

**Presentation of
Results for Fiscal Year 2005
(Ended March 31, 2006)
and New Medium-Term Management Plan *Kyoso 2008***

This English translation contains modified extracts from a presentation held on May 17, 2006. Forecasts contained in this material are based on information available at the time of presentation, and no commitment or guarantee is given that business policies will be implemented or target figures achieved.

- Contents: 1. Results for FY 2005
2. New Medium-Term Management Plan *Kyoso 2008*

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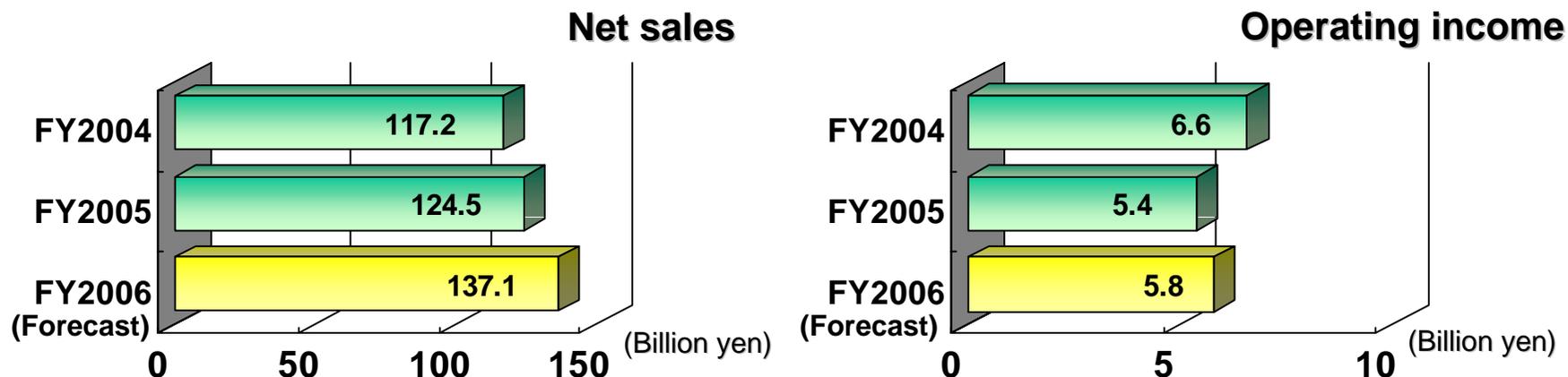
FY2005 Consolidated Results

(Billion yen)

	FY2005	FY2004	Change
Net sales	439.8	388.6	51.2
Operating income	39.0	30.9	8.1
Equity method investment profit	15.1	11.8	3.3
Ordinary income	50.4	37.7	12.7
Net income before taxes	44.1	29.3	14.8
Net income	32.9	23.3	9.6
Interest-bearing debt	161.8	167.1	(5.3)
Total assets	564.5	494.6	69.9

- Net sales increased ¥51.2 billion year-on-year. Non-consolidated sales increased ¥44.8 billion, of which 50% was due to sales price increases.
- Profitability declined for certain products from the beginning of 2006, due in part to cost increases caused by higher raw material, fuel and purchasing prices.
- Earnings increased due to rise in sales volume of products such as electronic chemicals, polycarbonate and electronic materials.
- Equity method investment profit increased ¥3.3 billion due to continued high prices in the methanol market and increased dividend income from engineering plastics affiliates.
- Extraordinary losses decreased ¥2.3 billion to ¥6.7 billion. Main losses included ¥2.2 billion on restructuring of an affiliate, ¥1.1 billion on disposal of property, plant and equipment and ¥1.1 billion on laboratory restructuring.

Natural Gas Chemicals Segment



FY2005 results

➤ Methanol

The market softened briefly in the first half, but regained strength in the second half. Equity method investment profit increased over the previous fiscal year.

➤ Methanol & Ammonia Derivatives

Sales unchanged from previous fiscal year, as generally solid demand offset high raw material costs.

➤ Others

Demand for Coenzyme Q₁₀ was favorable, but export prices fell from the beginning of 2006. Sales and income increased for natural gas and other energy.

FY2006 forecast

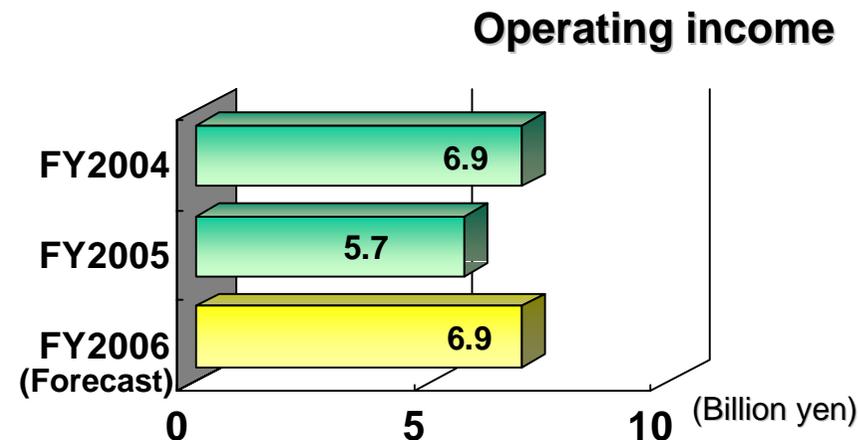
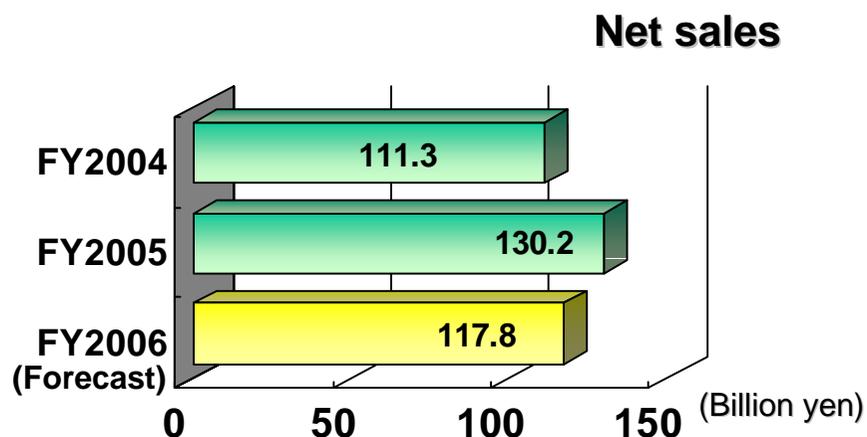
Supply and demand are expected to be in a tight balance, through prices are expected to weaken slightly.

FY 2005 trends expected to continue. Will work to adjust selling prices to reflect high raw material and fuel costs.

Increased sales and income expected for Coenzyme Q₁₀ as operations at new facility offset drop in selling prices.

Crude oil prices are expected to remain high.

Aromatic Chemicals Segment



FY2005 results

➤ Commodity Aromatic Chemicals

Revenues from para-xylene increased substantially due to higher raw material prices and strong demand. Income decreased year-on-year but improved from the October forecast due to the spread and firm benzene prices in the second half.

➤ Specialty Aromatic Chemicals

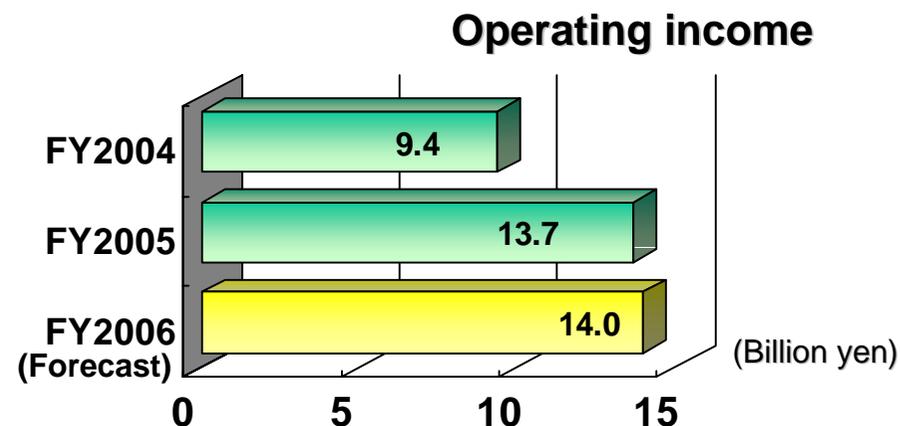
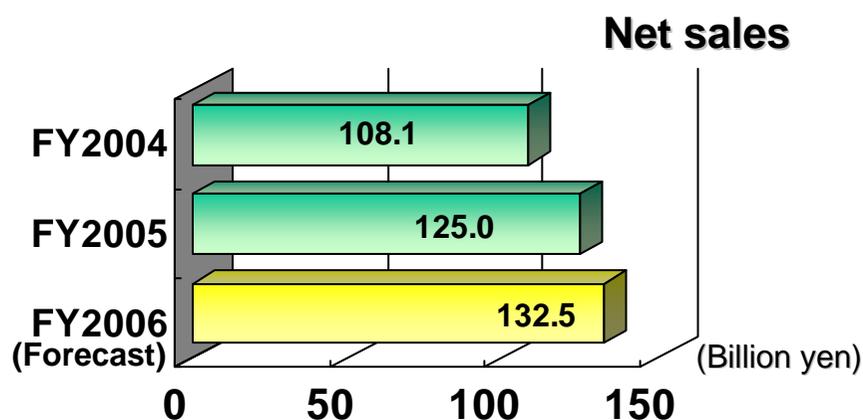
Sales and income increased year-on-year despite high raw material prices due to an overall increase in sales volume. Sales and income of A.G. International Chemical Co., Inc. increased due to strong demand for high-purity isophthalic acid.

