Continuing to Grow as a Unique Chemical Manufacturer Dedicated to Excellence

Annual Report 2007 | Year Ended March 31, 2007

MITSUBISHI GAS CHEMICAL COMPANY, INC.

Profile

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

Building on 30 years of overseas business experience, MGC will continue to strengthen its international presence, particularly in growing Asian markets. To ensure sustainable growth, MGC initiated a new medium-term management plan, *Kyoso 2008*, in April 2006. The MGC Group is making steady progress in implementing the plan's basic strategies of in-depth differentiation and strengthening the management infrastructure.

Contents

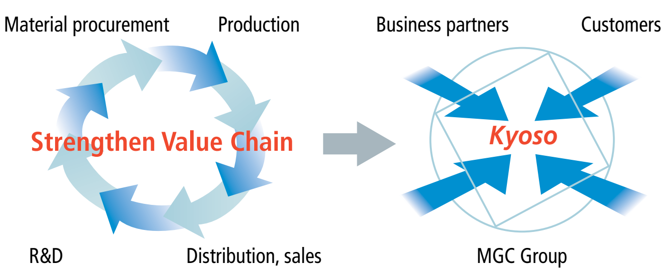
Forward-Looking Statements

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

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

Kyoso 2008 Concept

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



Group Vision

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

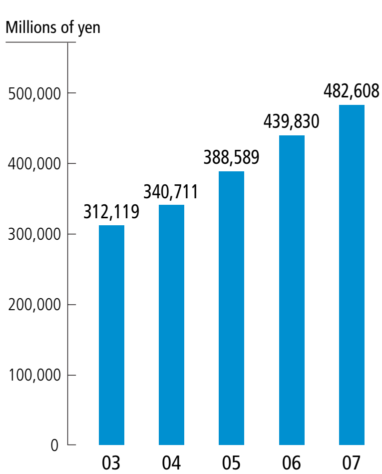
Financial Highlights

Mitsubishi Gas Chemical Company, Inc. and Consolidated Subsidiaries
For the years ended March 31, 2007, 2006 and 2005

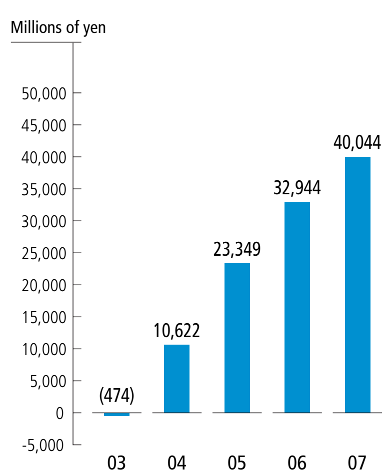
	Millions of yen			Percentage change	Thousands of U.S. dollars
	2007	2006	2005	2007/2006	2007
For the year:					
Net sales	¥482,608	¥439,830	¥388,589	9.7%	$4,088,166
Operating income	42,220	38,970	30,869	8.3	357,645
Net income	40,044	32,944	23,349	21.6	339,212
Return on assets (ROA) (%)	6.8	6.2	4.8	0.6 points	
Return on equity (ROE) (%)	15.0	14.5	12.2	0.5 points	
Capital expenditures	29,502	17,484	18,591	68.7	249,911
Depreciation and amortization	28,626	18,759	19,430	52.6	242,490
At year end:					
Total assets	¥609,966	¥564,484	¥494,577	8.1%	$5,167,014
Total net assets	292,696	259,339	203,307	12.9	2,479,424
Interest-bearing debt	163,950	161,806	167,059	1.3	1,388,818
Per share of common stock (Yen/U.S. dollars):					
Net income	¥ 86.63	¥ 70.98	¥ 50.41	22.0%	$0.73
Net assets	613.64	543.12	439.60	13.0	5.20
Cash dividends	14.00	10.00	6.00	40.0	0.12

Notes: 1. U.S. dollar amounts are translated from yen, for convenience only, at the approximate rate of ¥118.05 = US$1 prevailing on March 30, 2007.
2. Accounting Standard for Presentation of Net Assets in the Balance Sheet (Accounting Standards Board of Japan, Statement No. 5, December 9, 2005) and Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet (Accounting Standards Board of Japan, Guidance No. 8, December 9, 2005) are applied as of the fiscal year ended March 31, 2007. Total net assets and net assets per share for 2006 have been restated for reference. Figures for 2005 use stockholders' equity.
3. Cash dividends for each year represent the total of the interim dividend and the year-end dividend declared as applicable to the respective year.
4. Return on assets = Net income / Average total assets

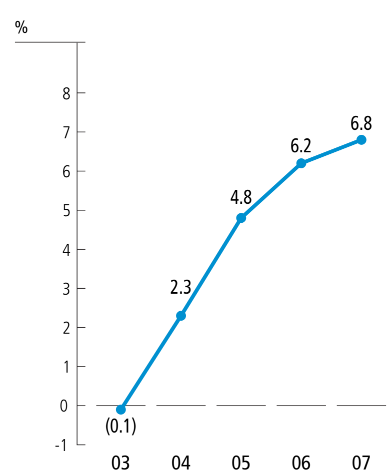
Net Sales



Net Income (Loss)



Return on Assets (ROA)



Kazuo Sakai, President (left), and Hideki Odaka, Chairman

The MGC Group made steady progress in the first year of *Kyoso 2008*, its new medium-term management plan. Under newly appointed Chairman Hideki Odaka and President Kazuo Sakai, MGC will continue taking comprehensive measures to strengthen its business fundamentals and achieve the objectives of *Kyoso 2008* for sustainable growth.

Operating Environment and Results

During fiscal 2006, the year ended March 31, 2007, the domestic economy continued to recover, with strong capital expenditures and exports. Although some weakness became apparent in consumer spending, the overall economic trend remained positive.

The operating environment for the Mitsubishi Gas Chemical Company, Inc. group of companies (the "MGC Group") was also favorable, with continued domestic economic recovery and solid exports supporting growth despite a further increase in costs for fuel and other raw materials.

The strategic focus of the MGC Group in this environment was to strengthen business fundamentals and pursue further growth in line with the aims of *Kyoso 2008*, the Group's new medium-term management plan that began in the fiscal year under review, while endeavoring to improve profitability by reducing costs, increasing sales volumes, revising prices and other such measures.

As a result, consolidated net sales increased ¥42,778 million to ¥482,608 million, and operating income increased ¥3,250 million to ¥42,220 million.

Revisions to the depreciation of fixed assets meant that extraordinary losses were recorded amounting to ¥8,794 million on a consolidated basis.

Including the impact of these extraordinary losses, consolidated net income for the fiscal year increased ¥7,100 million to ¥40,044 million.

Policy on Stockholder Returns

MGC considers returning earnings to stockholders to be one of the most important tasks in the management of the MGC Group. MGC's basic policy is 1) to determine the optimum amounts for profit distribution to stockholders and for retention to increase MGC's future corporate value based on medium- and long-term perspectives, giving due consideration to such factors as the trend of business performance, capital expenditure plans, and maintenance and improvement of the Group's financial position; 2) to determine dividends from the combined perspective of linkage with performance and stability; and 3) to acquire its own shares with flexibility, observing the market environment, in order to increase capital efficiency.

MGC increased the year-end dividend payout for fiscal 2006 by ¥2.00 to ¥8.00 per share. Because the interim dividend payout was ¥6.00, total annual dividends per share for fiscal 2006 increased by ¥4.00 from the ¥10.00 of the previous year to ¥14.00, resulting in a consolidated dividend payout ratio of 16.2 percent.

Kyoso 2008 Progressing Steadily

The MGC Group initiated the new medium-term management plan *Kyoso* (Cooperative Value Creation) *2008* in April 2006. The Group vision and fundamental policies established in the plan are as follows:

The medium-term management plan is being implemented with primary emphasis on Group-wide enhancement of internal control systems and cultivation of the trust of all stakeholders as premises for the achievement of sustainable growth.

In terms of business strategies, MGC is focusing business

Basic Strategies of *Kyoso 2008*

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

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

2. Strengthen the management infrastructure

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

Numerical Targets (to be achieved by March 2009)

1) Consolidated ordinary income:	2) Consolidated return on assets (ROA)*:	3) Consolidated debt/equity (D/E) ratio:
¥55.0 billion	9.0 percent or higher	0.6 or less

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

resources on further strengthening the core businesses in which it has a competitive advantage. For example, MGC is vigorously promoting the establishment and expansion of production sites in Asia for commodity products such as methanol and polycarbonate that are expected to remain in high demand in the future.

High-value-added products expected to undergo rapid growth in the future include metaxylene derivatives, electronic materials, and life-science products. MGC is strengthening the Group's presence in these areas by reinforcing the R&D structure of the Group, including affiliated companies, and enhancing domestic production sites.

Meanwhile, continual structural reform is essential to ensure sustainable growth. Various measures will be devised for the reinforcement of business infrastructure, including the acceleration of new product development, and efficient utilization and streamlining of total assets.

Kyoso 2008 started off smoothly in terms of consolidated ROA (ordinary income on total assets) and the consolidated D/E ratio (interest-bearing debt to equity ratio), which are MGC's designated management indices. In the first fiscal year under the plan, both operating income and ordinary income exceeded the forecast due to solid demand for such products as polycarbonate and purified isophthalic acid, and an increase in equity in earnings of affiliates resulting from a bullish methanol market.

On the other hand, the price of fuel and raw materials remains high, necessitating further cost reductions and modification of selling prices. MGC will continue to promote the steady performance of investment and financing projects planned in *Kyoso 2008*, as well as make efforts to strengthen its business structure through a combination of in-depth differentiation strategy, involving such objectives as further improvement of the balance sheet and reinforcement of Group management, and enhancement of the management infrastructure.

The MGC Group is fully committed to development in harmony with society through the use and application of our expertise in chemistry. Based on this management philosophy, we practice thorough corporate social responsibility (CSR) in all our business activities while working to achieve sustained growth and a stronger corporate infrastructure as a highly profitable, R&D-driven corporate group.

We would like to take this opportunity to thank our stockholders for their valued support of our efforts.

July 2007

Hideki Odaka

Hideki Odaka
Chairman

K. Sakai

Kazuo Sakai
President

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

Strengthening Corporate Governance

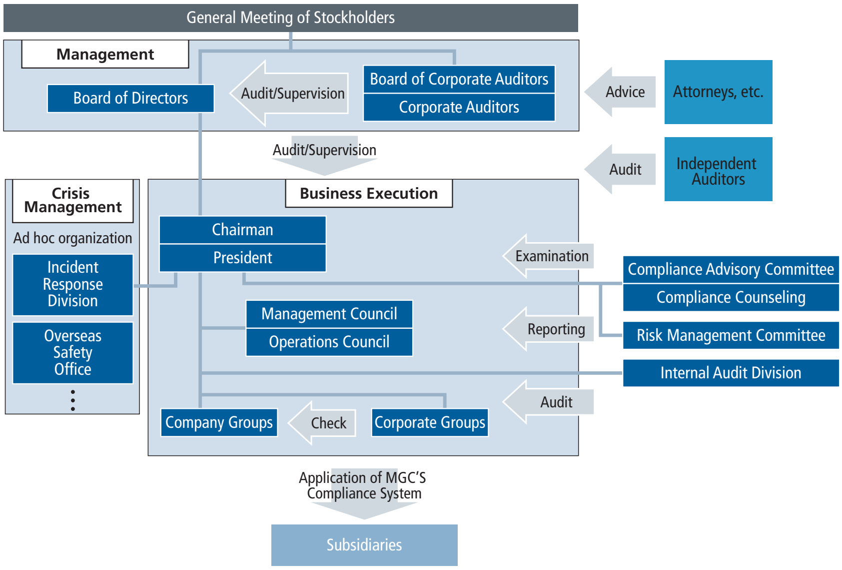
MGC has adopted the corporate auditor system and implemented an executive officer system to clearly separate management decision making and supervision from business execution. The Board of Directors is positioned as the organization responsible for making decisions on issues set forth in basic management policies, laws and regulations, and the articles of incorporation and other important management issues, and for overseeing business execution, while executive officers are in charge of business execution.

The Company's articles of incorporation limit the number of directors to 15, and make clear the directors' responsibilities. The articles of incorporation also allow the directors to flexibly conduct distributions of dividends from retained earnings by resolution of the Board of Directors without requiring a resolution of the General Meeting of Stockholders, pursuant to Article 459, Paragraph 1 of the Corporation Law, except as otherwise defined by law.

