



# **MITSUBISHI GAS CHEMICAL COMPANY, INC.**

## **Consolidated Financial Results**

**For the Fiscal Year Ended March 31, 2010**

*This document has been translated from the original Japanese as a guide for non-Japanese investors. It contains forward-looking statements based on a number of assumptions and beliefs made by management in light of information currently available. Actual financial results may differ materially depending on a number of factors, including changing economic conditions, legislative and regulatory developments, delay in new product launches, and pricing and product initiatives of competitors.*

**SUMMARY OF FINANCIAL STATEMENTS (Consolidated)**  
**Results for the fiscal year ended March 31, 2010**

**MITSUBISHI GAS CHEMICAL COMPANY, INC.**

**May 7, 2010**

Stock Code: 4182

Listed exchanges: First section, Tokyo Stock Exchange

http://www.mgc.co.jp

Inquiries: Tomohiko Okubo  
 General Manager  
 Corporate Communications Division

President: Kazuo Sakai

Telephone: +81 3 3283-5041

Scheduled date of general shareholders' meeting: June 25, 2010

Scheduled date of payment of dividend: June 7, 2010

Planned date of filing of the financial report: June 25, 2010

**1. Consolidated financial results for the fiscal year ended March 31, 2010**

**1) Consolidated operating results**

Percentage figures represent changes compared to the previous fiscal year

*Millions of yen, rounded down*

	Fiscal year ended March 31, 2010		Fiscal year ended March 31, 2009	
		(% change)		(% change)
Sales .....	384,528	(14.1)	447,647	(13.8)
Operating income .....	4,090	-	(3,103)	-
Ordinary income .....	7,365	5.6	6,975	(88.7)
Net income .....	5,827	(16.9)	7,014	(82.6)
Earnings per share (¥) .....	12.89		15.30	
Fully diluted earnings per share (¥) .....	12.61		14.97	
Return on equity (%) .....	2.2		2.5	
Ratio of ordinary income to total assets (%) .....	1.4		1.2	
Ratio of operating income to sales (%) .....	1.1		(0.7)	

**Note:** Equity in earnings of affiliates: Fiscal year ended March 31, 2010: ¥ 8,794 million; Fiscal year ended March 31, 2009: ¥ 14,706 million

**2) Consolidated financial position**

*Millions of yen, rounded down*

	As of March 31, 2010	As of March 31, 2009
Total assets .....	539,431	530,592
Net assets .....	278,094	272,083
Shareholders' equity ratio (%) .....	49.9	49.9
Net assets per share (¥) .....	595.56	585.90

**Note:** Shareholders' equity at end of period: Fiscal year ended March 31, 2010: ¥ 269,213 million; Fiscal year ended March 31, 2009: ¥ 264,861 million

**3) Consolidated cash flows**

*Millions of yen, rounded down*

	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2009
Cash flow from operating activities .....	31,326	49,027
Cash flow from investing activities .....	(33,662)	(41,253)
Cash flow from financing activities .....	(15,354)	11,541
Cash and cash equivalents at end of period .....	36,048	53,065

**2. Dividends**

	Fiscal year ended March 31, 2009	Fiscal year ended March 31, 2010	Fiscal year ending March 31, 2011 (Forecast)
Interim dividend per share (¥) .....	8.00	4.00	4.00
Year-end dividend per share (¥) .....	8.00	4.00	4.00
Annual dividend per share (¥) .....	16.00	8.00	8.00
Total dividend payment ( <i>millions of yen</i> ) .....	7,312	3,616	--
Dividend payout ratio (%) .....	104.6	62.1	25.8
Dividend to net assets ratio (%) .....	2.6	1.4	--

**3. Forecasts for the fiscal year ending March 31, 2011 (April 1, 2010 to March 31, 2011)**

Percentage figures represent changes compared to the previous interim period or fiscal year

*Millions of yen, rounded down*

	Interim period ending September 30, 2010		Fiscal year ending March 31, 2011	
		(% change)		(% change)
Sales .....	220,000	21.7	450,000	17.0
Operating income .....	6,000	-	16,000	291.1
Ordinary income .....	10,000	-	24,000	225.8
Net Income .....	4,000	-	14,000	140.2
Earnings per share (¥) .....	8.85		30.97	

#### 4. Other

- 1) **Transfer of important subsidiaries during the period** (Transfers of certain subsidiaries resulting in changes in the scope of consolidation): 1 new company, Lingyou Engineering-Plastics (Shanghai) Co., Ltd.
- 2) **Changes in accounting methods, procedures and presentation in the preparation of these financial statements** (Key items mentioned in Material Items Forming the Basis for the Preparation of the Consolidated Financial Statements for the Fiscal Year)
  1. Changes following revisions to accounting standards: Yes
  2. Other changes: None
- 3) **Number of shares outstanding (ordinary shares)**
  1. Number of shares outstanding at end of the fiscal year (including treasury shares):  
 March 31, 2010: 483,478,398 shares    March 31, 2009: 483,478,398 shares
  2. Number of treasury shares at end of the fiscal year:  
 March 31, 2010: 31,446,964 shares    March 31, 2009: 31,420,297 shares