FY2006 forecast

Sales are forecast to decrease due to reduced para-xylene sales volume following start of joint venture with Nippon Oil Corporation and halt of operations of one phthalic anhydride plant from the second half of FY2005.

Favorable demand is expected. Will concentrate on expanding sales of Nylon-MXD6 in Europe and the U.S. in line with higher capacity utilization ratio at MGC Advanced Polymers, Inc. Anticipating full-capacity production of high-purity isophthalic acid to meet strong demand.

Specialty Chemicals Segment



FY2005 results

➤ Inorganic Chemicals

Results for hydrogen peroxide unchanged year-on-year as solid sales volume offset high raw material and fuel costs.

➤ Electronic Chemicals

Continued growth of LCDs and semiconductors in the second half. Sales and income rose on increased sales volume of products for new production lines.

➤ Engineering Plastics

Sales and income increased due to overall favorable demand. Strong demand for polycarbonate continued in the second half, leading to favorable sales volume and prices. Polyacetal sales were even year-on-year due to recovery in demand in the second half.

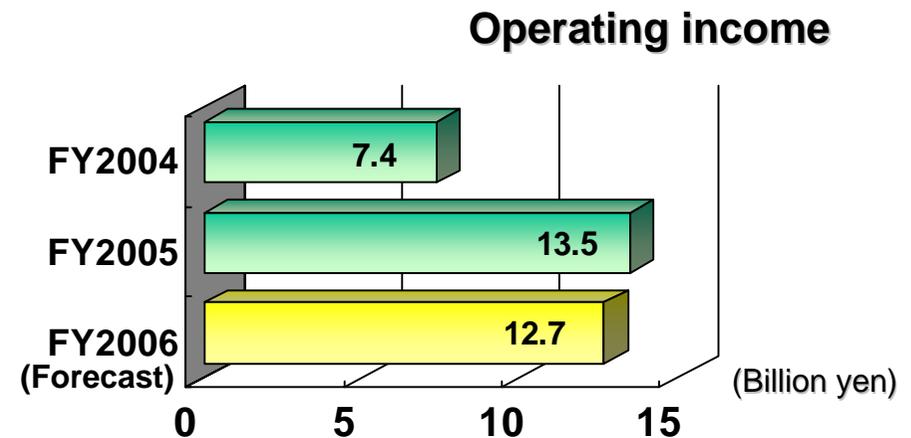
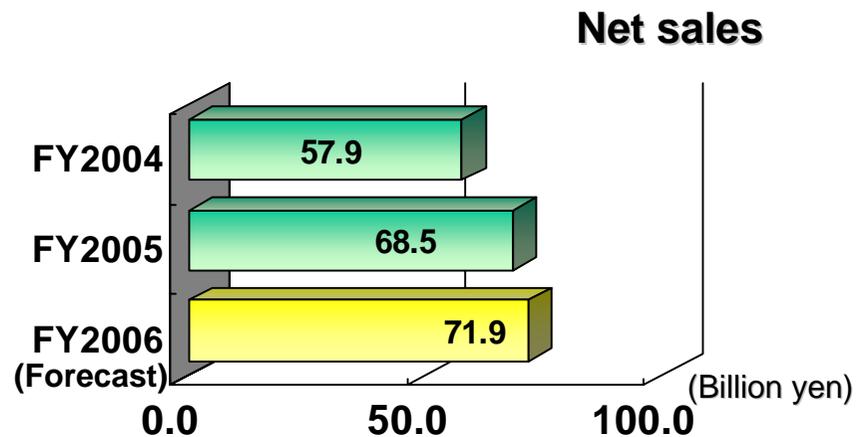
FY2006 forecast

Solid demand is expected to continue. Will aim to improve profitability by adjusting sales prices to reflect high raw material and fuel costs.

LCD and semiconductor production expected to maintain strength from FY2005. Also, sales volume is forecast to rise with improved capacity utilization ratio at new production lines.

Despite overall favorable demand, persistent high raw material and fuel costs and drop in selling prices are causes for concern. Continued increases are expected for sales volumes. Plan to increase production capacity of polycarbonate and polyacetal at plants in Japan and overseas through debottlenecking.

Information & Advanced Materials Segment



FY2005 results

➤ Electronic Materials

Income for BT Resin materials increased as semiconductor production volume recovered in the first half and continued to grow in the second half. Sales of LE Sheet were also favorable.

➤ Oxygen Absorbers

Sales and income were even year-on-year. Exports to the food industry decreased due to intensifying competition, but domestic sales and sales for other applications were favorable.

FY2006 forecast

Sales volume for BT Resin materials is expected to be the same as FY2005. Sales of high performance epoxy materials are expected to increase from the first half. Production of commodity epoxy resin materials will be halted at the end of December. Profitability is expected to weaken due to high raw material costs.

Sales and income are expected to be stable, with trends continuing from FY2005. In the second half, production capacity of AGELESS (THAILAND) Co., Ltd. will be increased, and the competitiveness of commodity products for the food industry will be strengthened.

FY2006 Consolidated Forecast

(Billion yen)

	FY2006 (Forecast)	FY2005 (Results)	Change
Net sales	449.0	439.8	9.2
Natural Gas Chemicals Segment	137.1	124.5	12.6
Aromatic Chemicals Segment	117.8	130.2	(12.4)
Specialty Chemicals Segment	132.5	125.0	7.5
Information & Advanced Materials Segment	71.9	68.5	3.4
Others・Eliminations	(20.3)	(8.3)	(11.9)
Operating income	39.0	39.0	0.0
Natural Gas Chemicals Segment	5.8	5.4	0.4
Aromatic Chemicals Segment	6.9	5.7	1.2
Specialty Chemicals Segment	14.0	13.7	0.3
Information & Advanced Materials Segment	12.7	13.5	(0.8)
Others・Eliminations	(1.0)	0.8	(1.7)
Ordinary income	50.0	50.4	(0.4)
Net income before taxes	44.0	44.1	(0.1)
Net income	33.0	32.9	(0.1)

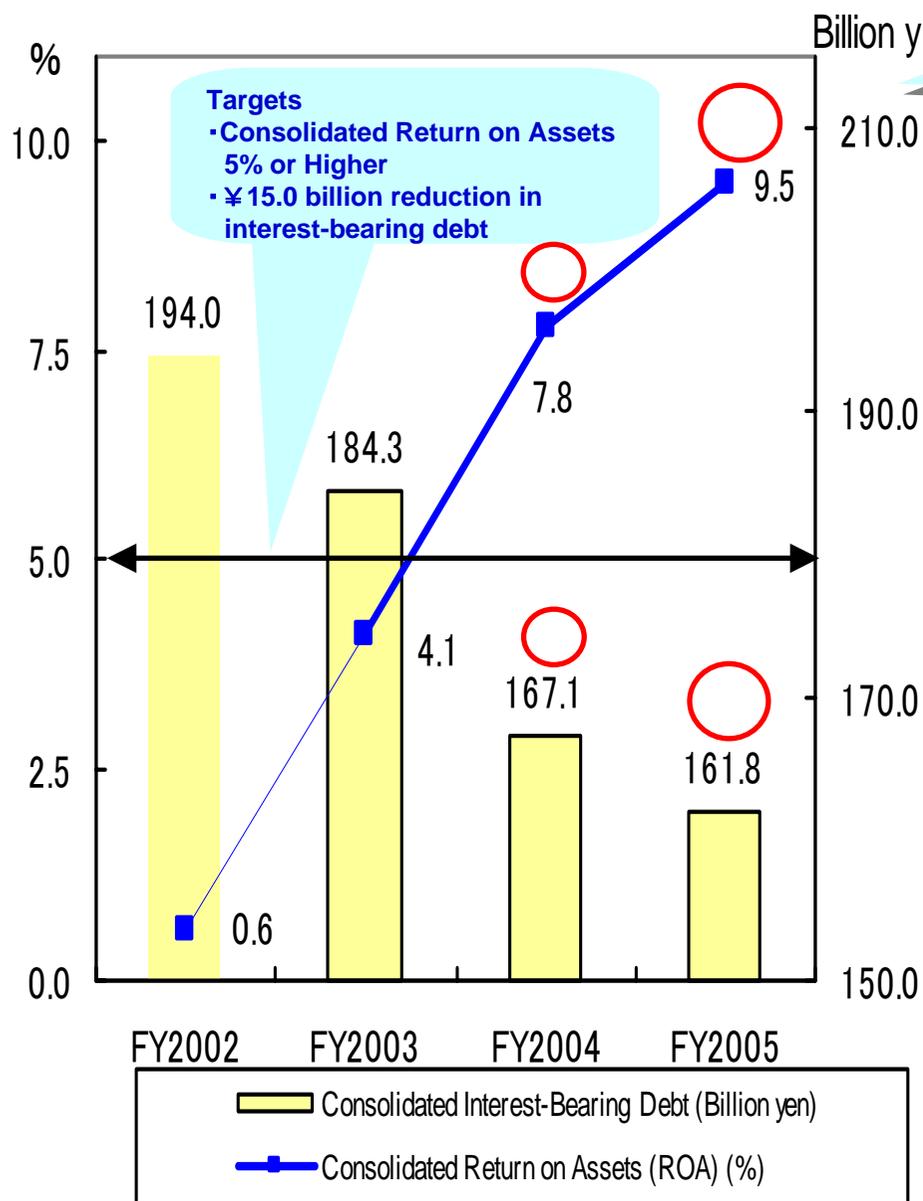
- Although positive FY2005 trends are expected to continue, raw material, fuel and purchasing prices are also expected to remain high.
- Electronic chemicals, polycarbonate and electronic materials are expected to drive overall performance.
- Extraordinary losses of ¥6.0 billion.
- Interim and year-end dividends ¥5.0 each.

