Annual Report 2008

Year Ended March 31, 2008

Continuing to Grow as a
Unique Chemical Manufacturer
Dedicated to Excellence

MITSUBISHI GAS CHEMICAL COMPANY, INC.

Profile

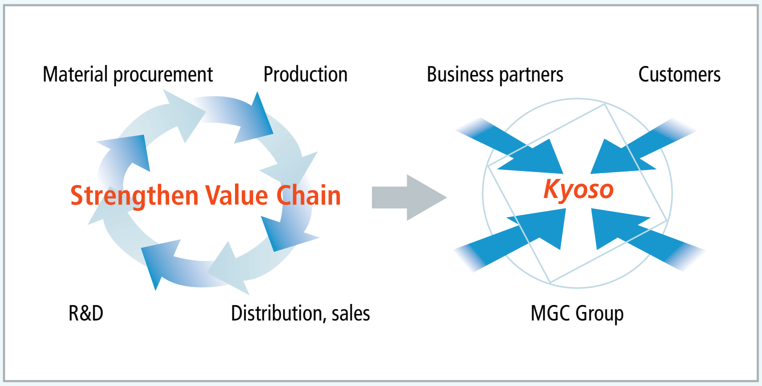
The MGC Group currently consists of Mitsubishi Gas Chemical Company, Inc. and over 100 companies worldwide. Under a corporate philosophy of "making contributions towards development in harmony with society through the creation of a diverse range of value based on chemistry," the MGC Group conducts a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

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.

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

"*Kyoso*" is a coined term that means creating new value that could not have been achieved alone by applying the respective strengths of many toward a common goal to increase synergy.



Group Vision

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

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.

Contents

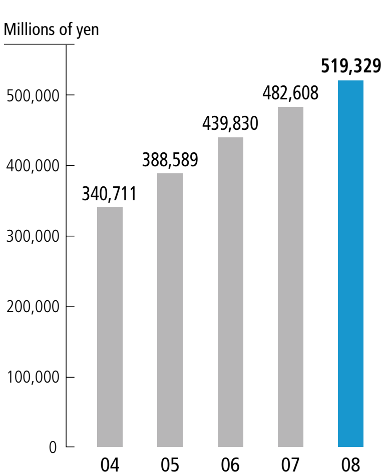
Financial Highlights

Mitsubishi Gas Chemical Company, Inc. and Consolidated Subsidiaries
For the years ended March 31, 2008, 2007 and 2006

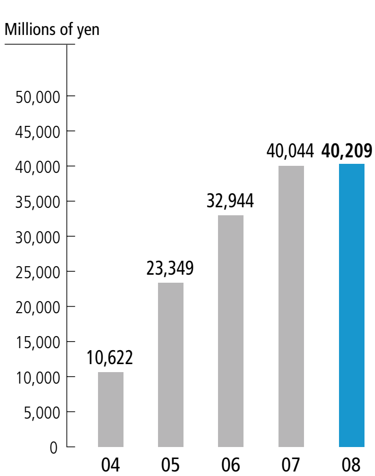
	Millions of yen			Percentage change	Thousands of U.S. dollars
	2008	2007	2006	2008/2007	2008
For the year:					
Net sales	¥519,329	¥482,608	¥439,830	7.6%	$5,183,441
Operating income	47,367	42,220	38,970	12.2	472,772
Net income	40,209	40,044	32,944	0.4	401,327
Return on assets (ROA) (%)	6.6	6.8	6.2	(0.2) points	
Return on equity (ROE) (%)	13.7	15.0	14.5	(1.3) points	
Capital expenditures	39,448	29,502	17,484	33.7	393,732
Depreciation and amortization	24,521	28,626	18,759	(14.3)	244,745
At year end:					
Total assets	¥601,386	¥609,966	¥564,484	(1.4)%	$6,002,455
Total net assets	312,021	292,696	259,339	6.6	3,114,293
Interest-bearing debt	150,573	163,950	161,806	(8.2)	1,502,875
Per share of common stock (Yen/U.S. dollars):					
Net income—basic	¥ 87.01	¥ 86.63	¥ 70.98	0.4%	$ 0.87
Net assets	654.25	613.64	543.12	6.6	6.53
Cash dividends	16.00	14.00	10.00	14.3	0.16

Notes: 1. U.S. dollar amounts are translated from yen, for convenience only, at the approximate rate of ¥100.19 = US$1 prevailing on March 31, 2008.
2. Cash dividends for each year represent the total of the interim dividend and the year-end dividend declared as applicable to the respective year.
3. Return on assets = Net income / Average total assets
4. The calculation of return on equity uses net assets excluding minority interests.