Matters that have a significant impact on the Company are decided after multilateral consideration at management meetings, which deliberate on management policies, and executive officer meetings, which deliberate on specific action plans. Moreover, MGC receives advice concerning management decision making and business execution from lawyers and other experts as necessary.

The Company's articles of incorporation provide for the

Corporate Governance and Risk Management Structure



selection of directors by a majority of the voting rights of stockholders in attendance at a meeting of stockholders representing one-third or greater of all voting rights.

The Board of Corporate Auditors consists of four corporate auditors. Among these auditors, two are statutory corporate auditors and two are outside corporate auditors. Based on Article 423, Paragraph 1 of the Corporation Law regarding liability for damages of officers, the Company has concluded limited liability contracts with the outside corporate auditors, with a maximum amount pursuant to Article 427, Paragraph 1 of the same law.

The corporate auditors attend meetings of the Board of Directors and other important meetings, perform audits of each division, and conduct surveys of subsidiaries. In addition, they work to stay abreast of important decision making and the state of business execution, ensure the rationality of decision making and compliance with the law and corporate ethics, and perform audits on the state of business execution.

In addition, MGC assigns a full-time staff to the corporate auditors.

Moreover, to enhance internal control systems and raise management efficiency, MGC has established an Internal Audit Division, with one full-time member and seven members with duties in other sections, who conduct internal audits based on fiscal year plans to check whether the Company's operations are being executed appropriately. The corporate auditors and the Internal Audit Division cooperate in executing a variety of audit duties including regular reporting and planning.

Pursuant to the Corporation Law, the Company has appointed Toyo Horwath as its independent auditor, and delegates auditing responsibilities to it pursuant to the Securities and Exchange Law. The auditing team for fiscal 2006 consisted of Tamotsu Kinjo and Chisato Kitayama, who are partners of Toyo Horwath, and eleven other certified public accountants. The corporate auditors and independent auditors cooperate in executing a variety of audit duties including regular reporting and planning.

A quorum for special resolutions is set at one-third of the total of all stockholder voting rights to ensure the efficient operation of stockholders' meetings.

Compensation of Directors, Corporate Auditors and Independent Auditor (Fiscal 2006)

Total Compensation and Other Amounts Paid to Corporate Officers

Classification	Number	Amount of Compensation, etc. (Millions of yen)
Directors	10	395
Corporate Auditors	4	67
(Outside Corporate Auditors)	(2)	(28)
Total	14	462

Notes: 1. The above compensation includes a fiscal 2006 increase in the reserve for retirement benefits for directors and corporate auditors (¥90 million for directors, ¥14 million for corporate auditors (of which ¥6 million was for outside corporate auditors)).
2. In addition to the compensation above, pursuant to the resolution of the 79th Annual General Meeting of Stockholders held on June 29, 2006, ¥192 million in retirement benefits was paid to three retiring directors and one retiring corporate auditor.

Amounts of Fee and Other Payments Made to Independent Auditor

1) Fee for the audit performed as stipulated in Article 2 Paragraph 1 of the Certified Public Accountants Law	¥40 million
2) Aggregate amount of cash and other monetary payments made by MGC and MGC's subsidiaries	¥53 million

Notes: 1. The fee for audit pursuant to the Company Law and that for audit pursuant to the Securities Exchange Law are not differentiated in the Audit Agreement between MGC and Independent Auditor. As such, the amount in 1) includes the amount of the audit fee and other payments due pursuant to the Securities Exchange Law.
2. Of MGC's important subsidiaries, the financial statements of foreign subsidiaries are audited (as stipulated in the Company Law or Securities Exchange Law, including equivalent foreign laws and ordinances) by certified public accountants or accounting firms (including those with equivalent foreign certifications) other than MGC's Independent Auditor.

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

Ensuring Full Compliance

Thorough compliance is key to gaining the trust of society in corporate activities. MGC takes a proactive position in responding to social needs that goes beyond mere adherence to laws and internal regulations, and believes that compliance must be understood more broadly to mean conducting fair, transparent and free business based on an awareness of a corporation's responsibility to society. MGC has established the Directives for Corporate Actions, supplemented by the Compliance Rules, to ensure that MGC's compliance structure covers all Group companies. An officer chairs the Compliance Advisory Committee, under the direct control of the President, which examines and implements measures to enhance the Company's compliance systems, as well as providing instruction and oversight regarding compliance. Compliance Counseling receives internal reports from officers, employees, contractors and other parties related to the Company to detect compliance violations and take corrective measures promptly.

In addition to creating the MGC Compliance Handbook for officers and employees to ensure understanding of the compliance system, MGC cultivates awareness of compliance through education and training.

Responsible Care

As a chemical manufacturer, MGC voluntarily engages in Responsible Care (RC) activities to ensure environmental protection and safety through all stages of chemical production and disposal.

The highest level decision making body in MGC's Responsible Care promotion system is the Environment and Safety Meeting, in which the members discuss and approve fundamental policies, medium-term plans and annual activity plans. Each workplace carries out concrete activities based on these policies. The Company audits all offices to verify the state of plan achievement.

MGC also focuses on developing environmentally friendly products. The Company is working proactively to develop products and technologies that conserve energy and resources, have a low environmental impact, reduce waste and offer other environment-conscious features.

In addition, MGC publicly discloses the contents of its Responsible Care activities through its Environmental Report.

Social Contribution Activities

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

Board of Directors, Corporate Auditors and Executive Officers

(As of June 28, 2007)

Representative Director, Chairman

Hideki Odaka

Representative Director, President

Kazuo Sakai

Representative Director, Senior Managing Executive Officer

Yasuhiko Kijima

Administrative Management of Research & Technology Development Division, Corporate Communications Division

Representative Director, Senior Managing Executive Officer

Shoji Uematsu

Administrative Management of Compliance Advisory Committee, Internal Audit Division, Environment & Safety Division, Methanol Business

Directors, Managing Executive Officers

Toshikazu Umemura
President of Specialty Chemicals Company

Yoshishige Yamazaki
Administrative Management of Corporate Planning Division, Purchasing & Logistics Center

Kuniaki Kawakami
Administrative Management of Risk Management, Finance & Accounting Center, Administrative & Personnel Center; General Manager, Administrative & Personnel Center

Kazuhiro Miyasaka
President of Information & Advanced Materials Company

Kozo Tsukamoto
President of Aromatic Chemicals Company; General Manager, Aromatic Chemicals Division II

Kuniaki Ageishi
President of Natural Gas Chemicals Company

Corporate Auditors

Takao Kawaki

Hiroshi Watanabe

Outside Corporate Auditors

Ichiei Noguchi

Wataru Taguchi

Yoshimasa Nihei

Executive Officers

Yuh Miyauchi
Plant Manager, Yokkaichi Plant, Specialty Chemicals Company

Kunio Oya
General Manager, Purchasing & Logistics Center

Jin Hata
General Manager, Corporate Planning Division

Makoto Mizutani
Administrative Management of Maintenance Center; Deputy Administrative Management of Environment & Safety Division

Jun Nakao
General Manager, Engineering Plastics Division, Specialty Chemicals Company

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

Toshikiyo Kurai
General Manager, Inorganic Chemicals Division, Specialty Chemicals Company

Masami Orisaku
General Manager, Planning & Development Division, Basic & Intermediate Chemicals Division, Natural Gas Chemicals Company

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

Hideyuki Takahashi
General Manager, Oxygen Absorbers Division, Information & Advanced Materials Company

Katsuhiko Sugita
General Manager, Finance & Accounting Center

Executive General Managers

Kouzou Yamane
President of JAPAN CIRCUIT INDUSTRIAL CO., LTD.

Kinya Tsuji
CEO of BRUNEI METHANOL COMPANY SDN. BHD.

Business Segments

Natural Gas Chemicals

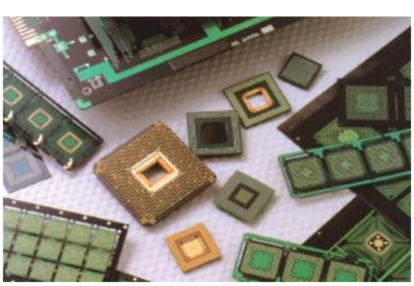
The strongly linked businesses in this segment start with natural gas, and extend to commodity chemicals such as methanol, ammonia and formaldehyde and organic chemicals derived from these commodity chemicals. Other business areas include development of life-science products and exploration of gas fields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

Aromatic Chemicals

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

Specialty Chemicals

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



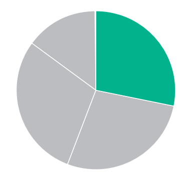
Information & Advanced Materials

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

Major Products

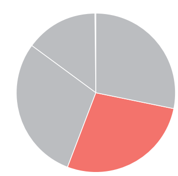
Share of Sales (Year ended March 31, 2007)

- **Methanol**
- **Methanol and ammonia derivatives:**
  Formalin, ammonia, amines, methyl methacrylate, methacrylic acid esters, dimethyl ether, polyols, etc.
- **Enzymes and coenzymes:**
  Coenzyme Q_{10}, catalase, etc.
- **Energy:**
  Natural gas, crude oil, etc.



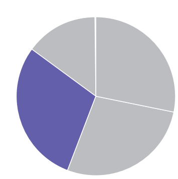
28.2%

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



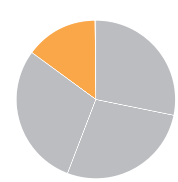
27.6%

- **Industrial inorganic chemicals:**
  Hydrogen peroxide, sodium percarbonate, persulfates, water treatment agents, etc.
- **Electronic chemicals:**
  Super-pure hydrogen peroxide, chemical polishing fluids, ELM clean® (cleaners for the electronics industry), etc.
- **Engineering plastics:**
  Polycarbonate resin, polyacetal resin, polycarbonate sheets and films, etc.



29.3%

- **Electronic materials:**
  Epoxy resin-based copper-clad laminates, BT resin-based copper-clad laminates, LE Sheet, etc.
- **Oxygen absorbers**
  AGELESS®, etc.



14.7%

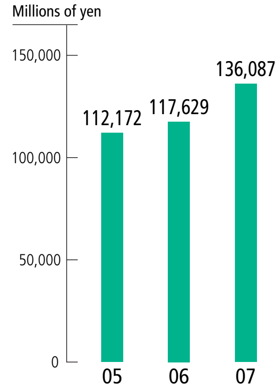
Note: The Share of Sales total does not equal 100% because the Other segment has been omitted.

Natural Gas Chemicals

Kuniaki Ageishi
Company President

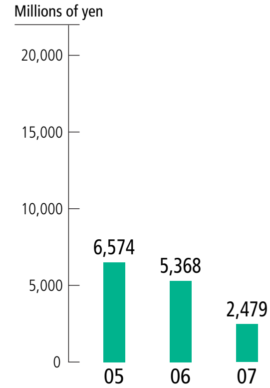
Net Sales

Millions of yen



Operating Income

Millions of yen



Net sales of the Natural Gas Chemicals segment increased ¥18,458 million year-on-year to ¥136,087 million, and operating income decreased ¥2,889 million to ¥2,479 million.

In the methanol business, revenue grew substantially due to a continuation of the tight supply and demand conditions of the previous period and higher prices arising from problems at the manufacturing sites of various industry participants worldwide. Equity in earnings of overseas methanol manufacturing affiliates also increased substantially.

Overall demand for methanol and ammonia derivatives was strong, although results were lower due to lower profitability on certain products and increased fixed costs arising from periodic maintenance and repair, which offset higher revenue due to price increases in methanol and other raw materials and fuels.

Revenue and earnings from sales of enzymes and coenzymes decreased, reflecting a significant fall in unit prices for Coenzyme Q_{10} because of expanded production by competitors and downward pricing pressure from products made in China. The Group's new plant commenced commercial production in October.

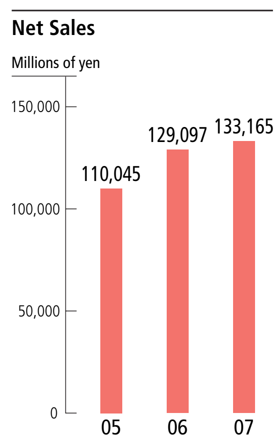
Revenues and earnings of natural gas and other energies increased as the price of crude oil remained high.

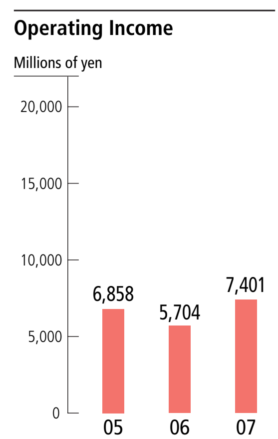
Costs incurred in developing natural gas and other resources, previously listed as extraordinary losses, were recorded as operating expenses in the fiscal year ended March 31, 2007. These operating expenses totaled ¥1,108 million in the year ended March 31, 2007.