Kyoso 2008

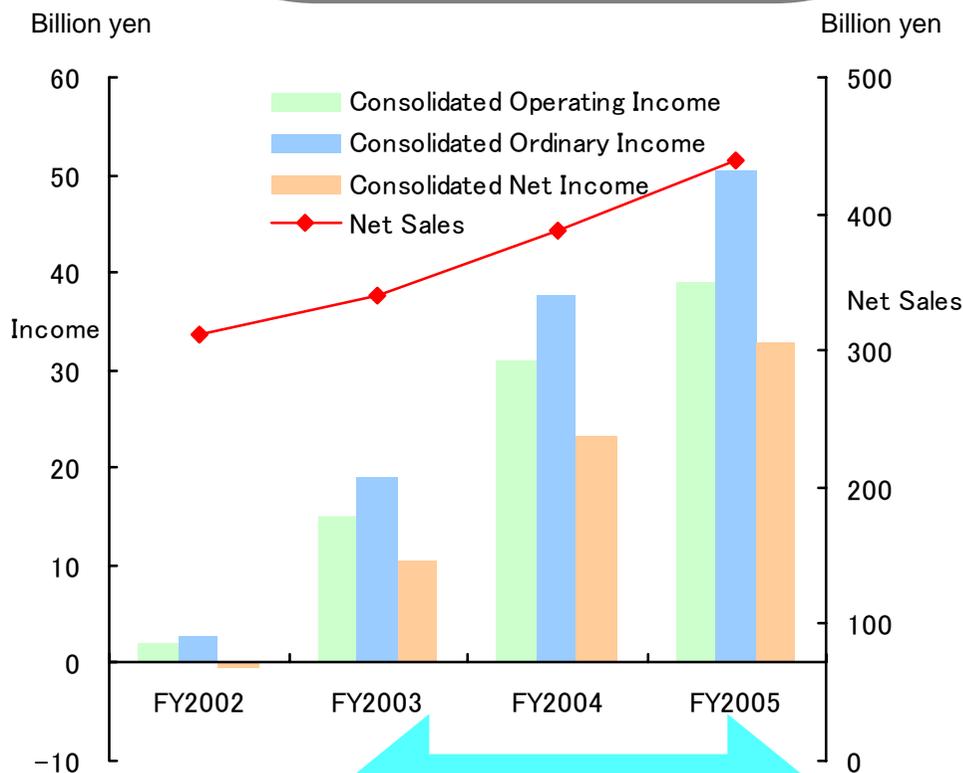
-The Second Stage-
Targeting Further Growth

April 2006 – March 2009

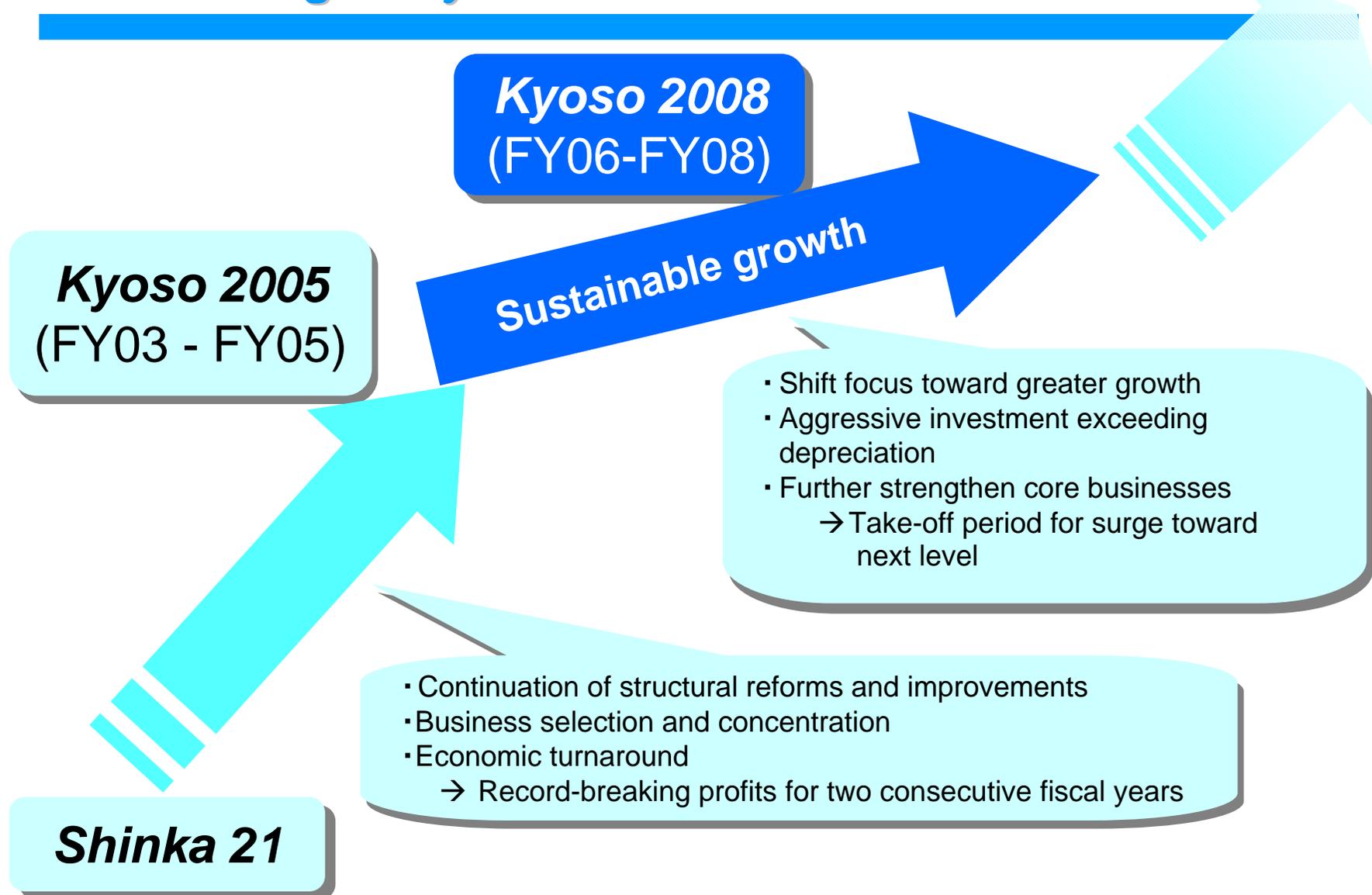
Summary of Previous Medium-Term Management Plan *Kyoso 2005* **MGC**



- Measures Taken**
- Restructured domestic offices
 - Promoted alliances with other companies
 - Implemented policies for unprofitable businesses
 - Enhanced performance of core products
 - Took measures to counteract high raw material prices



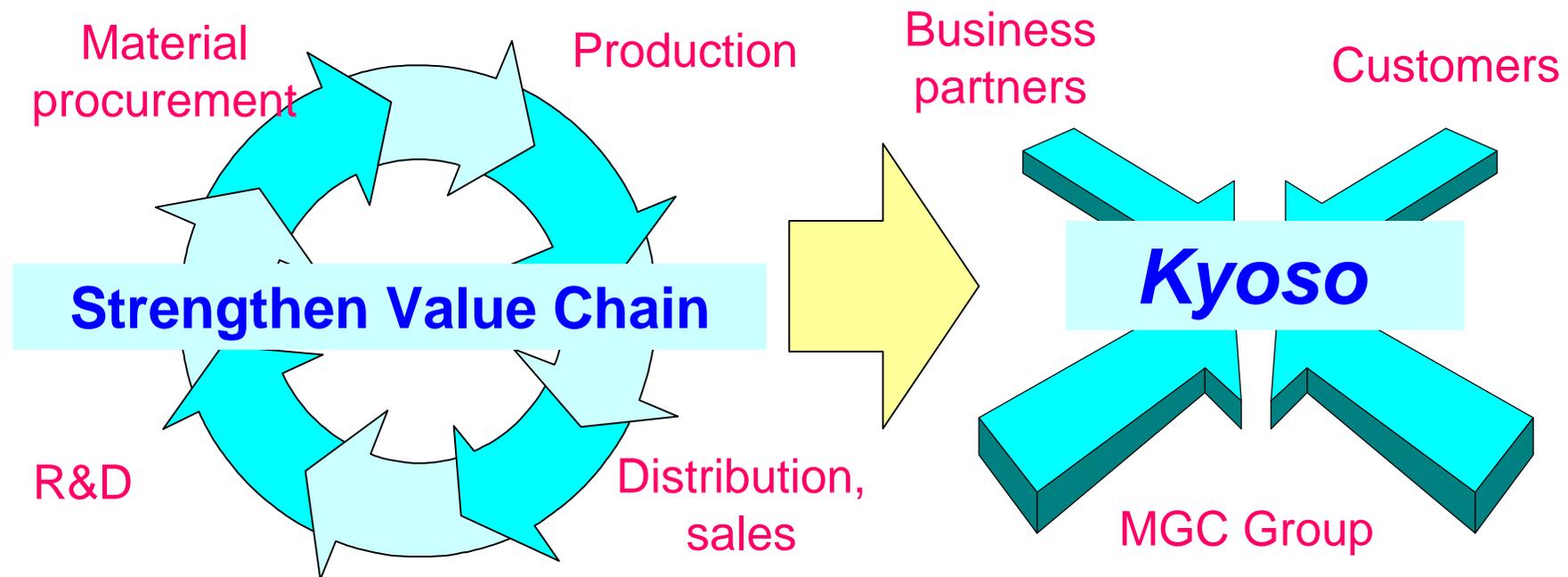
Positioning of *Kyoso 2008*



All based on fulfilling Corporate Social Responsibility (CSR)