#### Reference: Outline of non-consolidated financial results

##### 1. Non-consolidated financial results for the fiscal year ended March 31, 2010

###### 1) Non-consolidated operating results

Percentage figures represent changes compared to the previous fiscal year

*Millions of yen, rounded down*

	Fiscal year ended March 31, 2010		Fiscal year ended March 31, 2009	
		(% change)		(% change)
Sales .....	278,955	(10.0)	310,017	(16.9)
Operating income .....	(7,225)	-	(3,112)	-
Ordinary income .....	307	(97.6)	12,695	(65.6)
Net income .....	4,578	(63.9)	12,686	(55.5)
Earnings per share (¥) .....	10.13		27.68	
Fully diluted earnings per share (¥) .....	9.90		27.08	

###### 2) Non-consolidated financial position

*Millions of yen, rounded down*

	As of March 31, 2010		As of March 31, 2009	
	Total assets .....	375,704		360,896
Net assets .....	174,966		173,701	
Shareholders' equity ratio (%) .....	46.6		48.1	
Net assets per share (¥) .....	387.07		384.25	

**Note:** Shareholders' equity: Fiscal year ended March 31, 2010: ¥ 174,966 million; Fiscal year ended March 31, 2009: ¥ 173,701 million

##### 2. Non-consolidated forecasts for the fiscal year ending March 31, 2011 (April 1, 2010 to March 31, 2011)

Percentage figures represent changes compared to the previous interim period or fiscal year

*Millions of yen, rounded down*

	Interim period ending September 30, 2010		Fiscal year ending March 31, 2011	
		(% change)		(% change)
Sales .....	160,000	22.6	330,000	18.3
Operating income .....	1,500	-	6,000	-
Ordinary income .....	5,000	-	12,000	-
Net income .....	1,000	-	7,000	52.9
Earnings per share (¥) .....	2.21		15.49	

#### **Notice regarding the appropriate use of the financial forecasts**

Forecasts, etc., recorded in this document contain forward-looking statements that are based on management's estimates, assumptions and projections at the time of publication. A number of factors could cause actual results to differ materially from expectations.

# **1. Consolidated Operating Results**

## **COMMENTARY ON RESULTS**

**Note:** Comparisons in the following section of the report are with the previous fiscal year, unless stated otherwise.

### **Overview of results for this period**

The Japanese economy remained weak during the year under review, with continued low levels of capital expenditure and personal consumption, despite some signs of recovery.

The business environment for the Mitsubishi Gas Chemical Company, Inc. group of companies ("MGC Group") remained severe throughout the year, with low demand for specialty chemicals and other core MGC Group products in the main markets of Japan, Europe and the U.S., despite some recovery in demand for certain semiconductor- and LCD panel-related products, supported by economic stimulus measures in Japan and other countries and by demand in emerging economies. Problems also arose at some core Group manufacturing facilities, which had a large impact on earnings.

MGC Group's efforts during the year were directed at maintaining and improving sales volumes and reducing costs to boost underlying profitability, while implementing a range of initiatives in line with the core policies outlined in *MGC Will 2011*, MGC's medium-term management plan that began in the year under review.

Consolidated net sales for MGC Group for the fiscal year ended March 31, 2010 decreased ¥63.1 billion, or 14.1%, to ¥384.5 billion. Consolidated operating income was ¥4.0 billion, an improvement of ¥7.1 billion from the operating loss recorded in the previous year, and consolidated ordinary income increased ¥0.3 billion, or 5.6%, to ¥7.3 billion. Consolidated net income for the year decreased ¥1.1 billion, or 16.9%, to ¥5.8 billion.

Non-consolidated net sales decreased ¥31.0 billion, or 10.0%, to ¥278.9 billion. An operating loss of ¥7.2 billion was recorded, representing a deterioration of ¥4.1 billion, and ordinary income fell ¥12.3 billion, or 97.6 %, to ¥0.3 billion. Non-consolidated net income for the year decreased ¥8.1 billion, or 63.9 %, to ¥4.5 billion.

### **Results by business segment**

#### **Natural Gas Chemicals Company**

In the methanol business, earnings fell for the full year due to a substantial year-on-year decline in the overall market, despite higher sales volumes achieved through pre-marketing for new plants brought on line in 2010. Earnings from overseas methanol producing companies accounted for by the equity method also declined significantly.

In methanol and ammonia derivatives, revenue and earnings declined, affected both by continued weak overall demand and the impact of two prolonged stoppages arising from mechanical problems at an ammonia plant.

Earnings from enzymes and coenzymes were slightly higher than in the previous year, with a fall in the sales price of coenzyme Q10 offset by an increase in domestic sales volumes of mainly high added value products, along with lower raw material costs.

In the sale of natural gas and other energy, earnings decreased significantly due to lower sales

volumes and considerably lower sales prices for crude oil.

Consolidated net sales in the Natural Gas Chemicals Company for the year ended March 31, 2010 decreased ¥32.9 billion, or 23.0%, to ¥110.5 billion, and an operating loss of ¥6.5 billion was recorded, representing a deterioration of ¥1.6 billion.

#### **Aromatic Chemicals Company**

In specialty aromatic chemical products, revenue and earnings decreased significantly, with large falls in first-half sales volumes of products such as meta-xylenediamine, Nylon-MXD6 and aromatic aldehyde due to a significant impact from prolonged inventory adjustments by some customers, despite some recovery in demand seen in the second half of the year.

Revenue and earnings from purified isophthalic acid business both declined, with a slight rise in sales volumes from a recovery in demand offset by deteriorating margins concomitant with intense competition amid oversupply in the market.

Consolidated net sales in the Aromatic Chemicals Company for the year ended March 31, 2010 decreased ¥26.1 billion, or 21.7%, to ¥94.4 billion. An operating loss of ¥6.3 billion was recorded, representing a narrowing of the previous year's loss due to a large decrease in the value of inventory assets written down.