Performance at subsidiary JAPAN PIONICS CO., LTD. increased year-on-year, supported by improved sales of gas purification equipment.

Aromatic Chemicals

Kozo Tsukamoto
Company President





Net sales of the Aromatic Chemicals segment increased ¥4,068 million to ¥133,165 million, and operating income increased ¥1,697 million to ¥7,401 million.

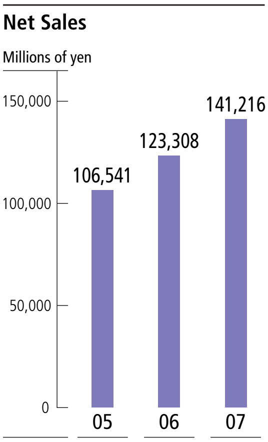
Sales prices of commodity aromatic chemicals rose due to the higher price of xylene used as a raw material. However, revenue from sales of commodity aromatic chemicals declined due to lower sales volumes of para-xylene and phthalic anhydride resulting from operational reorganization and other factors.

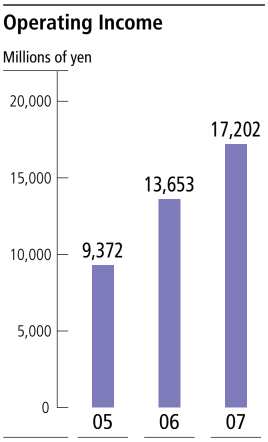
Results in specialty aromatic chemicals were lower than in the previous year, due to an overall worsening of profitability because of higher raw material prices, which offset gains from higher sales volumes of meta-xylenediamine (MXDA) and Nylon-MXD6 and strong sales of pyromellitic dianhydride for use in polymide film.

At A.G. INTERNATIONAL CHEMICAL CO., INC., a subsidiary that produces and sells isophthalic acid, revenue and earnings increased, with strong demand for use in PET bottles and other applications. At MGC ADVANCED POLYMERS, INC., a subsidiary in the United States that manufactures Nylon-MXD6, the product approval process with core customers was completed and production increased as planned.

Specialty Chemicals

Toshikazu Umemura
Company President





Net sales of the Specialty Chemicals segment increased ¥17,908 million year-on-year to ¥141,216 million, and operating income increased ¥3,549 million to ¥17,202 million.

Earnings from sales of industrial inorganic chemicals decreased due to higher raw material and fuel costs, despite higher sales volumes of hydrogen peroxide for use in non-chlorine bleaching in the paper and pulp industry. Revenue and earnings from lens monomers increased on higher sales volumes.

Revenue and earnings from sales of electronic chemicals, including at overseas subsidiaries, increased due to solid demand from wafer and device manufacturers, along with continued strength in domestic sales and exports.

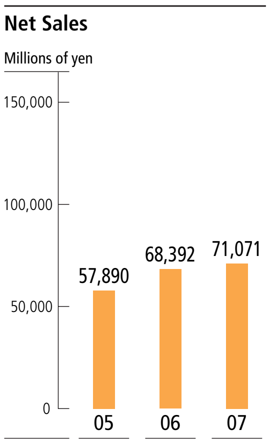
In engineering plastics, revenue increased, supported by continued solid demand from major customers in the electronic and automotive industries, despite a slight worsening in profitability due to higher raw material prices for polycarbonate and polyacetal.

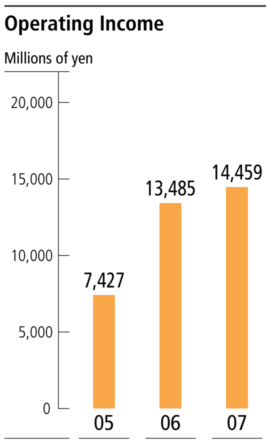
Revenue and earnings increased at consolidated subsidiary MGC FILSHEET CO., LTD., which manufactures polycarbonate sheets and films, driven by higher sales for use in flat panel displays, game consoles, mobile phones and other such applications.

Revenue and earnings also increased at equity-method affiliate MITSUBISHI ENGINEERING PLASTICS CORPORATION, with the contribution of a special dividend from a polycarbonate manufacturing company in Thailand.

Information & Advanced Materials

Kazuhiro Miyasaka
Company President





Net sales of the Information & Advanced Materials segment increased ¥2,679 million year-on-year to ¥71,071 million, and operating income increased ¥974 million to ¥14,459 million.

Orders for materials for printed circuit boards were at a high level until early in the first half of the fiscal year. However, the sales volume of BT materials for semiconductor packaging decreased due to inventory adjustments by customers in the second half, and prices for copper foil and other raw materials increased substantially. As a result, revenue and earnings increased slightly compared with the previous fiscal year. Revenue and earnings from LE Sheet, entry sheets for mechanical drilling, also increased, supported by strong sales for use in motherboards, mobile phones and other such items.

Performance at printed circuit board manufacturing subsidiary JAPAN CIRCUIT INDUSTRIAL CO., LTD. was lower than in the previous year, with products such as CSP impacted by customers' production adjustments.

Revenue and earnings from sales of AGELESS® and other oxygen absorbers increased, supported by higher exports to the United States and continued strength in sales of AnaeroPack and other products for the non-food sector, which compensated for weakness in a domestic market affected by price competition and a warm winter.

Other

Net sales of the Other segment decreased ¥335 million to ¥1,069 million, and operating income increased ¥82 million to ¥483 million.

Topics

2006

April 19

Launch of Coenzyme Q_{10} Joint Venture

MGC and Nisshin Pharma Inc. began a joint venture for Coenzyme Q_{10} operations. Coenzyme Q_{10} is attracting attention for its positive effect on energy metabolism and as an antioxidant. Global demand for the product as an ingredient in health foods has grown rapidly in recent years, and further significant expansion of the market is expected.

May 15

New Medium-Term Management Plan Announced

MGC unveiled its new medium-term management plan, *Kyoso 2008* (April 2006 – March 2009).

June 6

Copper-Clad Laminate Production Capacity Expansion Announced

MGC's consolidated subsidiary ELECTROTECHNO CO., LTD. began work to increase its production capacity for copper-clad laminates and prepregs. Scheduled for completion in October 2007, the expansion will increase production capacity for copper-clad laminates from 700,000 m^2 to 1,000,000 m^2 per month.

August 10

Construction of New Facility for Photoresist Monomers for Use in ArF Excimer Laser Lithography

The ArF excimer laser is replacing the KrF excimer laser as the light source for exposure equipment used in lithography, as semiconductor circuits become increasingly miniaturized. Consequently, demand for photoresist monomers for use in ArF excimer lasers is increasing. MGC has production technology for several such photoresist monomers, with a focus on adamantane derivatives. In July 2006, MGC completed construction of a production facility with an annual production capacity of 50 tonnes.

August 29

Full-Scale Development of Neopulim®, Transparent Film with High Heat Resistance for Electronic Devices

Neopulim® is a transparent polyimide film with high heat resistance. An expected application is in new substrates to replace glass boards in optical devices such as displays, optical sensors and solar cells. Using Neopulim® in device substrates helps to make products thinner, lighter and flexible. For full-scale development of the market for Neopulim®, MGC completed construction of a facility with monthly production capacity of 5,000 m^2 at the Hiratsuka Research Laboratory in June 2007.

September 5

Announcement of Euro/Yen Convertible Bonds with Warrants Due 2011

On September 21, 2006, MGC issued ¥20 billion in convertible bonds with warrants. The conversion price of the bonds at issuance was ¥1,966.0. The conversion price after April 1, 2007 was revised to ¥1,963.0, in line with the conversion price adjustment provisions in the issuance guidelines for this convertible bond. This revision came as a result of a decision of the Board of Directors at their meeting on May 11, 2007 to set total annual dividends at ¥14 per share for the fiscal year ended March 31, 2007.

September 6

Construction of New Facility for OPE, a Low Dielectric Constant Resin

In July 2006, MGC completed construction of an oligo phenylene ether (OPE) production facility with annual capacity of 300 tonnes at its Yokkaichi Plant. OPE and OPE derivatives are resins that can be used as films, and have excellent low dielectric constants, high heat resistance and low moisture absorption. Their application is expected to be for build-up film materials for use in high-speed, high-frequency substrates.

2006

September 6

Capacity Expansion for Polycarbonate Hard Coat Sheet

MGC decided to increase the production capacity for Iupilon® Sheet MR58, a polycarbonate hard coat sheet, at the Osaka Plant of its consolidated subsidiary MGC FILSHEET CO., LTD. The expansion will increase the production capacity by 1,200 tonnes per year, with commercial operation scheduled to begin in June 2007. Iupilon® Sheet MR58 consists of acrylic resin on a polycarbonate sheet, topped with a hard coating. While retaining the surface hardness and abrasion resistance of acrylic, this highly functional sheet adds the excellent shock resistance, heat resistance and transparency of polycarbonate resin. Iupilon® Sheet MR58 has received a strong market response for use in cover sheets for liquid crystal displays for mobile phones and other devices.

October 11

Start of Production of *Pyrenees* Whitening Agent for Use in Dental Clinics

As a leading manufacturer of hydrogen peroxide, MGC used its accumulated application technologies to develop the dental bleach *Pyrenees*. The concentration of hydrogen peroxide in *Pyrenees* is one-tenth that of previous products. MGC combined it with the photocatalytic titanium dioxide, which is safe for use in food additives and toothpastes, to successfully develop a safe dental bleach for natural, healthy white teeth. *Pyrenees* is produced at the Yokkaichi Plant, and sales began in December 2006.

November 1

New Combined Production Facility for SPG and DOG

MGC decided to build a new combined production facility for spiroglycol (SPG) and dioxane glycol (DOG) at its Mizushima Plant. The new facility is schedule to begin commercial operation in February 2008, with an annual production capacity of 1,500 tonnes. Both products are polyols. SPG is used primarily in antioxidants for spandex, and DOG is used in UV curing resin materials. Applications and demand for both products are expected to expand.

December 22

Expansion of Methanol Producing Joint Venture in Venezuela

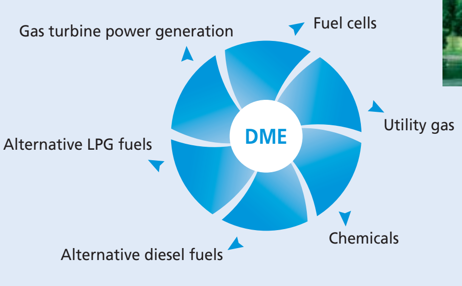
MGC decided to build a second plant, with annual production capacity of 850,000 tonnes, at its methanol producing joint venture, METANOL DE ORIENTE, METOR S.A, in Venezuela. The new plant is scheduled to be completed in the second half of 2009, and to begin commercial operation in the first quarter of 2010. This expansion will increase the joint venture's annual production capacity at METOR from 750,000 tonnes to 1.6 million tonnes.

2007

February 1

Establishment of Joint Venture Company to Promote Fuel-Use Dimethyl Ether (DME)

In order to promote the use of dimethyl ether (DME), which holds promise as a next generation clean fuel, MGC and eight other companies established a joint venture to construct a DME plant with annual production capacity of 80,000 tonnes (with potential expansion up to 100,000 tonnes). The plant, to be constructed at MGC's Niigata Plant, is scheduled to begin operation in June 2008.