Concept and Group Vision Behind *Kyoso* 2008

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



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

Basic Strategies of *Kyoso 2008*

- 1. Deploy an in-depth differentiation strategy for further growth**
 - 1) Strengthen presence in growing Asian markets**
 - 2) Concentrate management resources in priority fields**
 - 3) Accelerate new product development**

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

“Strengthen Presence in Asia”

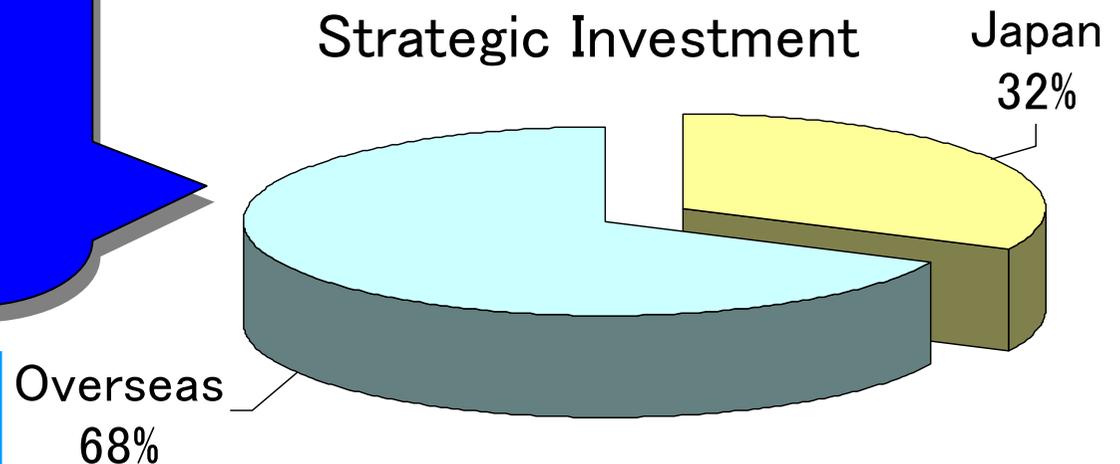
“Strengthen presence in growing Asian markets”

Aggressively expand production bases, particularly in Asia, for core products in which the MGC Group has a competitive advantage.

- Methanol (Saudi Arabia, Venezuela, Brunei Darussalam, Chongqing)
- Polycarbonate (Shanghai)
- Hydrogen Peroxide (China)

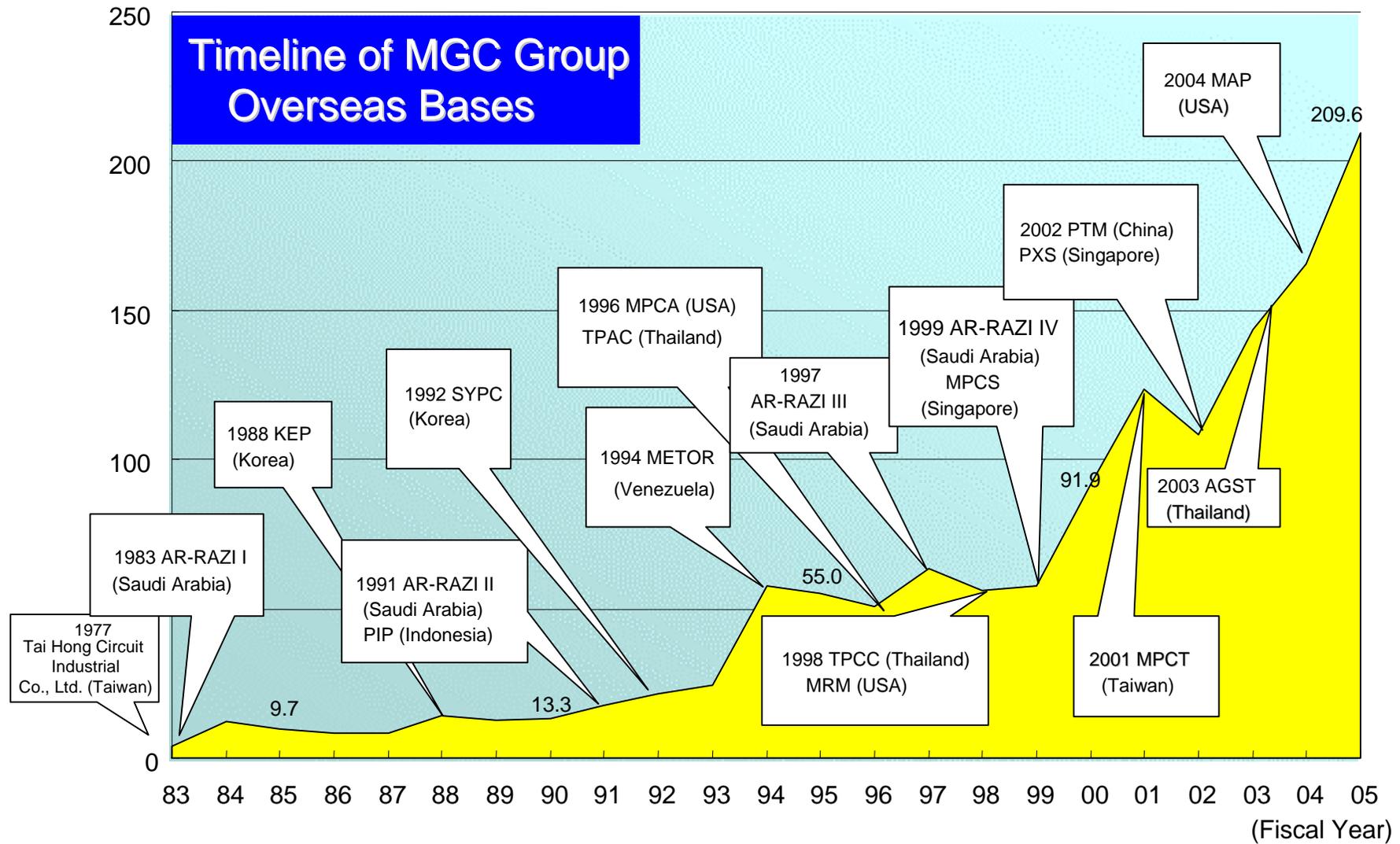
82% of overseas investment is in Asia

Breakdown of Group-Wide Strategic Investment

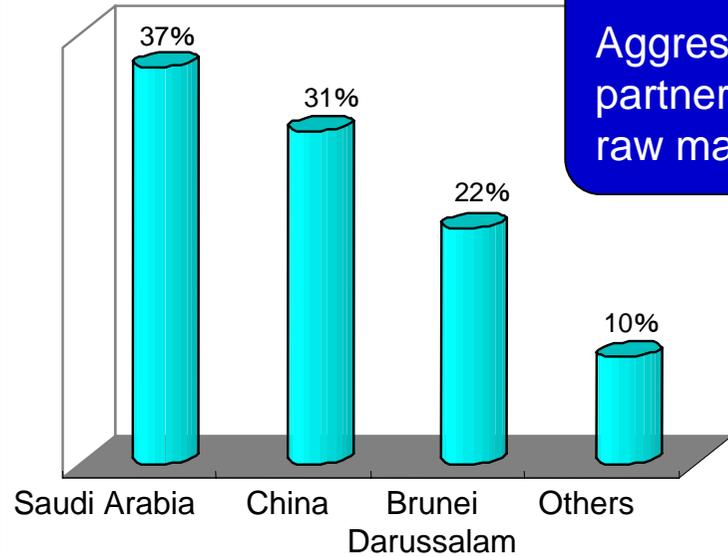


Net Sales (Billion yen)