#### **Specialty Chemicals Company**

In inorganic chemicals for industrial use, revenues declined due to a reduction in sales volumes of hydrogen peroxide and other products, but earnings increased as a result of price revisions.

Revenue and earnings from chemicals for the electronics industry declined, despite some evidence of recovering demand.

In engineering plastics business, revenue and earnings from polycarbonate decreased due to weak prices in the domestic market. In polyacetal, however, earnings increased due to lower raw methanol prices and other such factors, despite revenue falling on lower sales volumes. Sales and earnings from polycarbonate sheets and films increased due to strong demand for films used in flat panel displays.

Consolidated net sales in the Specialty Chemicals Company for the year ended March 31, 2010 decreased ¥6.2 billion, or 5.0%, to ¥118.3 billion, and operating income increased ¥4.4 billion, or 69.7%, to ¥10.8 billion.

#### **Information & Advanced Materials Company**

Revenue and earnings from materials for printed circuit boards both increased, reflecting a recovery in sales volumes of BT resin for semiconductor packaging in the first quarter that continued through the second quarter, without significant impact from seasonal adjustments. Sales of LE sheets, the entry sheets used in mechanical drilling of printed circuit boards, weakened in the face of intensified competition in overseas markets. Losses at consolidated subsidiary Japan Circuit Industrial Co., Ltd., which manufactures printed circuit boards, narrowed considerably due to reduced fixed costs and the impact of other efficiency measures.

Sales of oxygen absorber AGELESS® fell slightly, reflecting strong competition in its main market, the Japanese domestic food industry.

Consolidated net sales in the Information & Advanced Materials Company for the year ended March 31, 2010 increased ¥2.3 billion, or 4.0%, to ¥60.3 billion, and operating income increased ¥3.5 billion, or 152.6%, to ¥5.8 billion.

#### **Other**

Consolidated net sales in the Other business segment for the year ended March 31, 2010 decreased to ¥0.8 billion, and operating income decreased to ¥0.4 billion.

## **Consolidated forecasts for the fiscal year ending March 31, 2011**

Although the economic situation is gradually recovering, current conditions vary significantly between regions and industry sectors and there are concerns of further rises in raw materials costs and a continued strengthening of the yen.

At MGC Group, initiatives during the year will be based on the policies outlined in the medium-term business plan *MGC Will 2011*. The key strategic themes in this plan are: *strengthening and expanding core businesses; accelerating new product development and commercialization; and improving quality in support of sustainable growth*. MGC aims to develop and grow sustainably on a global stage as a highly differentiated, widely recognized chemicals group operating from a strong platform of proprietary technology.

Operating income is forecast to increase during the year ending March 31, 2011 mainly as a result of higher sales volumes of chemicals for the electronics industry, continued firm sales of polycarbonate sheets and films and BT materials, and reduced losses on methanol and ammonia derivatives and aromatic chemicals.

Equity in earnings is expected to increase, mainly at overseas methanol producing companies, due to higher methanol prices and increased sales volumes resulting from the operation of new plants.

An extraordinary loss of ¥5.0 billion has been factored into forecasts due to a loss concomitant with the adoption of financial accounting standards for asset retirement obligations and a loss on disposal of fixed assets.

Consolidated full-year forecasts for the year ending March 31, 2011 are for net sales of ¥450.0 billion, operating income of ¥16.0 billion, ordinary income of ¥24.0 billion, and net income of ¥14.0 billion. Non-consolidated forecasts are for net sales of ¥330.0 billion, operating income of ¥6.0 billion, ordinary income of ¥12.0 billion, and net income of ¥7.0 billion.

The ¥/US\$ exchange rate used as the basis for these forecasts is ¥90/US\$1.

## **2. Consolidated financial position**

### **Assets, liabilities and net assets**

Total consolidated assets as of March 31, 2010 were ¥539.4 billion, ¥8.8 billion higher than at the end of the previous fiscal year. Current assets increased ¥2.7 billion to ¥218.0 billion, primarily due to an increase in trade notes and accounts receivable associated with a recovery of sales in the second half of the year. Fixed assets increased ¥6.0 billion to ¥321.3 billion, primarily due to an increase in investment securities concomitant with an improvement in the market value of securities held in a recovering stock market.

Total liabilities increased ¥2.8 billion to ¥261.3 billion. Current liabilities decreased ¥0.7 billion, with trade notes and accounts payable increasing by ¥16.1 billion, while ¥12.9 billion of short-term borrowing was repaid. Non-current liabilities increased ¥3.6 billion due to an increase in long-term borrowing and other such factors. Net interest-bearing debt (short-term debt, bonds payable within one year, long-term debt, bonds and lease obligations) decreased ¥9.0 billion to ¥165.8 billion.

Net assets increased ¥6.0 billion to ¥278.0 billion. In addition to the increase in market value of investment securities mentioned above, this outcome was influenced by an improvement in foreign currency translation adjustments relating to the recording of net assets at overseas consolidated subsidiaries.

As a result of the above, the shareholders' equity ratio was 49.9% as of March 31, 2010, the same as one year earlier. Net assets per share at the end of the period was ¥595.56, compared to

¥585.90 one year earlier.