Six-Year Summary

Mitsubishi Gas Chemical Company, Inc. and Consolidated Subsidiaries
For the years ended March 31, 2007, 2006, 2005, 2004, 2003 and 2002

	Millions of yen					
	2007	2006	2005	2004	2003	2002
For the year:						
Net sales	¥482,608	¥439,830	¥388,589	¥340,711	¥312,119	¥275,710
Chemical products	—	—	223,952	188,984	176,747	157,792
Advanced materials	—	—	138,976	127,991	110,201	99,809
Other products	—	—	25,661	23,736	25,171	18,109
Natural Gas Chemicals	136,087	117,629	112,172	—	—	—
Aromatic Chemicals	133,165	129,097	110,045	—	—	—
Specialty Chemicals	141,216	123,308	106,541	—	—	—
Information and Advanced Materials	71,071	68,392	57,890	—	—	—
Other	1,069	1,404	1,941	—	—	—
Gross profit	91,679	87,136	75,363	55,711	45,159	36,169
Selling, general and administrative expenses	49,459	48,166	44,494	40,776	43,252	42,955
Operating income (loss)	42,220	38,970	30,869	14,935	1,907	(6,786)
Net income (loss)	40,044	32,944	23,349	10,622	(474)	(4,235)
R&D expenses	11,489	10,702	10,726	10,516	11,542	11,910
Capital expenditures	29,502	17,484	18,591	12,505	15,796	30,007
Depreciation and amortization	28,626	18,759	19,430	19,519	20,113	18,974
At year end:						
Total assets	¥609,966	¥564,484	¥494,577	¥475,117	¥458,137	¥466,763
Current assets	275,926	242,255	208,365	191,775	180,343	176,950
Current liabilities	221,669	221,650	197,045	199,885	193,765	175,349
Working capital	54,257	20,605	11,320	(8,110)	(13,422)	1,601
Total net assets	292,696	259,339	203,307	180,524	161,859	174,743
Interest-bearing debt	163,950	161,806	167,059	184,299	193,999	191,359
Per share of common stock (Yen):						
Net income (loss)—basic	¥ 86.63	¥ 70.98	¥ 50.41	¥ 22.91	¥ (1.05)	¥ (8.79)
Net income—diluted	85.64	—	—	—	—	—
Net assets	613.64	543.12	439.60	390.23	349.93	367.69
Cash dividends	14.00	10.00	6.00	4.00	3.00	3.00
Ratios:						
Gross profit margin (%)	19.0	19.8	19.4	16.4	14.5	13.1
Operating income margin (%)	8.7	8.9	7.9	4.4	0.6	—
Return on sales (%)	8.3	7.5	6.0	3.1	—	—
Return on assets (ROA) (%)	6.8	6.2	4.8	2.3	(0.1)	(0.9)
Return on equity (ROE) (%)	15.0	14.5	12.2	6.2	(0.3)	(2.4)
Current ratio (times)	1.24	1.09	1.06	0.96	0.93	1.01
Net asset ratio (%)	46.5	44.5	41.1	38.0	35.3	37.4
Number of employees	4,561	4,466	4,426	4,537	4,729	4,667

Notes: 1. Business segments were reclassified in the year ended March 31, 2006. Figures for 2005 have been restated for reference.
2. Accounting Standard for Presentation of Net Assets in the Balance Sheet (Accounting Standards Board of Japan, Statement No. 5, December 9, 2005) and Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet (Accounting Standards Board of Japan, Guidance No. 8, December 9, 2005) are applied as of the fiscal year ended March 31, 2007. Total net assets, net assets per share and the net asset ratio for 2006 have been restated for reference. Figures for previous years use stockholders' equity.
3. Diluted net income per share is not presented for 2002 although there was an issue of convertible bonds, because the company recorded a net loss for the year. Diluted net income per share for 2003, 2004, 2005 and 2006 is not presented because there were no residual securities such as bonds with stock options or warrants.
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 = Net income / Average total assets

Sales and Income

During the year ended March 31, 2007, sales of electronic chemicals to wafer and device manufacturers and other customers were strong, and sales of polycarbonate sheets and films for applications including flat panel displays and game equipment also increased. As a result, consolidated net sales for the year increased ¥42,778 million year-on-year to ¥482,608 million, and operating income increased ¥3,250 million to ¥42,220 million.

Net other income increased ¥5,276 million to ¥10,428 million. The primary factor increasing other income was an increase in equity in earnings of affiliates, particularly overseas methanol producing companies. The primary factor decreasing other income was an extraordinary loss due to a change in the estimated residual value of property, plant and equipment to ¥1 for depreciation. Consequently, income before income taxes and minority interests increased ¥8,526 million year-on-year to ¥52,648 million. Net income increased ¥7,100 million year-on-year to ¥40,044 million.

Performance by Business Segment

Natural Gas Chemicals Segment

In the methanol business, revenue grew substantially due to a continuation of the tight supply and demand conditions of the previous period and higher prices arising from problems at the manufacturing sites of various industry participants worldwide. Equity in earnings of overseas methanol manufacturing affiliates also increased substantially.

Overall demand for methanol and ammonia derivatives was strong, although results were lower due to lower profitability on certain products and increased fixed costs arising from periodic maintenance and repair, which offset higher revenue due to price increases in methanol and other raw materials and fuels.

Revenue and earnings from sales of enzymes and coenzymes decreased, reflecting a significant fall in unit prices for Coenzyme Q_{10} because of expanded production by competitors and downward pricing pressure from products made in China. The Group's new plant commenced commercial production in October.

Revenue of natural gas and other energies increased as the price of crude oil remained high.

Costs incurred in developing natural gas and other resources, previously listed as extraordinary losses, were recorded as operating expenses in the fiscal year ended March 31, 2007. These operating expenses totaled ¥1,108 million in the year ended March 31, 2007.

Performance at subsidiary JAPAN PIONICS CO., LTD. increased year-on-year, supported by improved sales of gas purification equipment.

As a result, net sales of the Natural Gas Chemicals segment increased ¥18,458 million year-on-year to ¥136,087 million, and operating income decreased ¥2,889 million to ¥2,479 million.

Aromatic Chemicals Segment

Sales prices of commodity aromatic chemicals rose due to the higher price of xylene used as a raw material. However, revenue from sales of commodity aromatic chemicals declined due to lower sales volumes of para-xylene and phthalic anhydride resulting from operational reorganization and other factors.

Results in specialty aromatic chemicals were lower than in the previous year, due to an overall worsening of profitability because of higher raw material prices, which offset gains from higher sales volumes of meta-xylenediamine (MXDA) and Nylon-MXD6 and strong sales of pyromellitic dianhydride for use in polymide film.

At A.G. INTERNATIONAL CHEMICAL CO., INC., a subsidiary that produces and sells isophthalic acid, revenue and earnings increased, with strong demand for use in PET bottles and other applications. At MGC ADVANCED POLYMERS, INC., a subsidiary in the United States that manufactures Nylon-MXD6, the product approval process with core customers was completed and production increased as planned.

As a result, net sales of the Aromatic Chemicals segment increased ¥4,068 million to ¥133,165 million, and operating income increased ¥1,697 million to ¥7,401 million.

Specialty Chemicals Segment

Earnings from sales of industrial inorganic chemicals decreased due to higher raw material and fuel costs, despite higher sales volumes of hydrogen peroxide for use in non-chlorine bleaching in the paper and pulp industry. Revenue and earnings from lens monomers increased on higher sales volumes.

Revenue and earnings from sales of electronic chemicals, including at overseas subsidiaries, increased due to solid demand from wafer and device manufacturers, along with continued strength in domestic sales and exports.

In engineering plastics, revenue increased, supported by continued solid demand from major customers in the electronic and automotive industries, despite a slight worsening in profitability due to higher raw material prices for polycarbonate and polyacetal.

Revenue and earnings increased at consolidated subsidiary MGC FILSHEET CO., LTD., which manufactures polycarbonate sheets and films, driven by higher sales for use in flat panel displays, game consoles, mobile phones and other such applications.

Revenue and earnings also increased at equity-method affiliate MITSUBISHI ENGINEERING PLASTICS CORPORATION, with the contribution of a special dividend from a polycarbonate manufacturing company in Thailand.

As a result, net sales of the Specialty Chemicals segment increased ¥17,908 million year-on-year to ¥141,216 million, and operating income increased ¥3,549 million to ¥17,202 million.

Information & Advanced Materials Segment

Orders for materials for printed circuit boards were at a high level until early in the first half of the fiscal year. However, the sales volume of BT materials for semiconductor packaging decreased due to inventory adjustments by customers in the second half, and prices for copper foil and other raw materials increased substantially. As a result, revenue and earnings increased slightly compared with the previous fiscal year. Revenue and earnings from LE Sheet, entry sheets for mechanical drilling, also increased, supported by strong sales for use in motherboards, mobile phones and other such items.

Performance at printed circuit board manufacturing subsidiary JAPAN CIRCUIT INDUSTRIAL CO., LTD. was lower than in the previous year, with products such as CSP impacted by customers' production adjustments.

Revenue and earnings from sales of AGELESS® and other oxygen absorbers increased, supported by higher exports to the United States and continued strength in sales of AnaeroPack and other products for the non-food sector, which compensated for weakness in a domestic market affected by price competition and a warm winter.

As a result, net sales of the Information & Advanced Materials segment increased ¥2,679 million year-on-year to ¥71,071 million, and operating income increased ¥974 million to ¥14,459 million.

Other Segment

Net sales of the Other segment decreased ¥335 million to ¥1,069 million, and operating income increased ¥82 million to ¥483 million.

Assets and Liabilities

Current assets at March 31, 2007 increased ¥33,671 million from a year earlier to ¥275,926 million. The main factor was an increase in trade notes and accounts receivable, reflecting higher net sales, and an increase in inventories.

Net property, plant and equipment increased ¥4,720 million from a year earlier to ¥152,964 million. The main factors were an increase in investment in property, plant and equipment, which exceeded the increase in depreciation due to a change in the estimated residual value to ¥1 as memorandum value; and the addition of property, plant and equipment of a new consolidated subsidiary.

Investments and other assets increased ¥7,473 million from a year earlier to ¥178,187 million. This was mainly due to an increase in investments in affiliates.

As a result, total assets as of March 31, 2007 increased ¥45,482 million from a year earlier to ¥609,966 million.

Current liabilities increased ¥19 million from a year earlier to ¥221,669 million. Non-current liabilities increased ¥12,106 million from a year earlier to ¥95,601 million. Interest-bearing debt, consisting of short-term debt and current installments of long-term debt plus long-term debt, stood at ¥163,950 million as of March 31, 2007, an increase of ¥2,144 million from a year earlier.

Total net assets as of March 31, 2007 increased ¥33,357 million from a year earlier to ¥292,696 million. The increase was mainly due to an increase in retained earnings reflecting higher net income. As a result, the ratio of net assets to total assets increased to 46.5 percent from 44.5 percent a year earlier, and net assets per share increased to ¥613.64 from ¥543.12 a year earlier.

Cash Flow

Cash and cash equivalents at the end of the fiscal year increased ¥677 million from a year earlier to ¥41,267 million.

Net cash provided by operating activities decreased ¥14,259 million from the previous fiscal year to ¥21,797 million, primarily because of increases in trade notes and accounts receivable and inventories and an increase in income taxes paid.

Net cash used in investing activities decrease of ¥1,156 million from the previous fiscal year to ¥14,040 million due to factors including decreases in purchase of investments in securities and in long-term loans receivable, which offset increased capital expenditures.

Net cash used in financing activities decreased ¥1,106 million from the previous fiscal year to ¥8,819 million. Factors including an increase in proceeds from long-term debt offset increased payments on long-term debt and dividends paid to stockholders.

Consolidated Forecast for the Fiscal Year Ending March 31, 2008

The overall economic outlook remains favorable, despite concerns about an adjustment in the U.S. economy and a cyclical slowdown in capital spending, along with high oil and other raw material prices, exchange rate risk, and the potential emergence of inflation.

Taking this economic situation into consideration, the MGC Group intends to continue implementing the basic strategies outlined in the Group's medium-term management plan *Kyoso 2008*, namely to deploy an in-depth differentiation strategy for further growth and to strengthen the management infrastructure, with the aim of achieving sustainable growth as a highly profitable, R&D-driven corporate group.

Consolidated full-year forecasts for the year ending March 31, 2008 are for net sales of ¥510 billion, operating income of ¥40 billion, and net income of ¥40 billion.

These projections are based on an assumed exchange rate of ¥115 = U.S.$1 for fiscal 2007. Assuming achievement of the above performance forecast, MGC plans to pay an interim dividend and a year-end dividend of ¥7.00 per share each.

Consolidated Balance Sheets

Mitsubishi Gas Chemical Company, Inc. and Consolidated Subsidiaries
March 31, 2007 and 2006

ASSETS

	Millions of yen		Thousands of U.S. dollars (note 2)
	2007	2006	2007
Current assets:			
Cash (note 3)	¥ 36,565	¥ 29,396	$ 309,742
Trade notes and accounts receivable (note 15)	151,783	128,559	1,285,752
Short-term investments (note 4)	6,356	12,396	53,841
Inventories	66,115	55,543	560,059
Deferred income taxes (note 8)	4,946	5,250	41,897
Other current assets	11,147	11,596	94,426
Less allowance for doubtful receivables	986	485	8,352
Total current assets	275,926	242,255	2,337,365
Property, plant and equipment (note 6):			
Buildings and structures	109,484	106,489	927,438
Machinery, equipment and vehicles	288,731	275,361	2,445,836
Land	23,465	23,076	198,772
Construction in progress	19,095	9,123	161,753
Other	26,122	25,838	221,279
	466,897	439,887	3,955,078
Less accumulated depreciation	313,933	291,643	2,659,322
Net property, plant and equipment	152,964	148,244	1,295,756
Intangible assets, net:			
Goodwill	850	1,049	7,201
Software	1,542	1,628	13,062
Other	497	594	4,210
Net intangible assets	2,889	3,271	24,473
Investments and other assets:			
Investments in securities (notes 4 and 5)	165,374	158,749	1,400,881
Long-term loans receivable	3,514	3,939	29,767
Deferred income taxes (note 8)	4,214	2,962	35,697
Other investments and other assets (note 5)	5,868	5,922	49,708
Less allowance for doubtful receivables	783	858	6,633
Total investments and other assets	178,187	170,714	1,509,420
Total assets	¥609,966	¥564,484	$5,167,014

See accompanying notes to consolidated financial statements.