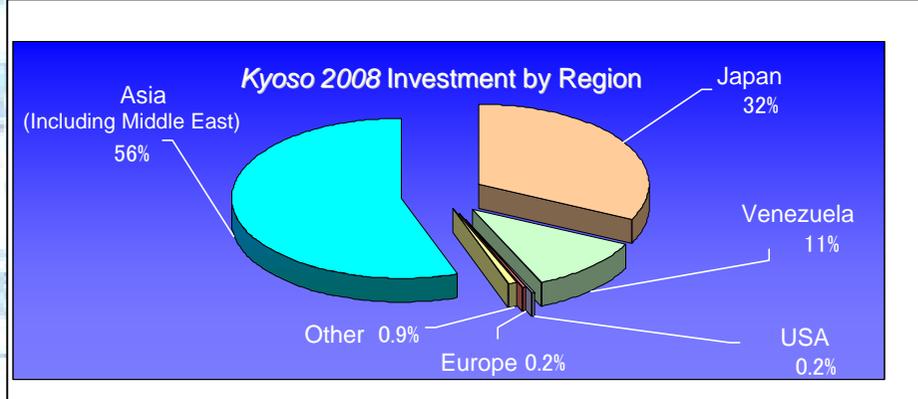
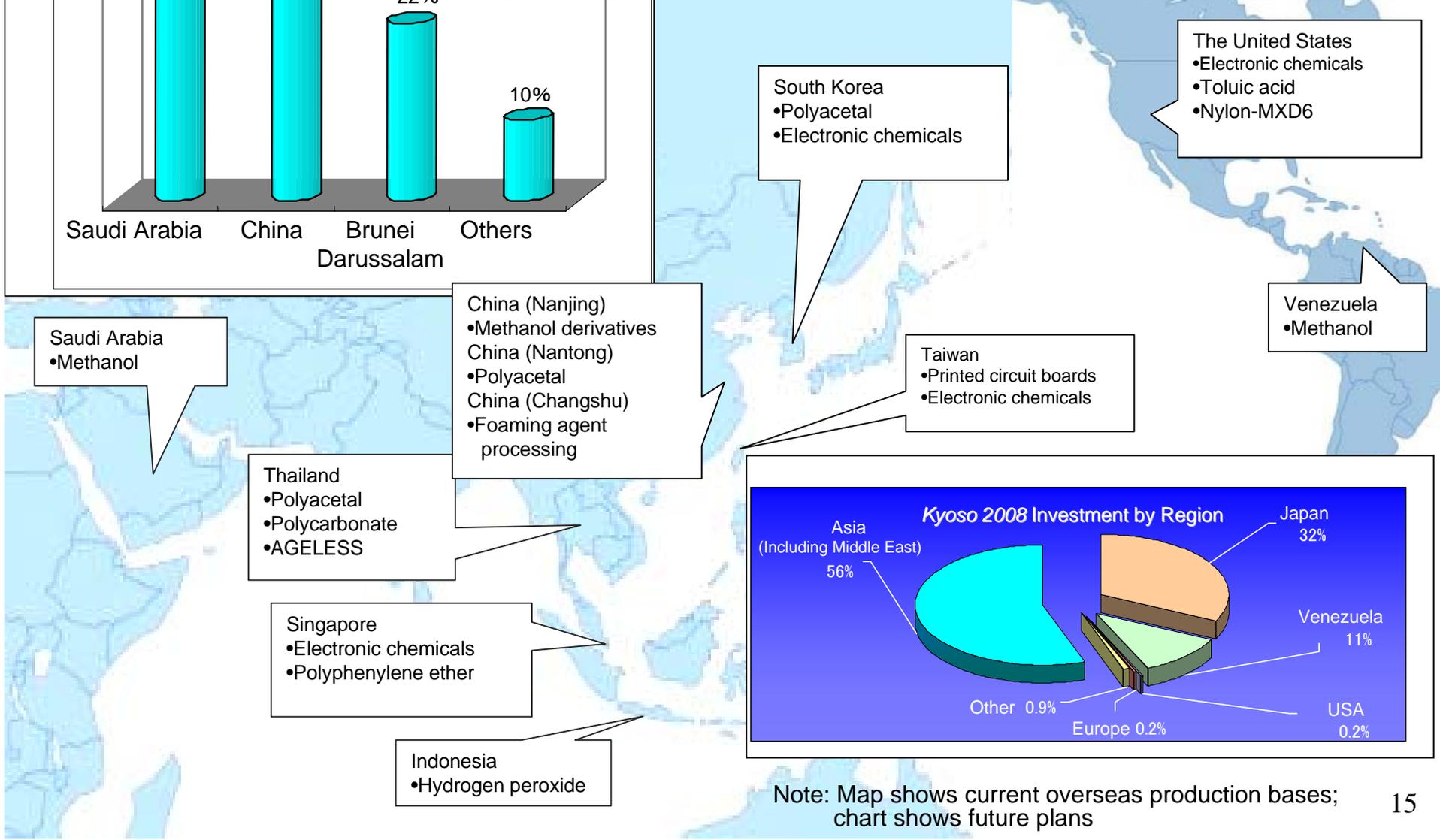
Note: Annual sales figures are calculated in yen and represent cumulative totals (before eliminations, adjustments, etc.)



Kyoso 2008 Investment in Asia



-Global Strategy of Kyoso 2008-
 Aggressively expand global bases by establishing ideal partnerships based on strong technologies and the locations of raw materials and consumption

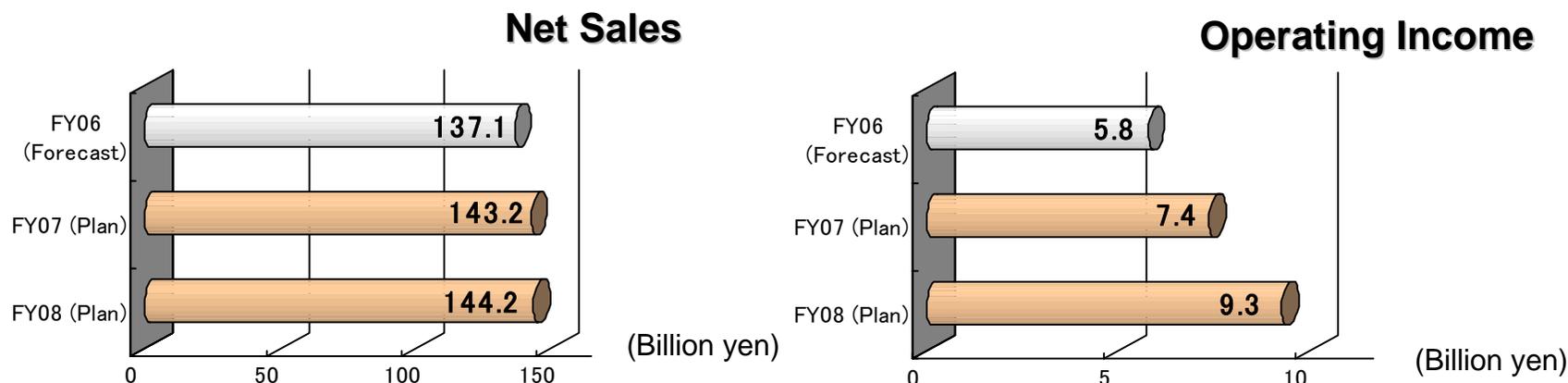


Note: Map shows current overseas production bases; chart shows future plans

Key Point of *Kyoso 2008* – “Concentrate Management Resources”

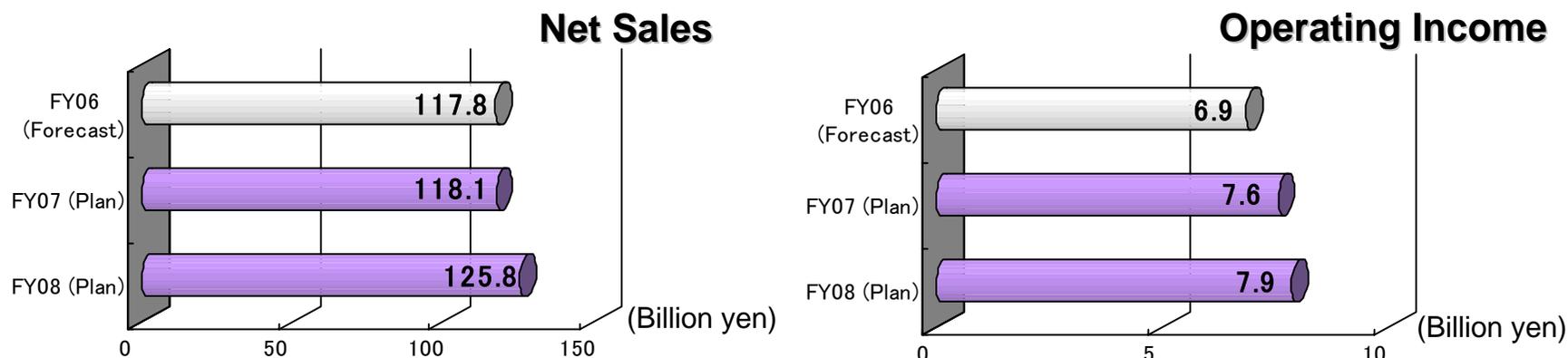
- ◆ Concentrate management resources in core businesses that have a competitive advantage and in growth markets
- ◆ Grow through balanced focus on commodities and specialty products

“Concentrate Management Resources” – Natural Gas Chemicals Segment



- ◆ Complete the Overseas Business Plan (Methanol, Amine Derivatives, etc.)
- ◆ Expand the life-science business, with a particular focus on Coenzyme Q₁₀
- ◆ Strengthen MMA/MAA, polyol derivatives business
- ◆ Improve and expand specialty product chain with Group companies