### **Consolidated cash flows**

In line with *MGC Will 2011*, MGC Group's current medium-term management plan, MGC is emphasizing the allocation of resources to leverage the different characteristics and technical strengths within each business in everything from basic chemicals through to high-performance materials, and strengthening and expanding its core businesses to expand earnings. In order to construct and maintain a sound financial condition, MGC is working to create free cash flow, taking steps such as disposing of unutilized assets and optimizing inventories.

Total cash and cash equivalents at of March 31, 2010 was ¥36.0 billion, ¥17.0 billion lower than at the end of the previous fiscal year.

#### **Operating activity cash flow**

Net cash provided by operating activities was ¥31.3 billion, a decrease of ¥17.7 billion compared to the previous year. This decrease was primarily due to trade notes and accounts receivable increasing by a greater amount than trade notes and accounts payable, along with a reduction in dividend income from companies accounted for by the equity method.

#### **Investing activity cash flow**

Net cash outflow from investing activities was ¥33.6 billion, ¥7.5 billion less than the outflow recorded in the previous year. This was primarily because of the acquisition of fixed assets and investment securities, even though cash inflow was received from the sale of investment securities.

#### **Financing activity cash flow**

Net cash outflow from financing activity was ¥15.3 billion, compared to an inflow of ¥11.5 billion in the previous year. This outflow was primarily due to repayment of long-term borrowings and the payment of dividends.

### **Dividend policy, payments and forecasts**

MGC view returns to shareholders as a key Group management issue. The Company makes a comprehensive assessment of trends in business performance, capital expenditure plans, financial position and other factors from a medium- to long-term point of view, aiming to optimally balance the returning of funds to shareholders via stable dividends with the retention of sufficient earnings to implement measures to increase future enterprise value. From the perspective of optimizing capital efficiency, treasury share acquisitions are considered flexibly in accordance with the market environment.

For the year under review, the Company plans to pay a year-end dividend of ¥4.0 per share, a decrease of ¥4.0 per share from the previous year. In combination with the interim dividend of ¥4.0 per share already paid, this represents an annual dividend of ¥8.0 per share and a consolidated payout ratio of 62.1%, compared to an annual dividend of ¥16.0 per share in the previous year.

For the year ending March 31, 2011 the Company plans an interim dividend of ¥4.0 per share and a year-end dividend of ¥4.0 per share.

## **3. Management policy**

### **Basic management approach**

Based on the MGC Group management philosophy of *developing in harmony with society through using chemistry to create diverse value*, MGC aims to realize CSR in all its activities while developing and growing sustainably on a global stage as a highly differentiated, widely recognized chemicals group operating from a strong platform of proprietary technology.

### **Medium-term management indices and targets**

MGC decided that, in order to follow a path of further sustainable growth it was necessary to

formulate and implement a plan from a long-term perspective. Consideration was first given to determining what kind of company MGC should aim to become by 2021, the 50<sup>th</sup> anniversary of its establishment. As the first step in achieving this objective, MGC formulated *MGC Will 2011*, its medium-term management plan to fiscal 2011 (the fiscal year ending March 31, 2012) and began implementing the plan in April 2009.

The main policies and quantitative targets in the plan are outlined below.

● **The MGC Group of 2021**

- Trusted by society and realizing CSR in all corporate activities
- Sales exceeding ¥1 trillion, and in the global Top 30 chemical companies
- Highly profitable and research driven, achieving *global excellence*

● **Basic strategies of *MGC Will 2011***

1. Strengthen and expand core businesses
2. Accelerate new product development and commercialization
3. Improve total enterprise quality in support of sustainable growth

**Quantitative targets**

Consolidated financial indices	Year ending March 2012
Net sales	¥550.0 bn
Operating income	¥40.0 bn
Ordinary income	¥50.0 bn
ROA (ordinary income/total assets)	9.0%
Debt-equity ratio	Below 0.6

**Key issues**

MGC Group will continue to emphasize the allocation of resources to the development of a superior product portfolio covering everything from basic chemicals through to high-performance materials, and will establish differentiation strategies that reflect the different characteristics of products within each category. By concentrating management resources as appropriate, MGC will be working to strengthen and expand its core businesses.

MGC will also take steps to accelerate the pace of new product development and commercialization. Key issues to be addressed in this respect include 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 market place, and realizing synergies between Group companies and divisions.

MGC will pursue sustainable growth through taking steps to further improve total enterprise quality in every facet of operations. Important management issues identified in the new plan include achieving zero accidents or disasters, actively contributing to the reduction of environmental impact, recruiting and fostering personnel, reducing costs, improving productivity, fine-tuning existing technologies, constructing a more robust financial foundation, and enhancing global group management.

Recently there have been indications of a recovery in demand across the range of MGC's products and performance is expected to improve substantially during the next fiscal year. However, amid sustained high raw materials costs, and lingering uncertainty over the strength of the economic recovery, MGC will continue to implement rigorous cost-cutting and price revisions, while adapting its business structure rapidly to changes in business conditions as they arise.