LIABILITIES AND NET ASSETS

	Millions of yen 2007	Millions of yen 2006	Thousands of U.S. dollars (note 2) 2007
Current liabilities:			
Trade notes and accounts payable	¥ 96,869	¥ 87,455	$ 820,576
Short-term debt and current installments of long-term debt (note 6)	85,587	100,164	725,006
Accrued expenses	14,212	11,997	120,390
Accrued income taxes (note 8)	6,320	9,110	53,536
Accrued bonuses	4,193	4,005	35,519
Other current liabilities (note 8)	14,488	8,919	122,728
Total current liabilities	221,669	221,650	1,877,755
Non-current liabilities:			
Long-term debt (note 6)	78,363	61,642	663,812
Liabilities for retirement and severance benefits (note 7)	9,251	10,538	78,365
Deferred income taxes (note 8)	5,513	9,390	46,701
Other non-current liabilities	2,474	1,925	20,957
Total non-current liabilities	95,601	83,495	809,835
Total liabilities	317,270	305,145	2,687,590
Stockholders' equity:			
Common stock (note 9):	41,970	41,970	355,527
Authorized 984,856,000 shares; issued 483,478,398 shares in 2007 and 2006			
Additional paid-in capital (note 9)	35,565	35,555	301,271
Retained earnings (note 10)	188,695	154,337	1,598,433
Treasury stock, at cost; 21,268,505 shares in 2007 and 21,187,397 shares in 2006	(4,139)	(4,027)	(35,061)
Total stockholders' equity	262,091	227,835	2,220,170
Valuation and translation adjustments:			
Net unrealized gain on other securities (note 4)	22,042	25,980	186,718
Deferred gains on hedges	208	—	1,762
Surplus on revaluation of land	192	192	1,626
Foreign currency translation adjustments	(902)	(2,804)	(7,641)
Total valuation and translation adjustments	21,540	23,368	182,465
Minority interests	9,065	8,136	76,789
Total net assets	292,696	259,339	2,479,424
Commitments and contingencies (note 16)			
Total liabilities and net assets	¥609,966	¥564,484	$5,167,014

Consolidated Statements of Income

Mitsubishi Gas Chemical Company, Inc. and Consolidated Subsidiaries
For the years ended March 31, 2007 and 2006

	Millions of yen		Thousands of U.S. dollars (note 2)
	2007	2006	2007
Net sales (note 15)	¥482,608	¥439,830	$4,088,166
Cost of sales (note 12)	390,929	352,694	3,311,554
Gross profit	91,679	87,136	776,612
Selling, general and administrative expenses (notes 11 and 12)	49,459	48,166	418,967
Operating income	42,220	38,970	357,645
Other income (deductions):			
Interest income	289	246	2,448
Dividend income	1,674	934	14,181
Interest expenses	(2,101)	(2,046)	(17,798)
Equity in earnings of affiliates	23,200	15,123	196,527
Personnel expenses for seconded employees	(1,560)	—	(13,215)
Gain on sale of investments in securities (note 4)	323	136	2,736
Loss on disposal of inventories	(600)	(876)	(5,082)
Loss on sale/disposal of property, plant and equipment	(987)	(2,672)	(8,361)
Depreciation	(8,794)	—	(74,494)
Impairment loss	—	(138)	—
Restructuring charges	—	(3,286)	—
Other, net	(1,016)	(2,269)	(8,606)
	10,428	5,152	88,336
Income before income taxes and minority interests	52,648	44,122	445,981
Income taxes (note 8):			
Current	13,470	12,229	114,104
Deferred	(2,141)	(2,316)	(18,136)
	11,329	9,913	95,968
Income before minority interests	41,319	34,209	350,013
Minority interests	1,275	1,265	10,801
Net income	¥ 40,044	¥ 32,944	$ 339,212

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, 2007 and 2006

	Years ended March 31, 2007 and 2006											
	Millions of yen											
	Stockholders' equity					Valuation and translation adjustments						
	Common stock (note 9)	Additional paid-in capital (note 9)	Retained earnings (note 10)	Treasury stock	Total	Net unrealized gain on other securities (note 4)	Deferred gains on hedges	Surplus on revaluation of land	Foreign currency translation adjustments	Total	Minority interests	Total net assets
Balance at March 31, 2005	¥41,970	¥35,539	¥124,928	¥(3,910)	¥198,527	¥11,766	¥ —	¥192	¥(7,178)	¥ 4,780	¥7,219	¥210,526
Changes arising during year:												
Cash dividends			(3,468)		(3,468)							(3,468)
Bonuses to directors and corporate auditors			(14)		(14)							(14)
Net income			32,944		32,944							32,944
Increase resulting from newly consolidated subsidiaries			2		2							2
Decrease resulting from revaluation of property, plant and equipment of a consolidated subsidiary			(140)		(140)							(140)
Increase resulting from sale of treasury stock		16			16							16
Other, net			85	(117)	(32)	14,214			4,374	18,588	917	19,473
Total changes during the year	—	16	29,409	(117)	29,308	14,214	—	—	4,374	18,588	917	48,813
Balance at March 31, 2006	41,970	35,555	154,337	(4,027)	227,835	25,980	—	192	(2,804)	23,368	8,136	259,339
Changes arising during year:												
Cash dividends			**(5,547)**		**(5,547)**							**(5,547)**
Bonuses to directors and corporate auditors			**(125)**		**(125)**							**(125)**
Net income			**40,044**		**40,044**							**40,044**
Decrease resulting from newly consolidated subsidiaries			**(14)**		**(14)**							**(14)**
Purchase of treasury stock				**(113)**	**(113)**							**(113)**
Disposition of treasury stock		**10**		**1**	**11**							**11**
Net changes other than stockholders' equity						**(3,938)**	**208**		**1,902**	**(1,828)**	**929**	**(899)**
Total changes during the year	**—**	**10**	**34,358**	**(112)**	**34,256**	**(3,938)**	**208**	**—**	**1,902**	**(1,828)**	**929**	**33,357**
Balance at March 31, 2007	**¥41,970**	**¥35,565**	**¥188,695**	**¥(4,139)**	**¥262,091**	**¥22,042**	**¥208**	**¥192**	**¥ (902)**	**¥21,540**	**¥9,065**	**¥292,696**

	Year ended March 31, 2007											
	Thousands of U.S. dollars (note 2)											
	Stockholders' equity					Valuation and translation adjustments						
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total	Net unrealized gain on other securities	Deferred gains on hedges	Surplus on revaluation of land	Foreign currency translation adjustments	Total	Minority interests	Total net assets
Balance at March 31, 2006	$355,527	$301,186	$1,307,387	$(34,113)	$1,929,987	$220,077	$ —	$1,626	$(23,753)	$197,950	$ 68,920	$ 2,196,857
Changes arising during year:												
Cash dividends			**(46,989)**		**(46,989)**							**(46,989)**
Bonuses to directors and corporate auditors			**(1,059)**		**(1,059)**							**(1,059)**
Net income			**339,212**		**339,212**							**339,212**
Decrease resulting from newly consolidated subsidiaries			**(118)**		**(118)**							**(118)**
Purchase of treasury stock				**(957)**	**(957)**							**(957)**
Disposition of treasury stock		**85**		**9**	**94**							**94**
Net changes other than stockholders' equity						**(33,359)**	**1,762**		**16,112**	**(15,485)**	**7,869**	**(7,616)**
Total changes during the year	**—**	**85**	**291,046**	**(948)**	**290,183**	**(33,359)**	**1,762**	**—**	**16,112**	**(15,485)**	**7,869**	**282,567**
Balance at March 31, 2007	**$355,527**	**$301,271**	**$1,598,433**	**$(35,061)**	**$2,220,170**	**$186,718**	**$1,762**	**$1,626**	**$ (7,641)**	**$182,465**	**$76,789**	**$2,479,424**

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, 2007 and 2006

	Millions of yen		Thousands of U.S. dollars (note 2)
	2007	2006	2007
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 52,648	¥ 44,122	$ 445,981
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	28,626	18,759	242,490
Loss on sale/disposal of property, plant and equipment	867	2,703	7,344
Impairment loss	—	138	—
Restructuring charges	—	2,170	—
Equity in earnings of affiliates	(23,200)	(15,123)	(196,527)
Allowance for doubtful receivables	426	(111)	3,609
Increase (decrease) in liabilities for retirement and severance benefits	(1,294)	32	(10,961)
Interest and dividend income	(1,963)	(1,180)	(16,629)
Interest expenses	2,101	2,046	17,798
Gain on sale of short-term investments and investments in securities	(218)	(155)	(1,847)
Loss on devaluation of short-term investments and investments in securities	229	77	1,940
Increase in trade notes and accounts receivable	(25,272)	(12,262)	(214,079)
Increase in inventories	(10,764)	(5,268)	(91,182)
Increase in trade notes and accounts payable	11,191	7,146	94,799
Bonuses to directors and corporate auditors	(134)	(22)	(1,135)
Other, net	5,113	549	43,312
Sub total	38,356	43,621	324,913
Interest and dividend received	1,612	1,183	13,655
Interest paid	(2,026)	(2,021)	(17,162)
Income taxes paid	(16,145)	(6,727)	(136,764)
Net cash provided by operating activities	21,797	36,056	184,642
Cash flows from investing activities:			
Purchase of short-term investments	(114)	(279)	(966)
Proceeds from sale of short-term investments	124	59	1,050
Capital expenditures	(26,316)	(17,687)	(222,922)
Proceeds from sale of property, plant and equipment	2,534	2,761	21,465
Purchase of investments in securities	(2,385)	(6,746)	(20,203)
Proceeds from sale of investments in securities	542	1,473	4,591
(Increase) decrease in long-term loans receivable	633	(914)	5,362
Other, net	10,942	6,137	92,690
Net cash used in investing activities	(14,040)	(15,196)	(118,933)
Cash flows from financing activities:			
Decrease in short-term debt	(747)	(9,085)	(6,328)
Proceeds from long-term debt	42,844	21,581	362,931
Payments on long-term debt	(44,457)	(18,287)	(376,595)
Purchase of treasury stock	(113)	(101)	(957)
Dividends paid to stockholders	(5,547)	(3,468)	(46,989)
Dividends paid to minority stockholders of subsidiaries	(943)	(342)	(7,988)
Other, net	144	(223)	1,220
Net cash used in financing activities	(8,819)	(9,925)	(74,706)
Effect of exchange rate changes on cash and cash equivalents	(124)	908	(1,050)
Net increase (decrease) in cash and cash equivalents	(1,186)	11,843	(10,047)
Cash and cash equivalents at beginning of year	40,590	28,697	343,838
Increase in cash and cash equivalents resulting from the merger	856	—	7,251
Cash and cash equivalents of newly consolidated subsidiaries	1,007	50	8,530
Cash and cash equivalents at end of year (note 3)	¥ 41,267	¥ 40,590	$ 349,572

See accompanying notes to consolidated financial statements.

Note 1. Summary of Significant Accounting Policies

(a) Basis of Presenting Consolidated Financial Statements

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

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

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

(b) Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries (31 subsidiaries for 2007 and 30 subsidiaries for 2006). 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 or negative goodwill, is being amortized over 5 to 7 years.

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

(f) Property, Plant and Equipment

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

The estimated useful lives are as follows:

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

The Company and its domestic consolidated subsidiaries changed the estimated residual value of property, plant and equipment from 5% of the acquisition cost to ¥1 as a memorandum value. A research on actual conditions of property, plant and equipment disposals found an actual disposal value is almost zero due to accruing disposal costs, etc. As a result of this change, operating income decreased by ¥392 million ($3,321 thousand) and income before income taxes and minority interests decreased by ¥9,187 million ($77,823 thousand) for the year ended March 31, 2007.

(g) Intangible Assets

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

(h) Impairment of Long-lived Assets

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

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

The effect of adoption of the standard was to decrease income before income taxes and minority interests by ¥138 million for the year ended March 31, 2006.