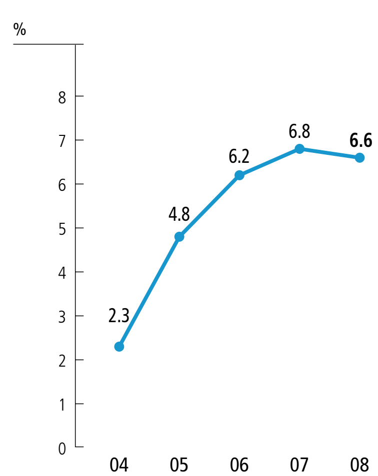
Net Sales



Net Income



Return on Assets (ROA)



In the year ended March 31, 2008, we continued to focus management resources to strengthen our core businesses, reinforce our domestic R&D structure, strengthen our management infrastructure and improve profitability to achieve further growth in line with the aims of *Kyoso 2008*.

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

Operating Environment and Results

During fiscal 2007, the year ended March 31, 2008, the overall domestic economy continued to recover gradually, with strong capital expenditure and exports, particularly during the first half. However, with consumer spending weakening, the economic outlook is uncertain, and developments in the latter part of the fiscal year, such as the sub-prime mortgage crisis and the strengthening of the yen, indicate that a slowdown is likely. Despite continued rises in crude oil prices to record levels, as well as increases and sustained highs in raw material costs, the operating environment for the Mitsubishi Gas Chemical Company, Inc. and its group companies (the "MGC Group") was favorable due to strong exports and continued, though gradual, domestic economic recovery.

The strategic focus of the MGC Group in this environment was to strengthen the management infrastructure and pursue further growth in line with the aims of *Kyoso 2008*, the Group's medium-term management plan, while endeavoring to improve profitability by increasing sales volumes, revising prices and other such measures.

As a result, consolidated net sales increased ¥36,721 million, or 7.6 percent, compared with the previous fiscal year to ¥519,329 million, and operating income increased ¥5,147 million, or 12.2 percent, to ¥47,367 million. Consolidated net income for the fiscal year increased ¥165 million, or 0.4 percent, to ¥40,209 million. Factors included a decline in equity in earnings of affiliates following the one-time increase of the previous year resulting from special dividend payments from affiliated companies, foreign exchange loss, impairment loss associated with Coenzyme Q_{10}, an increase in taxes paid by subsidiaries, and the absence of the one-time loss resulting from revisions to the depreciation of property, plant and equipment that impacted net income in the previous year.

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 of profit to allocate for stockholder distribution and to retain for increasing MGC's future corporate value based on comprehensive consideration from a medium-to-long-term perspective of such factors as business performance, capital expenditure plans, and maintaining and improving the Group's financial position; 2) to determine dividend amounts from the combined perspectives of performance and stability; and 3) increase capital efficiency by flexibly implementing share buybacks while observing the market environment.

Based on this policy, MGC increased total annual dividends per share ¥2.00 from the previous fiscal year to ¥16.00, resulting in a consolidated dividend payout ratio of 18.4 percent, an increase of 2.2 percentage points.

Progress of *Kyoso 2008*

In April 2006, the MGC Group initiated *Kyoso* (Cooperative Value Creation) *2008*, a new three-year medium-term management plan, as its second stage targeting further growth. The Group Vision is "to achieve sustainable growth while contributing to society in every aspect of its highly profitable, research-driven operations." The Basic Strategies of *Kyoso 2008* are summarized below.

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

MGC is implementing the medium-term management plan 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 strategy, MGC is focusing management resources to further strengthen the core businesses in which it has a competitive advantage. All projects are currently proceeding steadily. For example, MGC is vigorously promoting the establishment and expansion of production sites, primarily in Asia, for commodity products such as methanol, hydrogen peroxide and engineering plastics. In Japan, MGC is also reinforcing the R&D structure and enhancing production capacity for high-value-added products and specialty products such as m-xylene derivatives, electronic chemicals and electronic materials.

Strengthening the management infrastructure is also essential to ensuring sustainable growth. Concrete measures are currently under way to accelerate new product development, establish a strong financial framework and enhance Group management, which are priority issues.