#### 4. Consolidated Financial Statements

##### (1) Consolidated Balance Sheets

Millions of yen, rounded down

	As of March 31, 2010	As of March 31, 2009
<b>ASSETS</b>		
<b>Current assets</b>		
Cash .....	27,560	23,209
Trade notes and accounts receivable .....	104,086	74,549
Short-term investments .....	10,016	30,845
Merchandise and finished goods .....	33,185	38,599
Work in progress .....	9,948	8,386
Raw materials and supplies .....	18,872	18,351
Deferred tax assets .....	3,494	3,303
Other current assets .....	11,622	18,639
Less allowance for doubtful receivables .....	(704)	(585)
Total current assets .....	218,082	215,298
<b>Property, plant and equipment</b>		
Buildings and structures, net .....	49,683	46,662
Machinery, equipment and vehicles, net .....	67,253	71,495
Land .....	22,939	22,993
Leased assets .....	382	296
Construction in progress .....	17,301	21,474
Other, net .....	3,774	3,724
Total property, plant and equipment .....	161,334	166,647
<b>Intangible assets</b>		
Leased assets .....	53	48
Software .....	2,671	1,945
Other .....	1,932	886
Total intangible assets .....	4,658	2,881
<b>Investments and other assets</b>		
Investments in securities .....	130,471	121,540
Long-term loans receivable .....	2,733	3,312
Deferred tax assets .....	17,457	15,270
Other .....	6,323	7,222
Less allowance for doubtful receivables .....	(1,629)	(1,580)
Total investments and other assets .....	155,356	145,765
Total fixed assets .....	321,348	315,293
<b>Total assets</b> .....	<b>539,431</b>	<b>530,592</b>

Consolidated Balance Sheets (contd.)

Millions of yen, rounded down

	As of March 31, 2010	As of March 31, 2009
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Trade notes and accounts payable .....	56,486	40,301
Short-term borrowings .....	74,004	86,974
Accrued expenses .....	12,851	14,636
Lease obligations .....	116	82
Accrued income taxes .....	2,421	361
Deferred tax liabilities .....	175	157
Accrued bonuses .....	3,645	3,777
Other provision .....	4	8
Other .....	10,591	14,786
Total current liabilities .....	160,297	161,088
<b>Non-current liabilities</b>		
Corporate bonds .....	20,000	20,000
Long-term borrowings .....	71,394	67,604
Lease obligations .....	332	272
Deferred tax liabilities .....	866	684
Provision for retirement benefits .....	4,630	3,733
Directors' retirement benefits .....	1,046	1,048
Provision for abandoned mine expenses .....	582	536
Provision for environmental initiatives .....	711	711
Other provision .....	219	236
Amortization of negative goodwill .....	229	434
Other .....	1,025	2,158
Total non-current liabilities .....	101,038	97,421
Total liabilities .....	261,336	258,509
<b>NET ASSETS</b>		
<b>Stockholders' equity</b>		
Common stock .....	41,970	41,970
Additional paid in capital .....	35,590	35,589
Retained earnings .....	222,394	221,990
Treasury stock, at cost .....	(7,905)	(7,891)
Total stockholders' equity .....	292,048	291,658
<b>Valuation and translation adjustments</b>		
Unrealized gains (loss) on other securities .....	(1,013)	(3,330)
Deferred gains on hedges .....	(1)	29
Surplus on revaluation of land .....	192	192
Foreign currency translation adjustments .....	(22,013)	(23,688)
Total valuation and translation adjustments .....	(22,835)	(26,797)
Minority interests .....	8,881	7,222
Total net assets .....	278,094	272,083
<b>Total liabilities and net assets .....</b>	<b>539,431</b>	<b>530,592</b>

## (2) Consolidated Statements of Income

	<i>Millions of yen, rounded down</i>	
	April 1, 2009 - March 31, 2010	April 1, 2008 - March 31, 2009
<b>Net sales</b> .....	384,528	447,647
Cost of sales .....	326,738	395,626
Gross profit .....	57,790	52,020
Selling, general and administrative expenses.....	53,699	55,124
<b>Operating income (loss)</b> .....	4,090	(3,103)
<b>Non-operating income</b>		
Interest income.....	201	339
Dividend income.....	1,182	1,432
Equity in earnings of affiliates .....	8,794	14,706
Other .....	1,954	2,195
Total non-operating income.....	12,133	18,673
<b>Non-operating expenses</b>		
Interest expense .....	2,159	2,194
Personnel expenses for seconded employees.....	1,767	1,180
Exchange losses .....	1,046	1,264
Loss on disposal of non-current assets..	1,158	822
Other .....	2,725	3,133
Total non-operating expenses .....	8,858	8,595
<b>Ordinary income (loss)</b> .....	7,365	6,975
<b>Extraordinary income</b>		
Gain on sale of investment securities.....	1,942	-
Gain on sale of fixed assets .....	297	-
Insurance income.....	193	-
Subsidy income.....	-	262
Total extraordinary income .....	2,433	262
<b>Extraordinary losses</b>		
Impairment losses .....	519	-
Loss on business withdrawal .....	374	-
Bad-debt loss .....	364	-
Loss on change of overseas investment plan .....	341	-
Loss on disposal of non-current assets..	265	234
Other .....	401	-
Allowance for doubtful accounts .....	-	1,092
Incident-related expenses .....	-	413
Loss on valuation of investment securities	-	213
Loss on change of equity in affiliates .....	-	10
Total extraordinary losses .....	2,269	1,964
Net income before income taxes and minority interests .....	7,530	5,273
Income taxes, etc. ....	4,303	1,061
Refund of income taxes .....	-	(732)
Income taxes - deferred.....	(3,247)	(2,580)
Total income taxes .....	1,055	(2,251)
Minority interests in income .....	646	510
<b>Net income</b> .....	<b>5,827</b>	<b>7,014</b>