(i) Allowance for Doubtful Receivables

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

(j) Retirement and Severance Benefits

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.

The prior Standards prohibited recognition of any excess portion of plan assets exceeding the projected benefit obligation that had arisen due to an excess of the actual return of plan assets over the expected return or a reduction of benefits level. Effective April 1, 2005, this standard was amended to allow recognition of such excess portion of plan assets. In accordance with the amended standard, MGC recognized excess plan assets due to actual return of plan assets exceeding the expected return for the year ended March 31, 2006.

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

As a result of these changes, income before income taxes and minority interests decreased by ¥840 million for the year ended March 31, 2006.

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

(k) Leases

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

(l) Foreign Currency Translation

Under the Accounting Standards for Foreign Currency Transactions, foreign currency transactions are translated into yen on the basis of the rates in effect at the transaction dates, receivables and payables denominated in foreign currencies are translated into yen at the rate of exchange as of the balance sheet dates, and gains or losses resulting from the translation of foreign currencies are credited or charged to income. Assets and liabilities, and revenues and expenses of overseas subsidiaries are translated into yen at the rate of exchange as of the balance sheet date, and a comprehensive adjustment resulting from translation is presented as “Foreign currency translation adjustments” 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 the MGC’s plan for the abandonment of the well.

(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) Directors’ Bonus

Effective from the year ended March 31, 2007, the Company and its domestic consolidated subsidiaries adopted the “Accounting Standard for Directors’ Bonus” (Accounting Standards Board of Japan Statement No. 4, issued on November 29, 2005).

According to the Standard, directors’ bonuses are accounted for as an expense when such bonuses are accrued, instead of being accounted for as an appropriation of retained earnings upon approval at a general meeting of stockholders. The effect of adoption of the new standard was immaterial.

(q) Presentation of Net Assets on Balance Sheet

Effective from the year ended March 31, 2007, MGC adopted the “Accounting Standard for Presentation of Net Assets in the Balance Sheet” (Accounting Standards Board of Japan Statement No. 5, issued on December 9, 2005) and the “Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet” (Accounting Standards Board of Japan Guidance No. 8, issued on December 9, 2005).

According to the Standards, former “Stockholders’ equity” is presented as “Net assets” and classified into “Stockholders’ equity,” “Valuation and translation adjustments” and “Minority interests.” “Minority interests” formerly listed after “Liabilities” is included in “Net assets.” The stockholders’ equity amounted to ¥283,423 million ($2,400,873 thousand) based on the former classification.

(r) Expenditures for Natural Gas, etc. Development

Effective from the year ended March 31, 2007, MGC adopted the “Tentative Solution on Accounting for Deferred Assets” (Accounting Standards Board of Japan, Practical Issues Task Force No. 19, issued on August 11, 2006).

Expenditures for natural gas, etc. development had been accounted for as deferred charges and fully amortized as other deductions in the year in which they were paid, and from April 1, 2006, these expenditures have been expensed as selling, general and administrative expenses in the year in which they were paid. The amount of the expenditures reclassified are ¥1,108 million ($9,386 thousand) for the year ended March 31, 2007.

(s) Personnel Expenses for Seconded Employees

Personnel expenses for seconded employees had been accounted for as selling, general and administrative expenses, and from April 1, 2006, these expenses have been reclassified to other deductions. The proportion of the expenses compared to total personnel expenses has been increasing in recent years, and the expenses include payments to non-consolidated subsidiaries, affiliates and third parties, therefore, have no direct relation with sales. MGC believes that operating income is presented more accurately by this reclassification. The amount of the expenses for seconded employees reclassified are ¥1,560 million ($13,215 thousand) for the year ended March 31, 2007.

(t) 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, 2007.

Note 2. Financial Statement Translation

The consolidated financial statements are expressed in Japanese yen. However, solely for the convenience of the reader, the consolidated financial statements as of and for the year ended March 31, 2007 have been translated into United States dollars at the rate of ¥118.05=U.S.$1, the approximate exchange rate on the Tokyo Foreign Exchange Market on March 30, 2007. This translation should not be construed as a representation that the amounts shown could be converted into U.S. dollars at such rate.

Note 3. Cash and Cash Equivalents

Reconciliation between "Cash" in the consolidated balance sheets and "Cash and cash equivalents" in the consolidated statements of cash flows at March 31, 2007 and 2006 is follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Cash	¥36,565	¥29,396	$309,742
Time deposits with maturities of over three months	(371)	(39)	(3,143)
Short-term investments	5,073	11,233	42,973
Cash and cash equivalents	¥41,267	¥40,590	$349,572

Note 4. Short-term Investments and Investments in Securities

Balance sheet amount, fair value and gross unrealized gain and loss of held-to-maturity securities with fair value as of March 31, 2007 and 2006 are summarized as follows:

	Millions of yen			
	Balance sheet amount	Gross unrealized gain	Gross unrealized loss	Fair value
March 31, 2007				
Government bond securities	¥51	¥—	¥—	¥51
	¥51	¥—	¥—	¥51
March 31, 2006				
Government bond securities	¥51	¥1	¥—	¥52
	¥51	¥1	¥—	¥52

	Thousands of U.S. dollars			
	Balance sheet amount	Gross unrealized gain	Gross unrealized loss	Fair value
March 31, 2007				
Government bond securities	$432	$—	$—	$432
	$432	$—	$—	$432

Acquisition cost, balance sheet amount and gross unrealized gain and loss of other securities with fair value as of March 31, 2007 and 2006 are summarized as follows:

	Millions of yen			
	Acquisition cost	Gross unrealized gain	Gross unrealized loss	Balance sheet amount
March 31, 2007				
Equity securities	¥26,813	¥36,883	¥(46)	¥63,650
Other securities	33	—	—	33
	¥26,846	¥36,883	¥(46)	¥63,683
March 31, 2006				
Equity securities	¥26,921	¥43,500	¥(72)	¥70,349
Other securities	33	—	—	33
	¥26,954	¥43,500	¥(72)	¥70,382

	Thousands of U.S. dollars			
	Acquisition cost	Gross unrealized gain	Gross unrealized loss	Balance sheet amount
March 31, 2007				
Equity securities	$227,133	$312,436	$(390)	$539,179
Other securities	279	—	—	279
	$227,412	$312,436	$(390)	$539,458

It is not practicable to estimate the fair value of securities as of March 31, 2007 and 2006 described below because of lack of market price and difficulty in estimating fair value.

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Held-to-maturity securities:			
Certificates of deposit	¥6,244	¥12,142	$52,893
Other securities:			
Unlisted equity securities	3,477	3,544	29,453
	¥9,721	¥15,686	$82,346

Projected future redemption of other securities with maturities and held-to-maturity securities at March 31, 2007 are summarized as follows:

	Millions of yen			
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Debt securities:				
Government bond securities	¥ 45	¥13	¥ 2	¥ 1
Other:				
Certificates of deposit	6,244	—	—	—
	¥6,289	¥13	¥ 2	¥ 1

	Thousands of U.S. dollars			
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Debt securities:				
Government bond securities	$ 381	$110	$17	$8
Other:				
Certificates of deposit	52,893	—	—	—
	$53,274	$110	$17	$8

For the years ended March 31, 2007 and 2006, proceeds from the sale of other securities are ¥476 million ($4,032 thousand) and ¥301 million, gross realized gains are ¥326 million ($2,762 thousand) and ¥158 million, gross realized losses are ¥3 million ($25 thousand) and ¥2 million, respectively.

Note 5. Investments in Affiliates

The aggregate carrying amounts of investments in affiliates as of March 31, 2007 and 2006 are ¥98,346 million ($833,088 thousand) and ¥84,928 million, respectively.

Note 6. Short-term and Long-term Debt

Short-term debt is represented by bank loans which are due within one year. The weighted average interest rate of short-term debt at March 31, 2007 and 2006 is 1.0% and 0.7%, respectively.

Long-term debt as of March 31, 2007 and 2006 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Loans, principally from banks, maturing in installments through 2028 with weighted average interest of 1.7% at March 31, 2007 and maturing in installments through 2032 with weighted average interest of 1.5% at March 31, 2006, partially secured by mortgage of property, plant and equipment	¥73,681	¥84,457	$624,151
Yen zero coupon convertible bonds (bonds with stock acquisition rights), due 2011	20,000	—	169,420
2.57% unsecured yen bonds, due 2006	—	5,000	—
2.57% unsecured yen bonds, due 2006	—	5,000	—
1.18% unsecured yen bonds issued by a subsidiary, due 2009	1,000	1,000	8,471
	94,681	95,457	802,042
Less current installments	16,288	33,756	137,976
	78,393	61,701	664,066
Elimination on consolidation	(30)	(59)	(254)
	¥78,363	¥61,642	$663,812

The yen zero coupon convertible bonds (bonds with stock acquisition rights), due 2011 will be 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 ¥1,966 ($16.65) per share.

The aggregate annual maturities of long-term debt after March 31, 2008 are as follows:

	Millions of yen	Thousands of U.S. dollars
Year ending March 31:		
2009	¥13,905	$117,789
2010	12,345	104,574
2011	3,095	26,218
2012	1,314	11,131

Property, plant and equipment with a book value at March 31, 2007 of ¥32,524 million ($275,510 thousand) are mortgaged to secure certain debts.

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

Note 7. Retirement and Severance Benefits

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

The funded status of the pension plans at March 31, 2007 and 2006 is outlined as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Projected benefit obligation	¥(43,185)	¥(43,976)	$(365,819)
Plan assets at fair value	19,447	18,634	164,735
Assets contributed to the trust	24,663	27,609	208,920
Funded status	925	2,267	7,836
Unrecognized actuarial gain	(7,607)	(10,225)	(64,439)
Unrecognized prior service benefit	(239)	(300)	(2,025)
Net amount recognized in the consolidated balance sheets	(6,921)	(8,258)	(58,628)
Prepaid retirement and severance benefits	1,269	1,128	10,749
Accrued retirement and severance benefits	¥ (8,190)	¥ (9,386)	$ (69,377)

Net periodic pension cost for the years ended March 31, 2007 and 2006 consists of the following components:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Service cost	¥1,706	¥1,838	$14,452
Interest cost	990	1,013	8,386
Expected return on plan assets	(404)	(333)	(3,422)
Amortization of actuarial loss (gain)	(2,102)	190	(17,806)
Amortization of prior service benefit	(61)	(61)	(517)
Net periodic pension cost	¥ 129	¥2,647	$ 1,093

Significant assumptions of pension plans used to determine these amounts in fiscal 2007 and 2006 are as follows:

	2007	2006
Periodic allocation method for projected benefit	Straight-line	Straight-line
Discount rate	Mainly 2.5%	Mainly 2.5%
Expected rate of return on plan assets	Mainly 2.5%	Mainly 2.5%
Period for amortization of unrecognized prior service cost/benefit	10 years	10 years
Period for amortization of unrecognized actuarial loss/gain	Mainly 10 years	Mainly 10 years

Directors, corporate auditors and executive officers are not covered by the plans described above. For such persons, the Company and certain subsidiaries have unfunded defined benefit pension plans. Under the plans, directors, corporate auditors and executive officers are entitled to lump-sum payments based on the current rate of pay and length of service when they leave the 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, 2007 and 2006, the liabilities for retirement and severance benefits related to the plans were ¥1,061 million ($8,988 thousand) and ¥1,152 million, respectively.

Note 8. Income Taxes

The Company and its domestic subsidiaries are subject to Japanese corporate, inhabitant and business taxes based on income which, in the aggregate, result in a statutory tax rate of approximately 40.5% in 2007 and 2006.