During fiscal 2007, the second year of *Kyoso 2008*, consolidated operating income and ordinary income remained at high levels due to factors including steady demand for purified isophthalic acid and BT resin-based materials, and an increase in income from equity affiliates due to a stronger market for methanol. As a result, return on assets (ROA) and the debt/equity (D/E) ratio surpassed original numerical targets.

In fiscal 2008, the final year of the plan, the MGC Group foresees a difficult operating environment including the increasingly uncertain global economy, the continuing high price of raw materials and fuel, and concern over the appreciating yen. The MGC Group will make a concerted effort to achieve the targets and objectives of *Kyoso 2008* by focusing on the steady, high-output operation of plants with enhanced capacity, thorough efforts to reduce costs and revision of selling prices.

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 2008

Hideki Odaka

Representative Director, Chairman

Kazuo Sakai

Representative Director, 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.

Corporate Governance Policy

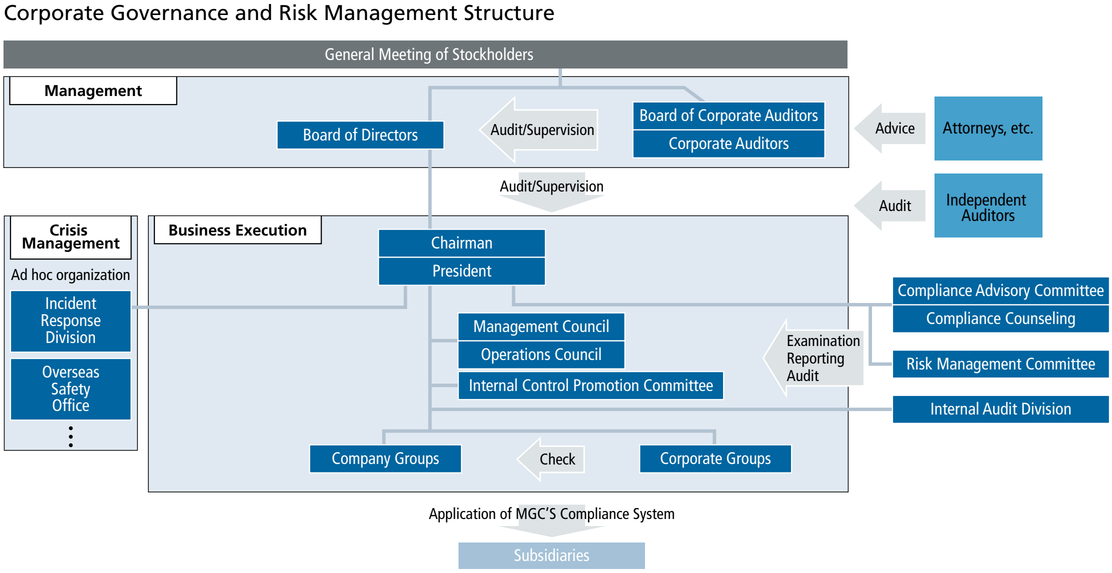
At Mitsubishi Gas Chemical Company, Inc. ("MGC" or "the Company"), the establishment and maintenance of a sound and transparent management system is a key management issue, and a number of measures are being pursued with the aim of improving transparency, ensuring fairness, and accelerating decision-making.

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

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

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

Corporate Governance and Risk Management Structure



Corporate Governance System and Execution Status

Management System for Decision-making and Business Execution

MGC uses a corporate auditor system, and has adopted an executive officer system to oversee the execution of duties, which separates the decision making of management and supervisory functions from business executions, thereby ensuring expeditious decision-making and business execution.

The Board of Directors is composed of 10 directors (as of June 26, 2008) and has been positioned as the organization that decides basic management policies as well as important matters relating to items decreed by law and the Company's articles of incorporation, and oversees business execution. The number of directors is limited to 15 by the articles of incorporation. In order that directors may fully concentrate on the management of MGC, MGC's regulations limit to three the number of non-Group companies at which directors may concurrently serve as directors, auditors or executive officers. Candidates for director are selected based on officer candidate selection criteria, which require that each candidate be suitable in terms of achievements and character.