“Concentrate Management Resources” – Aromatic Chemicals Segment



◆ Begin restructuring of xylene business

Increase concentration of management resources in the meta-xylene business

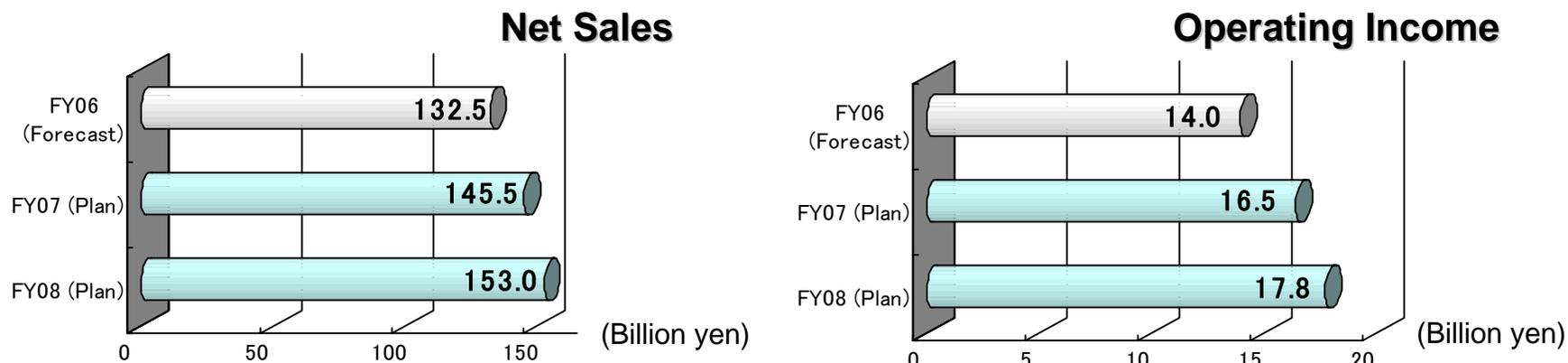
- MXDA (Meta-xylenediamine): Complete new plant at the Mizushima Plant
- PIA (Purified Isophthalic Acid): Further expand bases
 - ← Review enhancement of meta-xylene production

◆ Nylon-MXD6: Accelerate start of full-capacity operations at plants in the U.S.

◆ Cultivate new products with special features to follow products such as aromatic aldehydes and pyromellitic dianhydride

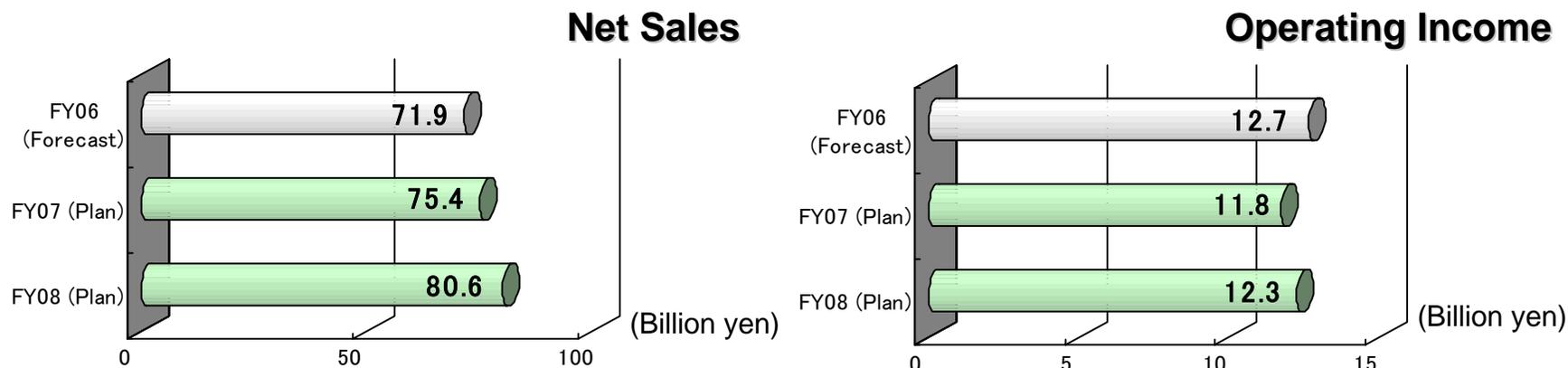
◆ Strengthen the base of the Mizushima Plant, the mother plant of the MGC Group

“Concentrate Management Resources”– Specialty Chemicals Segment



- ◆ **Presence of core businesses in overseas markets**
 - Polycarbonate : Consider investing in Shanghai**
 - Polyacetal : Strengthen collaboration with other company groups**
 - Hydrogen Peroxide : Consider new construction and alliances in Asia**
- ◆ **Prioritize distribution of management resources in electronic chemicals and the polycarbonate sheet and film business**
- ◆ **Accelerate establishment of new specialty and high-value-added products**
- ◆ **Clarify the roles of the three domestic plants**

“Concentrate Management Resources” – Information and Advanced Materials Segment

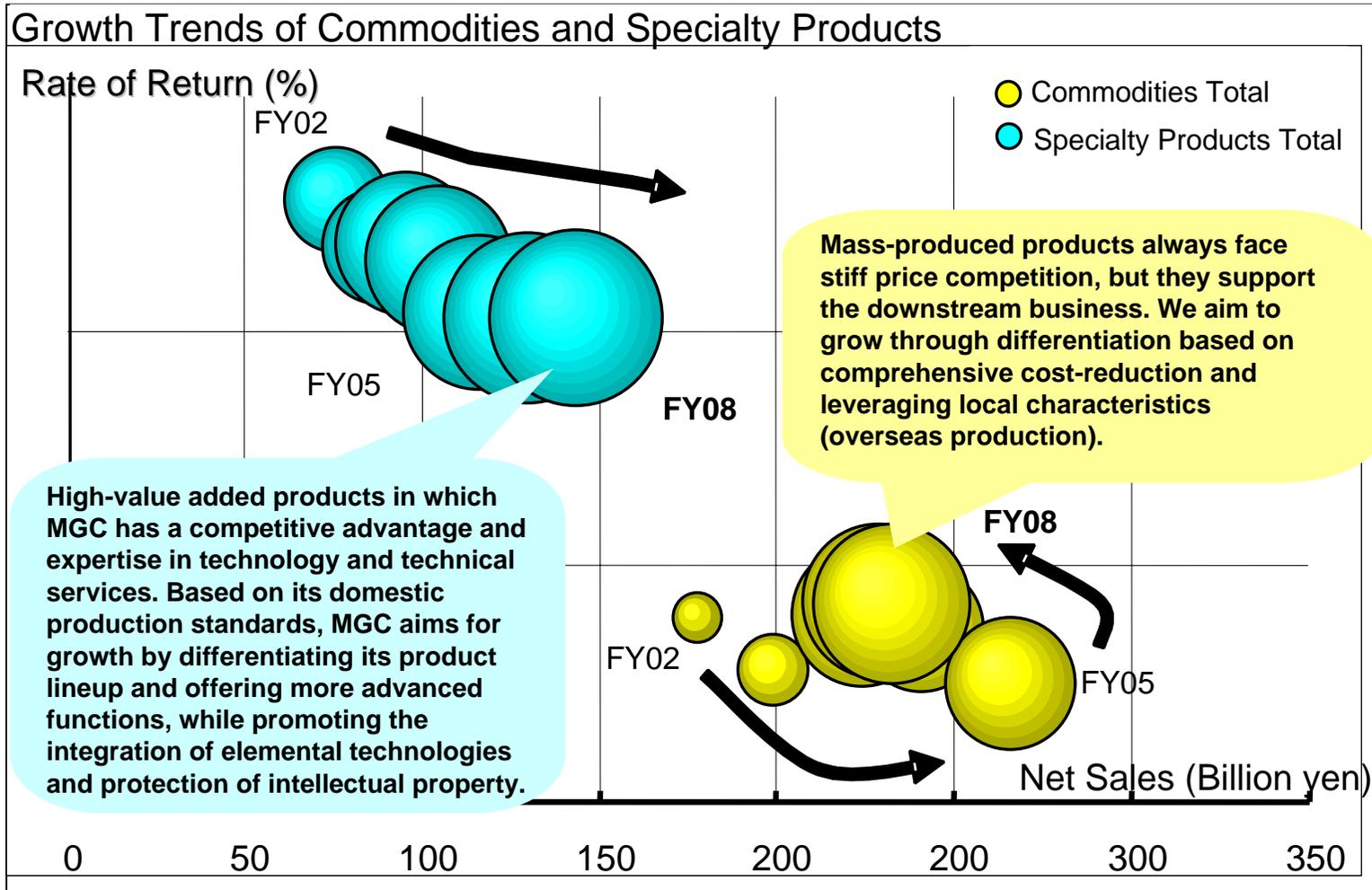


- ◆ **Materials for semiconductor substrates (BT Resin-based) :**
Maintain or expand overseas market share by strengthening functions and developing materials as the market grows
- ◆ **Epoxy materials :**
Specialize in high-performance epoxy materials
Expand sales to infrastructure and semiconductor tester segments, develop applications for in-vehicle products
- ◆ **LE (Lubricated Entry) Sheet :**
Expand sales in existing semiconductor packaging area
Expand applications for substrates for in-vehicle circuit boards, information and telecommunications and infrastructure
- ◆ **Oxygen absorbers business :**
Further strengthen quality, cost, brand strength, technological development capabilities and differentiation strategy → establish absolute superiority

Key Point of *Kyoso 2008* – “Sustainable Growth”

- ◆ Concentrate management resources in core businesses in which the MGC Group has a competitive advantage and in growth markets
- ◆ Grow through balanced focus on commodities and specialty products