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, 2007 and 2006 is follows:

	2007	2006
Statutory tax rate	40.5%	40.5%
Equity in earnings of affiliates	(17.9)	(13.9)
Dividend income eliminated in consolidation	10.9	—
Income not credited for tax purposes	(8.4)	(3.1)
Difference in statutory tax rates of subsidiaries	(1.7)	(2.0)
Expenses not deductible for tax purposes	—	1.6
Other	(1.9)	(0.6)
Effective tax rate	21.5%	22.5%

Significant components of deferred tax assets and liabilities at March 31, 2007 and 2006 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Deferred tax assets:			
Liabilities for retirement and severance benefits	¥ 8,495	¥ 9,969	$ 71,961
Tax loss carryforward	3,357	3,272	28,437
Devaluation loss on investments in securities	2,538	2,539	21,499
Accrued bonuses	1,662	1,622	14,079
Intercompany profits	1,030	1,014	8,725
Depreciation	4,834	738	40,949
Other	5,170	5,532	43,795
	27,086	24,686	229,445
Valuation allowance	(2,546)	(2,118)	(21,567)
	24,540	22,568	207,878
Deferred tax liabilities:			
Net unrealized gain on other securities	(15,085)	(17,760)	(127,785)
Gain by contributing the assets to the trust	(3,096)	(3,130)	(26,226)
Tax purpose reserves etc. regulated by Japanese tax law	(2,427)	(2,479)	(20,559)
Other	(428)	(456)	(3,626)
	(21,036)	(23,825)	(178,196)
Net deferred tax assets (liabilities)	¥ 3,504	¥ (1,257)	$ 29,682

Net deferred tax assets and liabilities as of March 31, 2007 and 2006 are reflected in the accompanying consolidated balance sheets under the following captions:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Current assets — Deferred income taxes	¥ 4,946	¥ 5,250	$ 41,897
Investments and other assets — Deferred income taxes	4,214	2,962	35,697
Current liabilities — Other current liabilities	(143)	(79)	(1,211)
Non-current liabilities — Deferred income taxes	(5,513)	(9,390)	(46,701)
Net deferred tax assets (liabilities)	¥ 3,504	¥(1,257)	$ 29,682

Note 9. Common Stock

On May 1, 2006, a new corporation law (the "Corporation Law") became effective, which reformed and replaced the Commercial Code of Japan with various revisions that would, for the most part, be applicable to events or transactions which occur on or after May 1, 2006 and for the fiscal years ending on or after May 1, 2006. Under the Corporation Law, 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.

Note 10. Retained Earnings and Dividends

The Corporation Law 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, 2007 and 2006 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.

Dividends paid during the year ended March 31, 2007 which was approved by the general meeting of stockholders held on June 29, 2006 are as follows:

(a) Total dividends	¥2,774 million ($23,498 thousand)
(b) Cash dividends per common share	¥6 ($0.05)
(c) Record date	March 31, 2006
(d) Effective date	June 29, 2006

Dividends paid during the year ended March 31, 2007 which was approved by the Board of Directors held on November 14, 2006 are as follows:

(a) Total dividends	¥2,774 million ($23,498 thousand)
(b) Cash dividends per common share	¥6 ($0.05)
(c) Record date	September 30, 2006
(d) Effective date	December 7, 2006

Dividends paid during the year ended March 31, 2007 which was approved by the Board of Directors held on May 11, 2007 are as follows:

(a) Total dividends	¥3,968 million ($33,613 thousand)
(b) Dividend source	Retained earnings
(c) Cash dividends per common share	¥8 ($0.07)
(d) Record date	March 31, 2007
(e) Effective date	June 11, 2007

Note 11. Selling, General and Administrative Expenses

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

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Freight	¥11,710	¥10,762	$99,195
Stevedoring and warehouse fee	2,632	2,182	22,296
Salaries	8,205	9,337	69,504
Employees' bonuses	3,587	3,438	30,385
Pension cost	120	1,309	1,017
Welfare	2,589	2,554	21,931
Transportation	1,767	1,576	14,968
Depreciation	2,279	1,963	19,305

Note 12. Research and Development Costs

Research and development costs charged to income for the years ended March 31, 2007 and 2006 are ¥11,489 million ($97,323 thousand) and ¥10,702 million, respectively.

Note 13. 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, 2007 and 2006 are as follows:

	Yen		U.S. dollars
	2007	2006	2007
Basic net income per share	¥86.63	¥70.98	$0.73
Diluted net income per share	85.64	—	0.73

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Net income	¥40,044	¥32,944	$339,212
Net income not applicable to common stockholders:			
Directors' and corporate auditors' bonuses	—	(124)	—
Net income applicable to common stockholders	¥40,044	¥32,820	$339,212

	Number of shares	
	2007	2006
Weighted average number of shares outstanding on which basic net income per share is calculated	462,252,747	462,355,096
Effect of dilutive convertible bonds	5,351,245	—
Number of shares outstanding on which diluted net income per share is calculated	467,603,992	—

(b) Net Assets per Share

Net assets per share at March 31, 2007 are as follows:

	Yen	U.S. dollars
Net assets per share	¥613.64	$5.20

Note 14. 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, 2007 and 2006 are as follows:

	Millions of yen		
	Machinery, equipment and vehicles	Other tangible assets	Total
March 31, 2007			
Acquisition cost	¥1,813	¥2,702	¥4,515
Accumulated depreciation	872	952	¥1,824
Net book value	¥ 941	¥1,750	¥2,691
March 31, 2006			
Acquisition cost	¥2,822	¥1,711	¥4,533
Accumulated depreciation	1,684	589	¥2,273
Net book value	¥1,138	¥1,122	¥2,260

	Thousands of U.S. dollars		
	Machinery, equipment and vehicles	Other tangible assets	Total
March 31, 2007			
Acquisition cost	$15,358	$22,888	$38,246
Accumulated depreciation	7,387	8,064	15,451
Net book value	$ 7,971	$14,824	$22,795

Future minimum payments which include interest portion required under finance leases at March 31, 2007 and 2006 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Within one year	¥1,087	¥ 971	$ 9,208
Over one year	1,604	1,289	13,587
	¥2,691	¥2,260	$22,795

Lease payments for the years ended March 31, 2007 and 2006 amounted to ¥1,264 million ($10,707 thousand) and ¥999 million, respectively.

(b) Operating Lease

Future minimum lease payments required under noncancellable operating leases as of March 31, 2007 are as follows:

	Millions of yen	Thousands of U.S. dollars
Within one year	¥ 389	$ 3,295
Over one year	2,224	18,840
	¥2,613	$22,135

Note 15. Balances and Transactions with Related Party

The Company has a 50% equity ownership in Mitsubishi Engineering-Plastics Corp. at March 31, 2007 and 2006.

Balances with the company at March 31, 2007 and 2006, and related transactions for the years then ended are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Balances:			
Trade accounts receivable	¥20,520	¥13,788	$173,825
Transactions:			
Sales	58,617	58,152	496,544

The Company has a 50% equity ownership in Mizushima Aroma Co., Ltd. at March 31, 2007.

Balances with the company at March 31, 2007 and related transactions for the year then ended are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Balances:		
Trade accounts receivable	¥10,508	$ 89,013
Transactions:		
Sales	24,710	209,318

The Company has a 50% equity ownership in CG Ester Corporation at March 31, 2007.

Balances with the company at March 31, 2007 and related transactions for the year then ended are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Balances:		
Trade accounts receivable	¥4,683	$39,670
Transactions:		
Sales	8,191	69,386

Note 16. Commitments and Contingencies

It is common practice in Japan for companies, in the ordinary course of business, to receive promissory notes in settlement of trade accounts receivable and to subsequently discount such notes at banks or to transfer them by endorsement to suppliers in the settlement of accounts payable. At March 31, 2007 and 2006, MGC was contingently liable with respect to trade notes receivable discounted in the amounts of ¥309 million ($2,618 thousand) and ¥2,375 million, respectively. Notes discounted are accounted for as sales and removed from the balance sheets.

Contingent liabilities at March 31, 2007 for loans guaranteed amounted to ¥8,161 million ($69,132 thousand).

Note 17. Derivative Financial Instruments

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

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

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

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

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

The contract or notional amounts and fair value of derivative financial instruments held as of March 31, 2007 and 2006 are summarized as follows:

	Millions of yen		
	Contract or notional amounts	Fair value	Valuation gain (loss)
March 31, 2007			
Forward exchange contracts:			
To buy foreign currency:			
U.S. dollar	¥ 515	¥552	¥ 37
To sell foreign currency:			
Euro	390	391	(1)
Interest rate and currency swap agreements:			
U.S. dollar received for Thai baht	2,030	(316)	(316)
Interest rate swap agreements:			
Fixed rate received for variable rate	135	(1)	(1)
Variable rate received for fixed rate	12,470	(28)	(28)
March 31, 2006			
Forward exchange contracts:			
To buy foreign currency:			
U.S. dollar	¥ 563	¥562	¥ (1)
To sell foreign currency:			
Euro	363	370	(7)
Interest rate and currency swap agreements:			
U.S. dollar received for Thai baht	2,499	(74)	(74)
Interest rate swap agreements:			
Fixed rate received for variable rate	195	(2)	(2)
Variable rate received for fixed rate	14,719	52	52

	Thousands of U.S. dollars		
	Contract or notional amounts	Fair value	Valuation gain (loss)
March 31, 2007			
Forward exchange contracts:			
To buy foreign currency:			
U.S. dollar	$ 4,363	$ 4,676	$ 313
To sell foreign currency:			
Euro	3,304	3,312	(8)
Interest rate and currency swap agreements:			
U.S. dollar received for Thai baht	17,196	(2,677)	(2,677)
Interest rate swap agreements:			
Fixed rate received for variable rate	1,144	(8)	(8)
Variable rate received for fixed rate	105,633	(237)	(237)

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

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

Note 18. Segment Information

(a) Industry segments

MGC operate 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 years ended March 31, 2007 and 2006 is summarized as follows:

Millions of yen

2007	Natural gas chemicals	Aromatic chemicals	Specialty chemicals	Information and advanced materials	Other	Total	Elimination / corporate	Consolidated
Sales to outside customers	¥136,087	¥133,165	¥141,216	¥71,071	¥ 1,069	¥482,608	¥ —	¥482,608
Inter-segment sales	8,106	1,523	1,866	37	115	11,647	(11,647)	—
	144,193	134,688	143,082	71,108	1,184	494,255	(11,647)	482,608
Operating expenses	141,714	127,287	125,880	56,649	701	452,231	(11,843)	440,388
Operating income	¥ 2,479	¥ 7,401	¥ 17,202	¥14,459	¥ 483	¥ 42,024	¥ 196	¥ 42,220
Assets	¥172,653	¥127,067	¥158,461	¥71,855	¥16,310	¥546,346	¥ 63,620	¥609,966
Depreciation	7,357	6,414	10,740	4,098	17	28,626	—	28,626
Capital expenditures	6,240	7,546	8,671	7,036	9	29,502	—	29,502

Millions of yen

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

Thousands of U.S. dollars

2007	Natural gas chemicals	Aromatic chemicals	Specialty chemicals	Information and advanced materials	Other	Total	Elimination / corporate	Consolidated
Sales to outside customers	$1,152,791	$1,128,039	$1,196,239	$602,042	$ 9,055	$4,088,166	$ —	$4,088,166
Inter-segment sales	68,666	12,901	15,807	313	974	98,661	(98,661)	—
	1,221,457	1,140,940	1,212,046	602,355	10,029	4,186,827	(98,661)	4,088,166
Operating expenses	1,200,457	1,078,246	1,066,328	479,873	5,938	3,830,842	(100,321)	3,730,521
Operating income	$ 21,000	$ 62,694	$ 145,718	$122,482	$ 4,091	$ 355,985	$ 1,660	$ 357,645
Assets	$1,462,541	$1,076,383	$1,342,321	$608,683	$138,162	$4,628,090	$538,924	$5,167,014
Depreciation	62,321	54,333	90,978	34,714	144	242,490	—	242,490
Capital expenditures	52,859	63,922	73,452	59,602	76	249,911	—	249,911

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 ¥91,240 million ($772,893 thousand) and ¥100,520 million as of March 31, 2007 and 2006 in the Elimination / corporate line consist primarily of surplus funds (cash and deposits, and securities), long-term investments (investment securities etc.) and assets relating to the administrative operations.

3. As described in Note 1 (r), MGC changed the accounting treatment of expenditures for natural gas, etc. development from being accounted for as deferred charges and fully amortized as other deductions in the year in which they were paid to being expensed as selling, general and administrative expenses in the year in which they were paid. As a result of this change, operating income of "Natural gas chemicals" segment decreased by ¥1,108 million ($9,386 thousand).

4. As described in Note 1 (s), MGC changed the accounting treatment of personnel expenses for seconded employees from being accounted for as selling, general and administrative expenses to being accounted for as other deductions. As a result of this change, operating income of each segment increased as follows:

	Millions of yen	Thousands of U.S. dollars
Natural gas chemicals	¥282	$2,389
Aromatic chemicals	180	1,525
Specialty chemicals	971	8,225
Information and advanced materials	85	720
Other	42	356

5. As described in Note 1 (f), the Company and its domestic consolidated subsidiaries changed the estimated residual value of property, plant and equipment from 5% of the acquisition cost to ¥1 as a memorandum value.