## (3) Consolidated Statements of Changes in Net Assets

	<i>Millions of yen, rounded down</i>	
	April 1, 2009 -March 31, 2010	April 1, 2008 - March 31, 2009
<b>Stockholders' equity</b>		
<b>Common stock</b>		
Balance at end of previous period.....	41,970	41,970
Balance at end of period .....	41,970	41,970
<b>Additional paid-in capital</b>		
Balance at end of previous period.....	35,589	35,576
Change during the period		
Disposition of treasury stock.....	1	12
Total change during the period.....	1	12
Balance at end of period .....	35,590	35,589
<b>Retained earnings</b>		
Balance at end of previous period.....	221,990	222,047
Changes resulting from accounting changes of foreign subsidiaries .....	-	(144)
Change during the period		
Cash dividends.....	(5,424)	(7,393)
Net income .....	5,827	7,014
Decrease resulting from newly consolidated subsidiary .....	-	(206)
Increase resulting from the merger.....	-	44
Increase resulting from affiliates newly accounted for by the equity method.....	-	628
Total change during the period.....	403	87
Balance at end of period .....	222,394	221,990
<b>Treasury stock</b>		
Balance at end of previous period.....	(7,891)	(4,287)
Change during the period		
Purchase of treasury stock .....	(15)	(3,617)
Disposition of treasury stock.....	1	12
Total change during the period.....	(14)	(3,604)
Balance at end of period .....	(7,905)	(7,891)
<b>Total stockholders' equity</b>		
Balance at end of previous period.....	291,658	295,307
Changes resulting from accounting changes of foreign subsidiaries .....	-	(144)
Change during the period		
Cash dividends.....	(5,424)	(7,393)
Net income .....	5,827	7,014
Decrease resulting from newly consolidated subsidiary .....	-	(206)
Increase resulting from the merger.....	-	44
Increase resulting from affiliates newly accounted for by the equity method.....	-	628
Purchase of treasury stock .....	(15)	(3,617)
Disposition of treasury stock.....	2	24
Total change during the period.....	390	(3,504)
Balance at end of period .....	292,048	291,658

Consolidated Statements of Changes in Net Assets (contd.)

	<i>Millions of yen, rounded down</i>	
	April 1, 2009 -March 31, 2010	April 1, 2008 - March 31, 2009
<b>Valuation and translation adjustments</b>		
<b>Net unrealized gain (loss) on other securities</b>		
Balance at end of previous period.....	(3,330)	10,867
Change during the period		
Net changes other than stockholders' equity.....	2,317	(14,197)
Total changes during the period.....	2,317	(14,197)
Balance at end of period.....	(1,013)	(3,330)
<b>Deferred gains on hedges</b>		
Balance at end of previous period.....	29	129
Change during the period		
Net changes other than stockholders' equity.....	(31)	(99)
Change during the period.....	(31)	(99)
Balance at end of period.....	(1)	29
<b>Surplus on revaluation of land</b>		
Balance at end of previous period.....	192	192
Balance at end of period.....	192	192
<b>Foreign currency translation adjustments</b>		
Balance at end of previous period.....	(23,688)	(4,181)
Change during the period		
Net changes other than stockholders' equity.....	1,675	(19,507)
Total changes during the period.....	1,675	(19,507)
Balance at end of period.....	(22,013)	(23,688)
<b>Total valuation and translation adjustments</b>		
Balance at end of previous period.....	(26,797)	7,007
Change during the period		
Net changes other than stockholders' equity.....	3,961	(33,804)
Total changes during the period.....	3,961	(33,804)
Balance at end of period.....	(22,835)	(26,797)
<b>Minority interests</b>		
Balance at end of previous period.....	7,222	9,706
Change during the period		
Net changes other than stockholders' equity.....	1,659	(2,484)
Total changes during the period.....	1,659	(2,484)
Balance at end of period.....	8,881	7,222
<b>Total net assets</b>		
Balance at end of previous period.....	272,083	312,021
Net changes other than stockholders' equity.....	-	(144)
Change during the period.....		
Cash dividends.....	(5,424)	(7,393)
Net income.....	5,827	7,014
Decrease resulting from newly consolidated subsidiary.....	-	(206)
Increase resulting from the merger.....	-	44
Increase resulting from affiliates newly accounted for by the equity method.....	-	628
Purchase of treasury stock.....	(15)	(3,617)
Disposition of treasury stock.....	2	24
Net changes other than stockholders' equity.....	5,621	(36,289)
Total changes during the period.....	6,011	(39,793)
Balance at end of period.....	278,094	272,083