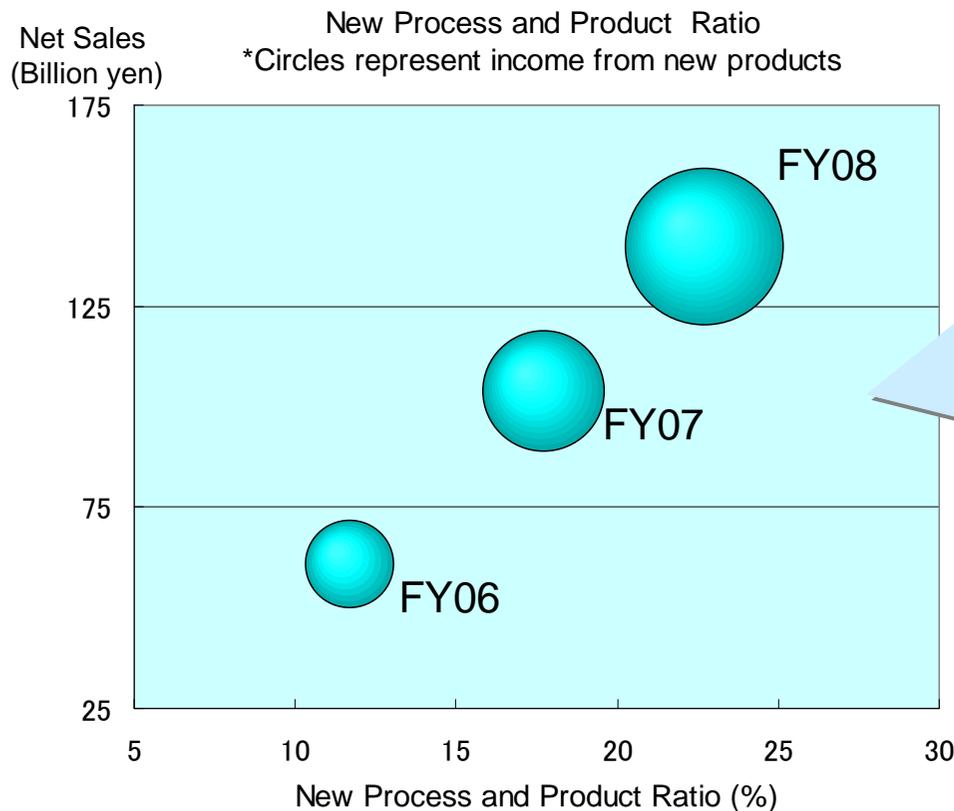
“Differentiation Strategy” – Balanced Growth of Commodities and Specialty Products



Note: The size of the circles represents absolute earnings.

Key Point of *Kyoso 2008* – “Accelerate New Product Development”

- Introduce New Process and Product Ratio (NPPR)
 - Cultivate new products in clusters that incorporate established peripheral products
 - Improve Technology Platform
- Work to accelerate new product development by organizing and visualizing elemental technologies



For example: New Process and Product ratio of the Information & Advanced Materials Company

Increase from 12% in first year to 23% within two years.

Ex.) BT Resin products, high-performance epoxy, etc.

Percentage investment in new products

= sales from new products

÷ sales from all products

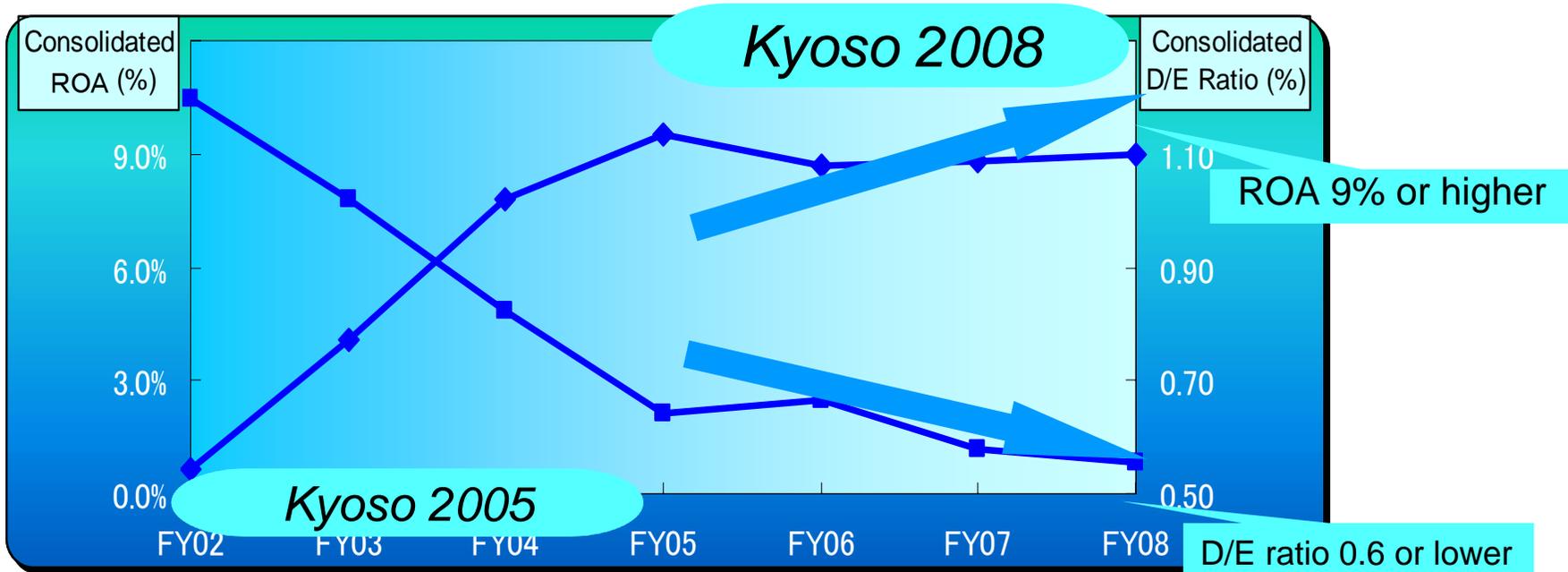
New products are defined as products that have been on the market for under five years

Key Point of *Kyoso 2008* – “Strengthen the Management Infrastructure”

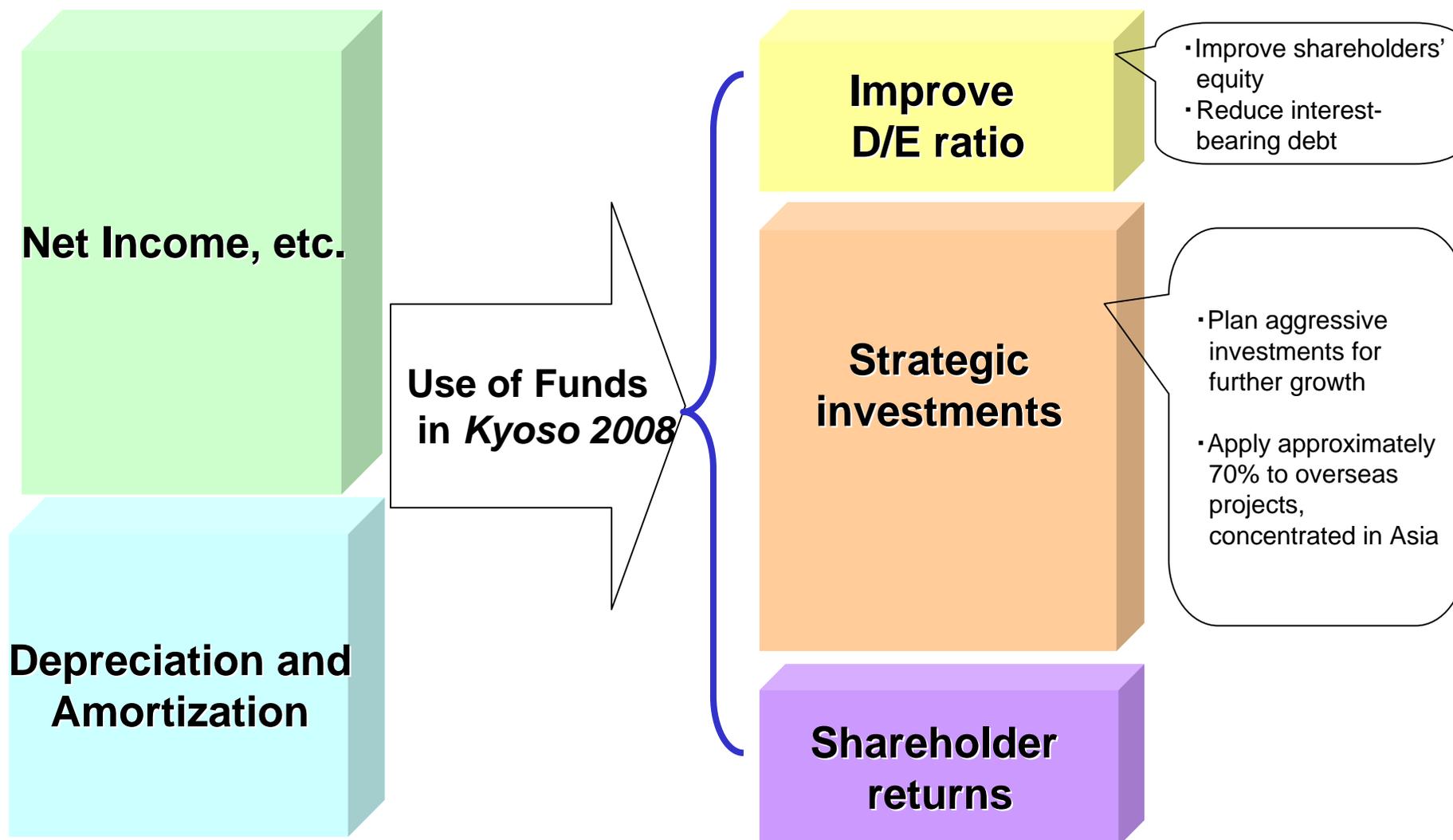
- ◆ Build a responsive financial framework for growth
 - Improve financial soundness through enhanced shareholders' equity
- ◆ Improve productivity and continuously reduce costs
 - Enhance personnel training and on-site capabilities
 - Maintain stability and safety in operations
 - Implement growth strategy and transfer skills
- ◆ Generate greater Group synergy by sharing management resources
 - Strengthen R&D tie-ups between Group companies
 - Streamline total Group assets