Executive officers (21 as of June 26, 2006) oversee business execution. For matters arising in the course of its business execution that may have a significant effect on the Company, the executive officers make their decisions on the basis of multifaceted deliberations. The Management Council deliberates on management policies and the Operations Council deliberates on specific plans for their implementation.

MGC receives advice from attorneys and other experts when necessary in the course of its decision making and business execution. In order to evaluate the business execution of directors and executive officers, reports on the execution of their duties are submitted regularly to the Board of Directors and internal meetings in addition to the reports of profits and losses and other financial matters that are submitted to monthly internal meetings.

In order that the Board of Directors and corporate auditors fulfill their roles as expected, the Company's articles of incorporation provide that, pursuant to Article 426,

Compensation of Directors, Corporate Auditors and Independent Auditor (Fiscal 2007)

Total Compensation and Other Amounts Paid to Corporate Officers

Classification	Number	Amount of Compensation, etc. (Millions of yen)
Directors	10	490
Corporate Auditors	5	80
(Outside Corporate Auditors)	3	35
Total	15	571

Notes: 1. The above compensation includes a fiscal 2007 increase in the reserve for retirement benefits for directors and corporate auditors (¥129 million for directors.
2. In addition to the compensation above, pursuant to the resolution of the 80th Annual General Meeting of Stockholders held on June 28, 2007, ¥218 million in retirement benefits was paid to one retiring director and one retiring corporate auditor. Furthermore, in conjunction with the abolishment of the retirement benefits system for corporate auditors, a resolution at the same meeting was passed to make a one-time lump-sum payment of accrued retirement benefits totaling ¥34 million to three corporate auditors currently employed.

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	¥56 million
2) Aggregate amount of cash and other monetary payments made by MGC and MGC's subsidiaries	¥68 million

Notes: 1. The fee for audits pursuant to the Corporation Law and that for audits pursuant to the Financial Instruments and Exchange Law are not differentiated in the Audit Agreement between MGC and its independent auditor. As such, the amount in 1) includes the amount of the audit fee and other payments due pursuant to the Financial Instruments and Exchange Law.
2. Of MGC's important subsidiaries, the financial statements of foreign subsidiaries are audited (as stipulated in the Corporation Law or the Financial Instruments and 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.

Paragraph 1 of the Corporation Law, directors (including former directors) and corporate auditors (including former corporate auditors), as defined by Article 423, Paragraph 1 of the Corporation Law may be exempted from liability for damages by resolution of the Board of Directors to the extent provided by law.

Auditing System

MGC's Board of Corporate Auditors is composed of five corporate auditors (three full-time). In the course of auditing the business execution of MGC, each corporate auditor attends meetings of the Board of Directors and other important meetings, audits MGC departments, and carries out surveys of subsidiaries. In doing so, they monitor the process of important decision-making and business execution to ensure rational decision-making as well as compliance with laws and corporate ethics. They also audit business execution.

To reinforce its auditing functions through an increase in the number of outside corporate auditors, effective from the Annual General Meeting of Stockholders held on June 28, 2007, MGC changed the number of corporate auditors from four to five, and increased the number of outside corporate auditors from two to three.

The Internal Audit Division was established to enhance internal controls and to raise business management efficiency. In order to confirm the proper execution of business, internal audits are conducted based on an annual plan (10 internal auditors, one full-time, nine part-time). The corporate auditors and the Internal Audit Division cooperate in the execution of audit duties, providing regular reporting and attending meeting sessions.

Pursuant to the Corporation Law, the Company has appointed Toyo Horwath as its independent auditor, and delegates auditing responsibilities to it pursuant to the Financial Instruments and Exchange Law. The auditing team for fiscal 2007 consisted of Tamotsu Kinjo, Chisato Kitayama and Akio Enokura, assisted by 14 other certified public accountants. The corporate auditors and independent auditors cooperate in the execution of audit duties, providing regular reporting and attending meeting sessions.

Relationships with Outside Directors and Outside Corporate Auditors

MGC does not appoint outside directors. There are no special interests between MGC and its outside corporate auditors.

Although MGC does not appoint outside directors, it is confident that it can ensure impartial management supervision by carrying out external audits of directors and including outside corporate auditors in the Company's decision-making process for important matters.

Director and Auditor Compensation

The nature of MGC's business is such that each business requires many years to reach profitability, with a progression from research and development to the construction of manufacturing facilities, and then to market development. In general, the individual skills and short-term achievements of an individual director do not greatly influence the Company's performance in a given fiscal year.