## (4) Consolidated Statements of Cash Flows

*Millions of yen, rounded down*

	April 1, 2009 - March 31, 2010	April 1, 2008 - March 31, 2009
<b>Cash flows from operating activities</b>		
Net income before income taxes and minority interests .....	7,530	5,273
Depreciation and amortization.....	29,535	28,934
(Gain) loss on disposal of property and equipment .....	466	619
Amortization of goodwill .....	(28)	117
Impairment losses .....	519	-
Equity in earnings of affiliates.....	(8,794)	(14,706)
Increase (decrease) in allowance for doubtful receivables.....	167	545
Increase (decrease) in reserve for retirement and severance benefits .....	894	18
Interest income and dividend income.....	(1,384)	(1,771)
Interest expenses.....	2,159	2,194
(Gain) loss on sales of securities and investment securities ..	(2,050)	(7)
(Gain) loss on valuation of securities and investment securities .....	4	213
(Gain) loss on change of equity in affiliates.....	-	10
(Increase) decrease in notes and accounts receivable .....	(29,579)	62,830
(Increase) decrease in inventories .....	3,510	3,011
Increase (decrease) in trade notes and accounts payable.....	17,146	(43,000)
Increase (decrease) in consumer tax, etc. ....	552	(110)
Increase (decrease) in reserve for bonuses to directors .....	(2)	24
Other .....	(520)	1,526
<b>Sub-total .....</b>	<b>20,127</b>	<b>45,722</b>
Interest and dividends received.....	1,392	1,763
Dividends received from equity method affiliates .....	9,182	15,382
Interest paid .....	(2,200)	(2,170)
Income taxes (paid) refund .....	2,824	(11,671)
<b>Net cash provided by operating activities .....</b>	<b>31,326</b>	<b>49,027</b>
<b>Cash flows from investing activities</b>		
Purchase of short-term investments.....	(990)	(946)
Proceeds from sale of short-term investments .....	894	890
Purchase of fixed assets .....	(31,634)	(38,121)
Proceeds from sale of fixed assets .....	1,181	1,193
Purchase of investments in securities .....	(6,878)	(4,725)
Proceeds from sale of investments in securities .....	4,030	51
Payment of loans receivable .....	(837)	(991)
Proceeds from collection of loans receivable .....	1,015	1,881
Other .....	(444)	(485)
<b>Net cash used in investing activities .....</b>	<b>(33,662)</b>	<b>(41,253)</b>
<b>Cash flows from financing activities</b>		
Increase (decrease) in short-term borrowings.....	(3,130)	4,681
Proceeds from long-term debt.....	60,719	35,350
Payments on long-term debt .....	(66,736)	(15,936)
Redemption of bonds .....	-	(1,000)
Purchase of treasury stock.....	(15)	(3,617)
Dividends paid to stockholders.....	(5,424)	(7,393)
Dividends paid to minority stockholders of subsidiaries .....	(621)	(521)
Other .....	(145)	(22)

Consolidated Statements of Cash Flows (contd.)

Millions of yen, rounded down

	April 1, 2009 - March 31, 2010	April 1, 2008 - March 31, 2009
<b>Net cash used in financing activities</b> .....	<b>(15,354)</b>	<b>11,541</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b> .....	<b>(445)</b>	<b>(3,871)</b>
<b>Increase (decrease) in cash and cash equivalents</b> .....	<b>(18,135)</b>	<b>15,442</b>
<b>Cash and cash equivalents at the beginning of period</b> .....	<b>53,065</b>	<b>37,235</b>
Increase (decrease) in cash and cash equivalents due to change in scope of consolidation .....	1,119	117
Increase in cash and cash equivalents resulting from merger..	-	269
<b>Cash and cash equivalents at the end of the period</b> .....	<b>36,048</b>	<b>53,065</b>

(5) Notes regarding going concerns:

No applicable items.

(6) Segment information

a. Business segments

**For the year ended March 31, 2010 (April 1, 2009 – March 31, 2010)**

Millions of yen, rounded down

	Natural gas chemicals	Aromatic chemicals	Specialty chemicals	Information chemicals and advanced materials	Other	Total	Elimination/ corporate	Consolidated
Sales to outside customers..	110,502	94,474	118,311	60,376	864	384,528	-	384,528
Inter-segment sales .....	5,164	1,391	1,867	10	185	8,620	(8,620)	-
<b>Total</b> .....	<b>115,667</b>	<b>95,866</b>	<b>120,178</b>	<b>60,384</b>	<b>1,050</b>	<b>393,149</b>	<b>(8,620)</b>	<b>384,528</b>
Operating expenses .....	122,198	102,194	109,362	54,582	571	388,909	(8,471)	380,438
Operating income (loss).....	(6,531)	(6,328)	10,815	5,804	478	4,239	(149)	4,090
Assets, depreciation and amortization, capital expenditure								
Assets .....	154,566	113,798	125,698	59,853	14,621	468,538	70,892	539,431
Amortization of goodwill .....	7,132	8,550	8,852	4,989	11	29,535	-	29,535
Capital expenditure .....	6,914	8,206	8,610	3,827	8	27,567	-	27,567

**For the year ended March 31, 2009 (April 1, 2008 – March 31, 2009)**

*Millions of yen, rounded down*

	Natural gas chemicals	Aromatic chemicals	Specialty chemicals	Information chemicals and advanced materials	Other	Total	Elimination/corporate	Consolidated
Sales to outside customers ..	143,496	120,672	124,536	58,040	900	447,647	-	447,647
Inter-segment sales .....	7,361	1,377	1,910	17	237	10,903	(10,903)	-
Total .....	150,857	122,049	126,446	58,058	1,138	458,550	(10,903)	447,647
Operating expenses.....	155,710	129,404	120,074	55,760	566	461,516	(10,765)	450,750
Operating income (loss) .....	(4,853)	(7,354)	6,372	2,297	571	(2,965)	(137)	(3,103)
Assets, depreciation and amortization, capital expenditure								
Assets.....	155,957	118,785	113,491	58,808	20,341	467,384	63,208	530,592
Amortization of goodwill.....	6,372	7,744	9,720	5,086	10	28,934	-	28,934
Capital expenditure.....	10,735	10,627	9,051	4,696	9	35,119	-	35,119

**Notes:**

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

Natural gas chemicals:

Methanol, ammonia, amines, methacrylate derivatives, 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. Major items in all company assets included under elimination or corporate are parent company surplus operating funds (cash and marketable securities), long-term investment funds (investment securities), and assets of the administration division. For the fiscal year under review, these items totaled ¥99,849 million. For the previous year, these items totaled ¥98,919 million.

