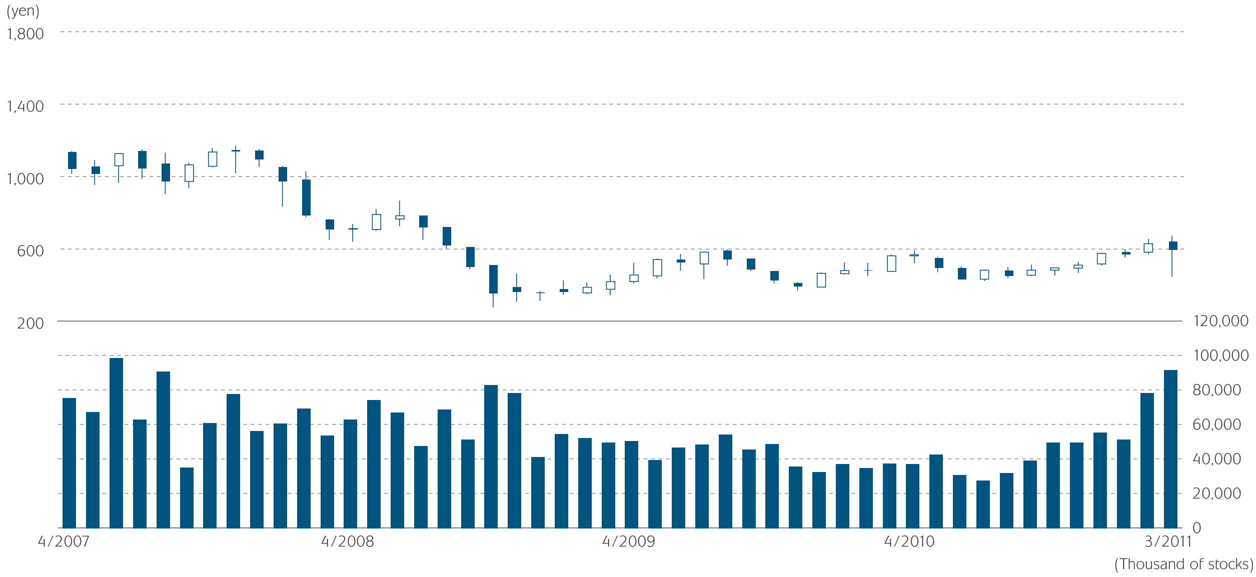
Name	Number of Shares Held (Thousands)	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	31,442	7.0
Japan Trustee Services Bank, Ltd. (Trust Account)	31,157	6.9
Nippon Life Insurance Company	21,452	4.7
Meiji Yasuda Life Insurance Company	16,795	3.7
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	13,611	3.0
Mitsubishi UFJ Trust and Banking Corporation	11,686	2.6
The Norinchukin Bank	10,053	2.2
Asahi Glass Co., Ltd.	9,671	2.1
State Street Bank Client Omnibus OM04	8,799	1.9
Sompo Japan Insurance Inc.	8,564	1.9

Notes: 1. MGC holds 31,471 thousand shares of treasury stock, which is not included in the above list of major stockholders.
2. Percentage to Total Shares Outstanding does not include treasury stock.

Composition of Stockholders



Monthly Stock Price Range and Trading Volume



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