Consequently, MGC pays its directors compensation that is appropriate to and commensurate with their duties, the total amount of which is decided at the General Meeting of Stockholders in accordance with MGC director compensation regulations. As an incentive for corporate management from a long-term perspective, retirement benefits are paid upon retirement, the calculation of which is based on length of service and achievements during employment. Therefore, there is no retirement benefits system or pension system in place for outside directors and outside corporate auditors.

Depending on trends in the Company's performance, payments separate from those mentioned above may be awarded by resolution of the General Meeting of Stockholders, or reductions made to the fixed amounts for compensation.

MGC does not use a system of stock options or related corporate loans. However, MGC has established guidelines for directors and executive officers with the aim of aligning their interests with those of shareholders and thereby encouraging greater efforts by directors and executive officers to improve MGC's corporate value. Having stipulated a minimum number of MGC shares that directors and executive officers are required to hold, part of the compensation that MGC provides to its directors and executive officers is provided by the allotment of MGC shares through a shareholding system for directors and executive officers.

MGC pays its outside corporate auditors compensation that is appropriate to and commensurate with their duties and in accordance with MGC corporate auditor compensation regulations. MGC has revised its compensation system to enhance the independence of its corporate auditors from management. Effective from the Annual General Meeting of Stockholders held on June 28, 2007, MGC abolished its retirement benefits for corporate auditors (including outside corporate auditors) and established an integrated policy of fixed compensation.

Internal Control System

The Board of Directors of MGC has resolved with respect to the establishment of internal control systems and promotes internal controls of the MGC Group in accordance with this policy. In order to ensure that MGC and its Group companies construct, maintain and operate internal controls appropriately, while correctly and appropriately fulfilling the internal control reporting system requirements stipulated by the Financial Instruments and Exchange Law, MGC has established an Internal Control Promotion Committee headed by the director responsible for the Internal Audit Division.

Compliance

MGC views "compliance" as broadly encompassing conformity with laws, regulations, the Company's Articles of Incorporation, and internal rules, as well as the conduct of fair, transparent, and free business based on an awareness of corporate responsibility to society, and has established the Directives for Corporate Actions, Compliance Rules, and MGC Code of Conduct. Based on this, MGC has appointed an officer in charge of compliance and established a Compliance Advisory Committee chaired by said officer as an organization directly under the President. The Compliance Advisory Committee examines and implements measures to enhance MGC's compliance systems, and provides instructions and oversight regarding compliance. In order to detect internal compliance violations and take corrective measures promptly, a Compliance Counseling Office has been established as a means of receiving internal reports from officers, employees, their families, contractors, business partners and others.

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.

The MGC Compliance Handbook

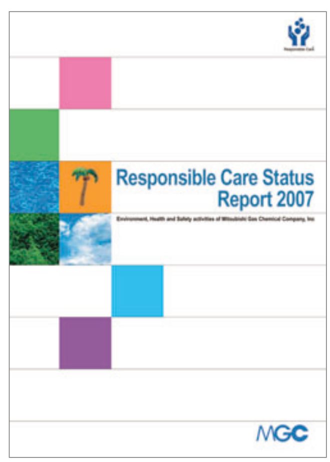
Risk Management

MGC has established Risk Management Rules in order to understand and appropriately manage business risks. A Risk Management Committee chaired by the officer in charge of risk management has been established as an organization directly under the President to identify the status of risk management and provide oversight and instructions on prioritizing risks and devising reduction measures.

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

Our Responsible Care Status Report can be viewed on our website. (http://www.mgc.co.jp/eng/csr/environment/report.html)



Responsible Care Status Report 2007

Board of Directors, Corporate Auditors and Executive Officers

(As of June 26, 2008)

Representative Director; Chairman

Hideki Odaka

Representative Director; President

Kazuo Sakai

Representative Director; Senior Managing Executive Officer

Shoji Uematsu

In charge of compliance; Chairman of Internal Control Promotion Committee; In charge of Internal Audit Division and Environment & Safety Division

Representative Director; Senior Managing Executive Officer

Kuniaki Kawakami

In charge of risk management; Member of Internal Control Promotion Committee; In charge of Administrative & Personnel Center