3. From the fiscal year ended March 31, 2009, the Company adopted the "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9 of July 5, 2006). As the result of this change, operating income of each segment for the year ended March 31, 2009 decreased as follows:

<i>Millions of yen, rounded down</i>	
Natural gas chemicals	(1,040)
Aromatic chemicals	(3,343)
Specialty chemicals	(1,027)
Information and advanced materials	(1,334)



4. From the fiscal year ended March 31, 2009, the Company and its domestic consolidated subsidiaries changed the estimated useful lives of machinery. As a result of this change, operating income of each segment for the fiscal year ended March 31, 2009 increased (decreased) as follows:

<i>Millions of yen, rounded down</i>	
Natural gas chemicals	(107)
Aromatic chemicals	270
Specialty chemicals	(220)
Information and advanced materials	(396)

#### b. Geographic Segments

##### For the year ended March 31, 2010 (April 1, 2009 – March 31, 2010)

	<i>Millions of yen, rounded down</i>					
	Japan	Asia	Other regions	Total	Elimination/ corporate	Consolidated
Sales to outside customers.....	333,113	30,509	20,905	384,528	-	384,528
Inter-segment sales and transfers .....	31,997	4,594	68	36,659	(36,659)	-
Total.....	365,110	35,104	20,973	421,188	(36,659)	384,528
Operating expenses .....	365,249	32,291	19,791	417,332	(36,894)	380,438
Operating income (loss) .....	(138)	2,813	1,181	3,856	234	4,090
Assets .....	509,485	31,334	13,126	553,947	(14,516)	539,431

##### For the year ended March 31, 2009 (April 1, 2008 – March 31, 2009)

	<i>Millions of yen, rounded down</i>					
	Japan	Asia	Other regions	Total	Elimination/ corporate	Consolidated
Sales to outside customers.....	369,279	43,731	34,636	447,647	-	447,647
Inter-segment sales and transfers .....	34,298	5,783	850	40,933	(40,933)	-
Total.....	403,577	49,515	35,487	488,580	(40,933)	447,647
Operating expenses .....	409,673	46,518	35,289	491,481	(40,730)	450,750
Operating income (loss) .....	(6,095)	2,997	197	(2,901)	(202)	(3,103)
Assets .....	502,821	23,015	12,905	538,742	(8,149)	530,592

#### Notes:

- The major countries or regions in the respective divisions are as follows:  
 Asia: Korea, China, Taiwan, Singapore, Thailand and Indonesia  
 Other: U.S.A.
- From the fiscal year ended March 31, 2009, the Company adopted the "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9 of July 5, 2006). As the result of this change, operating income in Japan for the year ended March 31, 2009 decreased ¥6,745 million.
- From the year ended March 31, 2009, the Company and its domestic consolidated subsidiaries changed the estimated useful lives of machinery.  
 As a result, operating income in Japan for the year ended March 31, 2009 increased ¥453 million.

4. Country and regional segments other than Japan were previously categorized as “Other regions”, but from the previous fiscal year, revenues from Asia accounted for more than 10% of the total, and the classification has therefore been changed to “Asia”.
5. When restated according to the country and regional segment classification adopted during the fiscal year ended March 31, 2009, the segment information for the fiscal year ended March 31, 2008 is as follows.

**For the year ended March 31, 2008 (April 1, 2007 – March 31, 2008)**

	<i>Millions of yen, rounded down</i>					
	Japan	Asia	Other regions	Total	Elimination/ corporate	Consolidated
Sales to outside customers.....	445,816	43,512	29,999	519,329	-	519,329
Inter-segment sales and transfers .....	39,471	4,011	595	44,078	(44,078)	-
Total.....	485,288	47,524	30,595	563,407	(44,078)	519,329
Operating expenses .....	443,103	44,025	28,856	515,985	(44,023)	471,962
Operating income.....	42,185	3,498	1,738	47,422	(55)	47,366
Assets .....	560,314	33,344	15,951	609,610	(8,224)	601,386

c. Overseas sales

**For the year ended March 31, 2010 (April 1, 2009 – March 31, 2010)**

	<i>Millions of yen, rounded down</i>			
	Asia	North and South America	Other	Total
Overseas sales.....	131,441	27,182	8,042	166,666
Consolidated sales.....	-	-	-	384,528
Percentage of overseas sales to consolidated sales .....	34.2	7.1	2.1	43.3

**For the year ended March 31, 2009 (April 1, 2008 – March 31, 2009)**

	<i>Millions of yen, rounded down</i>			
	Asia	North and South America	Other	Total
Overseas sales.....	115,875	37,189	10,228	163,293
Consolidated sales.....	-	-	-	447,647
Percentage of overseas sales to consolidated sales .....	25.9	8.3	2.3	36.5

Notes:

1. 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, Netherland, Italy, UK and South Africa

2. Overseas sales are based on the net sales of the Company and its consolidated subsidiaries in countries or regions other than Japan.

(7) Notes on Significant Change in Stockholders' Equity:

No applicable items.

## **5. Other information**

The Tokyo Metropolitan Government issued MGC with an administrative order to pay a fine in order to facilitate measures to prevent a public environmental hazard concomitant with dioxin soil pollution on land in Ota Ward, Tokyo that was formerly owned by MGC. Following an appeal court decision issued in August 2008 that dismissed MGC's appeal against the fine, MGC has submitted its appeal to the Supreme Court.

MGC has allocated the necessary reserve for the fine paid to the Tokyo Metropolitan Government.