Kyoso 2008 Numerical Targets

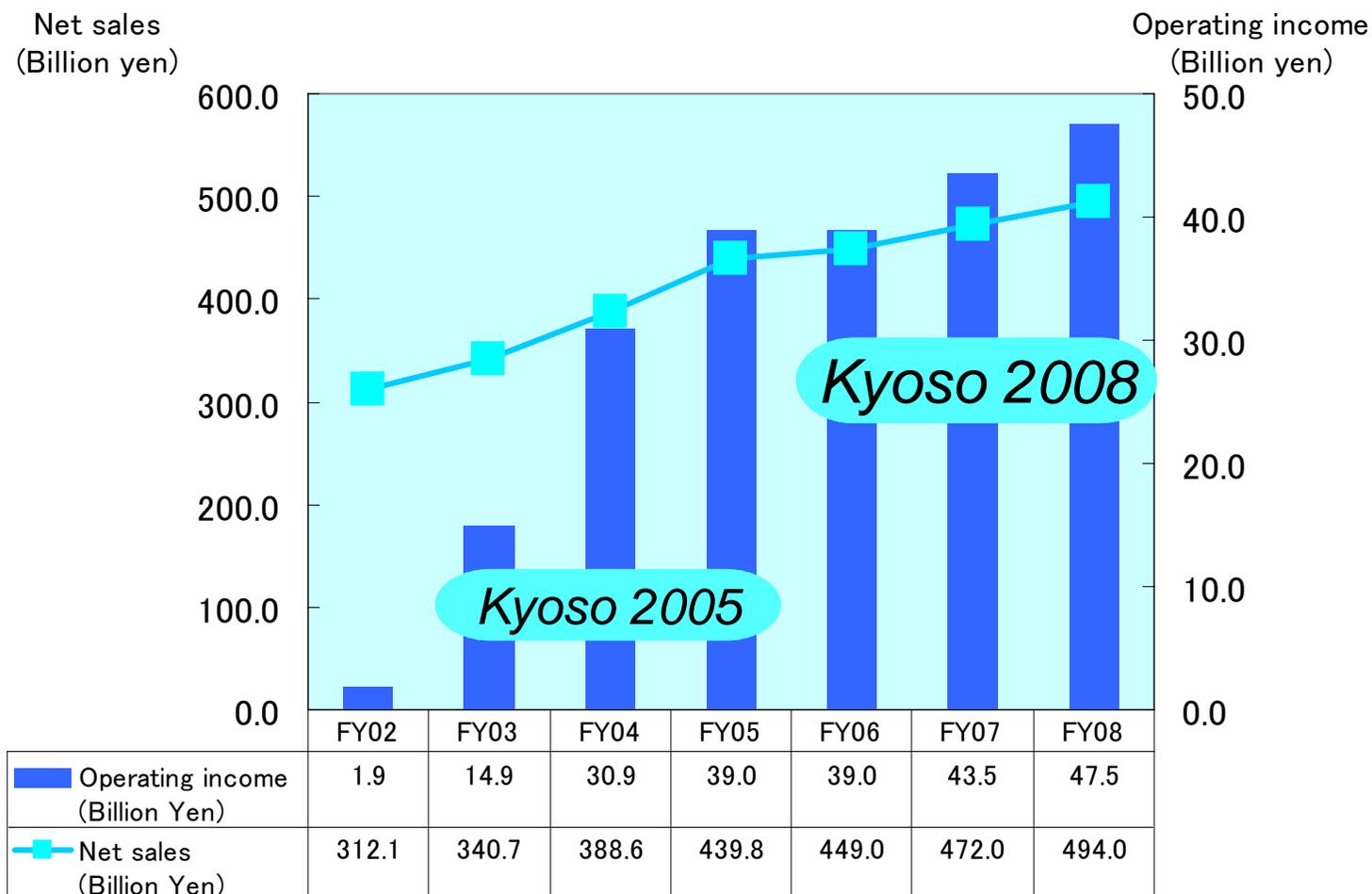
	FY2008	FY2005
▪ Consolidated ordinary income	¥ 55.0 billion	(← ¥ 50.4 billion)
▪ Consolidated return on assets (ROA)	9.0% or higher	(← 9.5%)
▪ Consolidated debt/equity (D/E) ratio	0.6 or lower	(← 0.64)



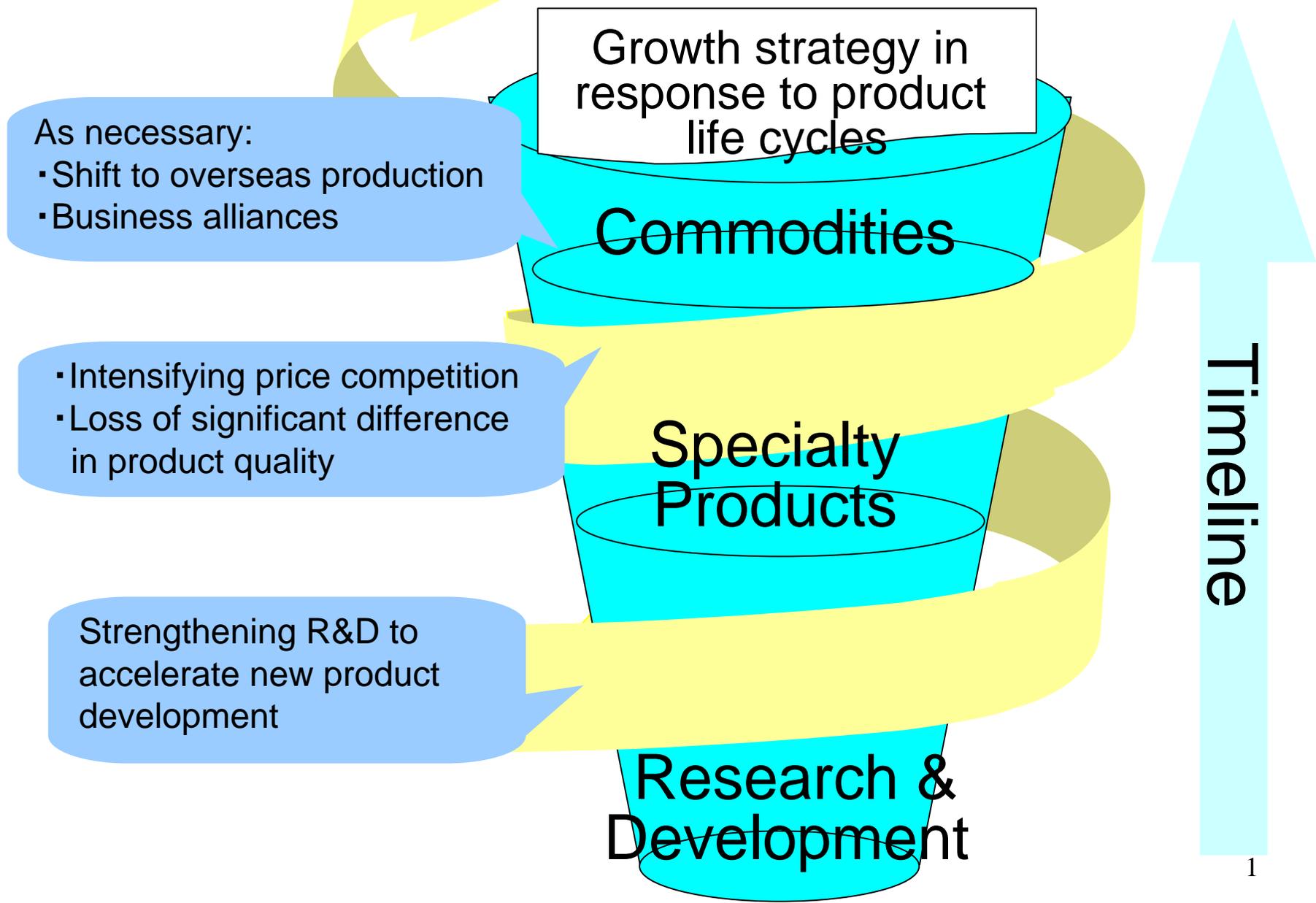
Kyoso 2008 Cash Flows and Use of Funds



Kyoso 2008 – Net Sales and Operating Income



Calculations in *Kyoso 2008* are based on an assumed exchange rate of ¥110/US\$1 and WTI price of crude oil of US \$60/barrel.



Technology Platform Diagram