Directors, Managing Executive Officers

Yoshishige Yamazaki
President of Natural Gas Chemicals Company

Kazuhiro Miyasaka
President of Information & Advanced Materials Company

Kozo Tsukamoto
President of Aromatic Chemicals Company

Kuniaki Ageishi
Member of Internal Control Promotion Committee; In charge of Corporate Planning Division and Corporate Communications Division

Yuh Miyauchi
In charge of Research & Technology Development Division and Purchasing & Logistics Center

Jin Hata
Member of Internal Control Promotion Committee; In charge of Finance & Accounting Center

Corporate Auditors

Takao Kawaki

Hiroshi Watanabe

Outside Corporate Auditors

Ichiei Noguchi

Wataru Taguchi

Yoshimasa Nihei

Executive Officers

Kunio Oya
General Manager, Purchasing & Logistics Center

Makoto Mizutani
In charge of Maintenance Center; Executive Assistant to Director in charge of Environment & Safety Division

Jun Nakao
General Manager, Corporate Planning Division

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

Toshikiyo Kurai
President of Specialty Chemicals Company

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

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

Tomio Kato
Administrative Project Manager, China Hydrogen Peroxide Project, Specialty Chemicals Company

Takayuki Watanabe
General Manager, Electronic Materials Division, Information & Advanced Materials Company

Executive General Manager

Kinya Tsuji
CEO of BRUNEI METHANOL COMPANY SDN. BHD.

Business Segments

Natural Gas Chemicals

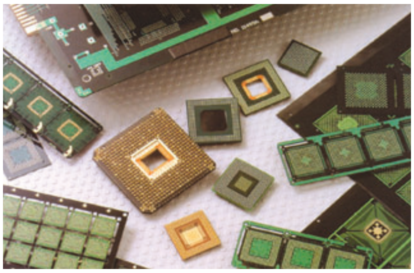
The strongly linked businesses in this segment start with natural gas, and extend to commodity chemicals such as methanol, ammonia and formaldehyde and organic chemicals derived from these commodity chemicals. Other business areas include development of life-science products and exploration of gas fields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

Aromatic Chemicals

The Aromatic Chemicals segment develops various chemicals, mainly based on super acid catalysis technology and meta-xylene. 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

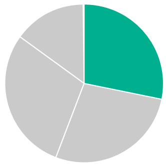
The electronic materials business supplies a wide range of products based on high-performance epoxy resins and BT resins, an original MGC material, including printed wiring boards, shield boards and materials for semiconductor packaging. MGC is a leading manufacturer of oxygen absorbers for use in food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

Major Products

Share of Net Sales

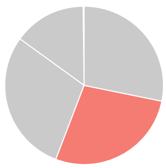
(Year ended March 31, 2008)

- **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.



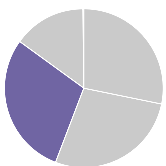
28.2%

- **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.



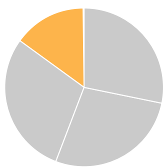
27.6%

- **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.



29.2%

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



14.8%

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

Natural Gas Chemicals

Yoshishige Yamazaki
Company President

Sales of the Natural Gas Chemicals segment increased ¥10,520 million, or 7.7 percent, year-on-year, to ¥146,607 million, and operating income increased ¥842 million, or 34.0 percent, to ¥3,321 million.

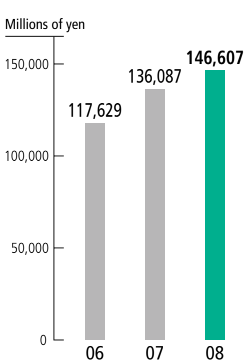
In the methanol business, the market softened at the start of the fiscal year as stable output from global manufacturing plants met demand. However, the market surged again in early autumn 2007 due to a decline in the operating ratio at the manufacturing plants of a major competing industry participant overseas. As a result, MGC's revenue and earnings grew both in Japan and at overseas subsidiaries. Equity in earnings of overseas methanol companies also increased substantially due to higher average prices compared with the previous fiscal year.

Revenue and earnings from methanol and ammonia derivatives grew due to solid overall demand and the successful reflection of higher raw material and fuel costs in prices.

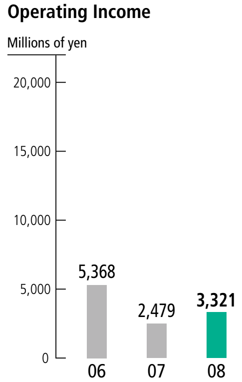
Despite increased sales volumes of Coenzyme Q_{10}, revenue and earnings from enzymes and coenzymes decreased due to market decline, mainly in exports.