   As a result of this change, operating income of each segment decreased as follows:

	Millions of yen	Thousands of U.S. dollars
Natural gas chemicals	¥115	$ 974
Aromatic chemicals	134	1,135
Specialty chemicals	124	1,051
Information and advanced materials	15	127
Other	4	34

And depreciation of each segment increased as follows:

	Millions of yen	Thousands of U.S. dollars
Natural gas chemicals	¥2,897	$24,540
Aromatic chemicals	2,813	23,829
Specialty chemicals	2,827	23,948
Information and advanced materials	644	5,455
Other	6	51

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

	Millions of yen
Natural gas chemicals	¥187
Aromatic chemicals	218
Specialty chemicals	300
Information and advanced materials	135

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

(b) Geographic segments

Segment information by geographic area for the years ended March 31, 2007 and 2006 is summarized as follows:

	Millions of yen				
	2007				
	Japan	Other	Total	Elimination / corporate	Consolidated
Sales to outside customers	¥429,555	¥53,053	¥482,608	¥ —	¥482,608
Inter-segment sales	31,979	12,615	44,594	(44,594)	—
	461,534	65,668	527,202	(44,594)	482,608
Operating expenses	423,295	61,808	485,103	(44,715)	440,388
Operating income	¥ 38,239	¥ 3,860	¥ 42,099	¥ 121	¥ 42,220
Assets	¥574,795	¥39,724	¥614,519	¥ (4,553)	¥609,966

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

	Thousands of U.S. dollars				
	2007				
	Japan	Other	Total	Elimination / corporate	Consolidated
Sales to outside customers	$3,638,755	$449,411	$4,088,166	$ —	$4,088,166
Inter-segment sales	270,893	106,862	377,755	(377,755)	—
	3,909,648	556,273	4,465,921	(377,755)	4,088,166
Operating expenses	3,585,726	523,575	4,109,301	(378,780)	3,730,521
Operating income	$ 323,922	$ 32,698	$ 356,620	$ 1,025	$ 357,645
Assets	$4,869,081	$336,501	$5,205,582	$ (38,568)	$5,167,014

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

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

North and South America: U.S.A.

Asia: Korea, Singapore, Thailand and Indonesia

(c) Overseas sales

Information for overseas sales for the years ended March 31, 2007 and 2006 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Overseas sales			
Asia	¥118,960	¥ 98,127	$1,007,709
North and South America	31,500	24,557	266,836
Other	11,924	10,789	101,008
	¥162,384	¥133,473	$1,375,553
Consolidated sales	¥482,608	¥439,830	$4,088,166
Percentage of overseas sales to consolidated sales	33.7%	30.4%	33.7%

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

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

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

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

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, 2007 and 2006, and related consolidated statements of income, changes in net assets and cash flows for the years then ended, all expressed in Japanese yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Mitsubishi Gas Chemical Company, Inc. and consolidated subsidiaries as of March 31, 2007 and 2006, 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(s) to the consolidated financial statements, effective in the year ended March 31, 2007, the Company has changed its method of accounting for personnel expenses for seconded employees. As more fully described in Note 1(r) to the consolidated financial statements, effective in the year ended March 31, 2007, the Company has adopted the "Tentative Solution on Accounting for Deferred Assets."

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

The accompanying consolidated financial statements as of and for the year ended March 31, 2007 have been translated into United States dollars solely for the convenience of the reader. We have recomputed the translation and, in our opinion, the consolidated financial statements expressed in yen have been translated into United States dollars on the basis described in Note 2 to the consolidated financial statements.

Toyo Horwath
Tokyo, Japan
June 28, 2007

Toyo Horwath

Main Subsidiaries and Affiliates

(As of March 31, 2007)

Name	Issued share capital (millions)	The Company's share ownership	Principal business
TOKYO SHOKAI, LTD.	¥200	99.9%	Sale of compound resins and other products
RYOKO CHEMICAL CO., LTD.	100	100.0	Sale of industrial chemicals and other products
JAPAN CIRCUIT INDUSTRIAL CO., LTD.	1,497	96.0	Manufacture and sale of printed wiring boards
KINOE TERMINAL COMPANY, INC.	493	75.5	Storage service for methanol
JAPAN FINECHEM COMPANY, INC.	274	84.7	Manufacture and sale of fine chemicals and electronic products
JAPAN PIONICS CO., LTD.	200	100.0	Manufacture and sale of gas generators and gas purifiers, and manufacture of disposable body warmers
EIWA CHEMICAL IND. CO., LTD.	420	88.6	Manufacture and sale of foaming agents for rubber and plastic
MGC PURE CHEMICALS AMERICA, INC.	US$5	90.0	Manufacture and sale of chemicals for semiconductors
ELECTROTECHNO CO., LTD.	¥500	100.0	Manufacture of copper-clad laminate and multilayer prepreg
MARINE TRANSPORT AND TERMINAL COMPANY, LIMITED	400	100.0	Storage and transport of methanol, other chemical products
RYOYO TRADING CO., LTD.	90	73.8	Sale of industrial chemicals and insurance agency businesses
KOKUKA SANGYO CO., LTD.	250	93.8	Transport of chemical products
FUDOW COMPANY LIMITED	1,058	100.0	Manufacture and sale of molding resin
A.G. INTERNATIONAL CHEMICAL CO., INC.	850	91.6	Manufacture and sale of purified isophthalic acid
MITSUBISHI ENGINEERING-PLASTICS CORPORATION	3,000	50.0	Manufacture and sale of engineering plastics
JSP CORPORATION	10,076	43.1	Manufacture and sale of foamed plastics
JAPAN U-PICA COMPANY, LTD.	1,100	45.7	Manufacture and sale of unsaturated polyester
JAPAN SAUDI ARABIA METHANOL COMPANY, INC.	2,310	47.4	Management of AR-RAZI
KOREA ENGINEERING PLASTICS CO., LTD.	W11,000	40.0	Manufacture and sale of polyacetal
MIZUSHIMA AROMA CO., LTD.	¥2,000	50.0	Manufacture and sale of purified terephthalic acid

- A&C COMPANY, INC.
- POLYOLS ASIA COMPANY LTD.
- JAPAN BIO COMPANY LTD.
- METANOL DE ORIENTE, METOR, S.A.
- JAPAN ACRYACE CORPORATION
- TOHO EARTHTECH, INC.
- MGC ADVANCED POLYMERS, INC.
- FUDOW TECHNO CO., LTD.
- TAIYO INDUSTRY CO., LTD.
- DIA TEREPHTHALIC ACID CORPORATION
- KYOUDOU KASANKASUISO CORPORATION
- P. T. PEROKSIDA INDONESIA PRATAMA
- SAMYOUNG PURE CHEMICALS CO., LTD.
- THAI POLYACETAL CO., LTD.
- TOYO KAGAKU CO., LTD.
- MGC FILSHEET CO., LTD.
- YONEZAWA DIA ELECTRONICS CO., INC.
- MITSUBISHI GAS CHEMICAL AMERICA, INC.
- MITSUBISHI GAS CHEMICAL SINGAPORE PTE. LTD.
- RYOWA ENTERPRISE COMPANY, LTD.
- MGC FINANCE CO., LTD.

● Consolidated subsidiary
■ Equity method affiliate

● Natural Gas Chemicals
● Aromatic Chemicals
● Specialty Chemicals
● Information & Advanced Materials
● Other

Corporate Data

(As of March 31, 2007)

Mitsubishi Gas Chemical Company, Inc.

Established

April 21, 1951

Paid-in Capital

¥41,970 million

Outstanding Shares

483,478,398

Number of Stockholders

34,443

Listings

Tokyo, Osaka and Nagoya

Ticker Code

4182

Annual General Meeting of Stockholders

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

Transfer Agent and Registrar

Mitsubishi UFJ Trust and Banking Corp.

Auditor

Toyo Horwath

Number of Employees

2,151 (non-consolidated)
4,561 (consolidated)

Head Office

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

Branch Offices

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

Research Institutes

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

Plants

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

*Part of Yokkaichi Plant

Investor Information

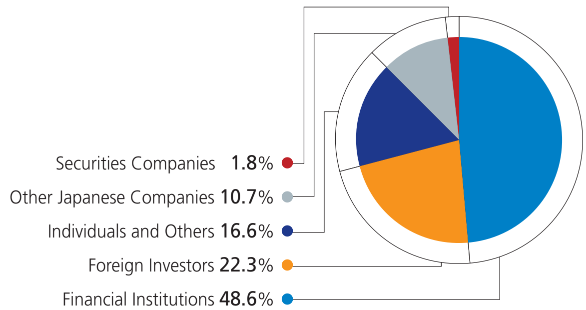
(As of March 31, 2007)

Principal Stockholders

Name	Number of Shares Held (thousands)	Percentage of Total Shares Outstanding
The Master Trust Bank of Japan, Ltd. (Trust Account)	35,984	7.4%
Japan Trustee Services Bank, Ltd. (Trust Account)	30,627	6.3
Nippon Life Insurance Company	21,452	4.4
Meiji Yasuda Life Insurance Company	16,795	3.5
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	16,403	3.4
Mitsubishi UFJ Trust and Banking Corp.	11,686	2.4
Trust and Custody Services Bank, Ltd. (Trust Account B)	10,535	2.2
The Norinchukin Bank	10,053	2.1
Asahi Glass Co., Ltd.	9,671	2.0
Tokio Marine & Nichido Fire Insurance Co., Ltd.	9,008	1.9

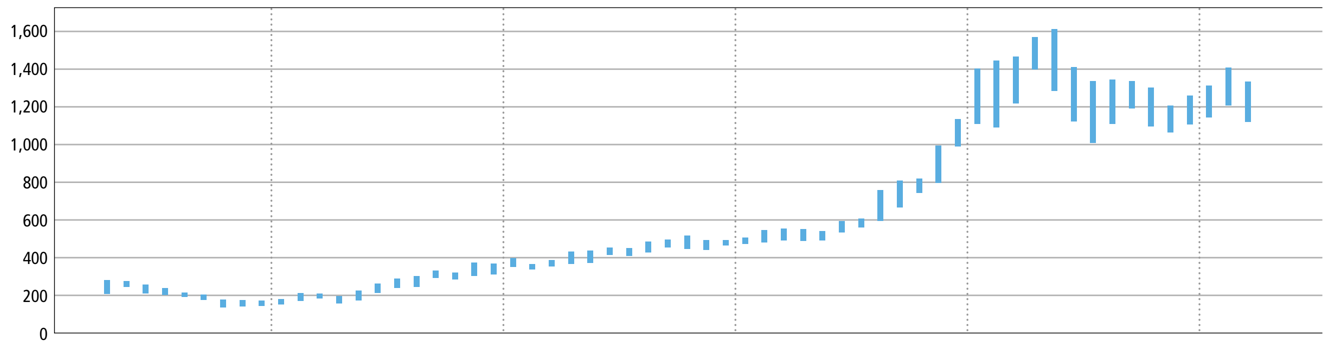
Notes: MGC holds 21,268 thousand shares of treasury stock, which is not included in the above list of principal stockholders.

Composition of Stockholders

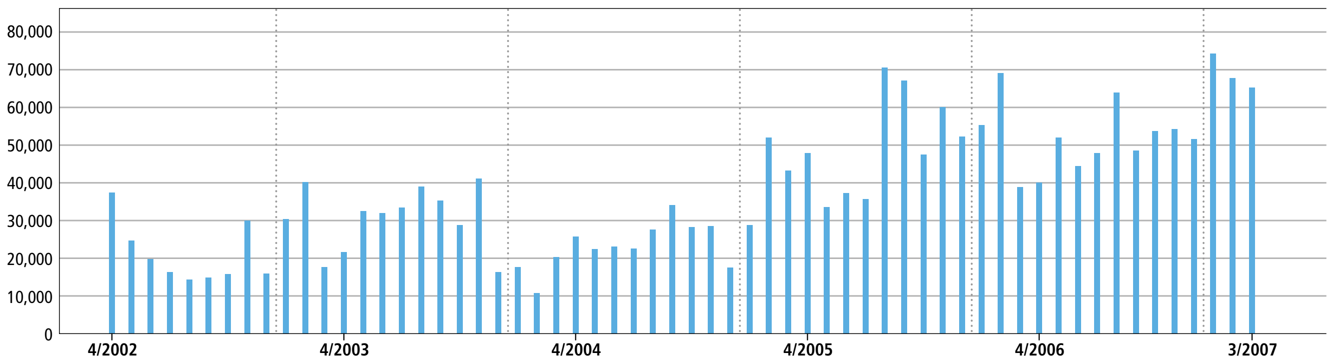


Monthly Stock Price Range and Trading Volume

Common Stock Price Range (Yen)



Monthly Trading Volume (Thousands of Shares)



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