Revenue and earnings from natural gas and other energy products increased as a result of rising crude oil prices.

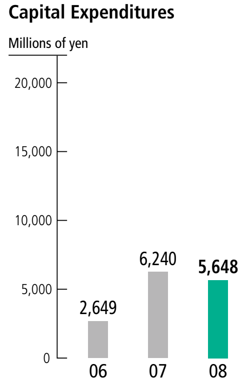
Net Sales



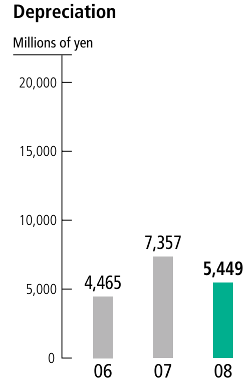
Operating Income



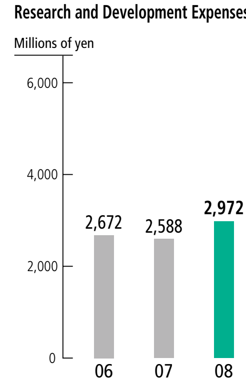
Capital Expenditures



Depreciation



Research and Development Expenses



Aromatic Chemicals

Kozo Tsukamoto
Company President

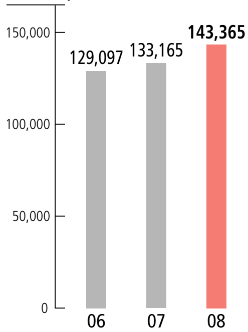
Sales of the Aromatic Chemicals segment increased ¥10,200 million, or 7.7 percent, to ¥143,365 million, and operating income increased ¥4,661 million, or 63.0 percent, to ¥12,062 million.

Revenue from commodity aromatic chemicals was essentially unchanged from the previous fiscal year as a result of price increases that helped offset increased mixed xylene and fuel costs. Reorganization of para-xylene operations resulted in a structure from the second half of the fiscal year that avoids market fluctuation risks.

Revenue from specialty aromatic chemicals increased compared with the previous year, supported by solid demand for both meta-xylenediamine (MXDA), which is used as an epoxy curing agent among other applications, and Nylon-MXD6, which is increasingly used in PET bottles due to its superior gas barrier properties. However, earnings decreased due to an increase in fixed costs including depreciation and other expenses associated with the completion of the MXDA production facility at the Mizushima plant. At MGC subsidiary A.G. INTERNATIONAL CHEMICAL CO., INC., tight global supply for isophthalic acid, which is used in PET bottles and coating materials, among other applications, led to strong sales, which resulted in substantial increases in revenue and earnings.

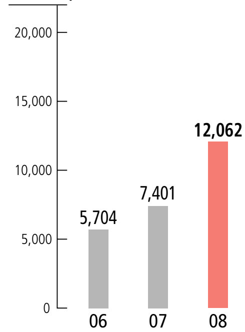
Net Sales

Millions of yen



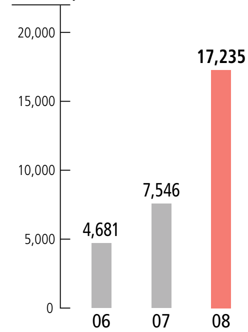
Operating Income

Millions of yen



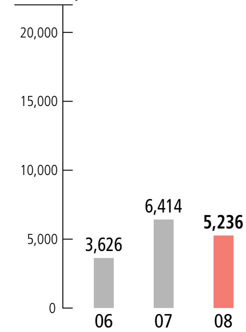
Capital Expenditures

Millions of yen



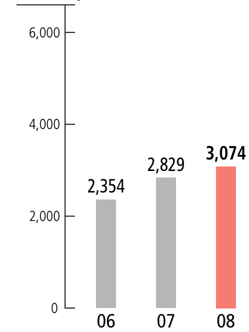
Depreciation

Millions of yen



Research and Development Expenses

Millions of yen



Specialty Chemicals

Toshikiyo Kurai
Company President

Sales of the Specialty Chemicals segment increased ¥10,421 million, or 7.4 percent, to ¥151,637 million, and operating income decreased ¥1,032 million, or 6.0 percent, to ¥16,170 million.

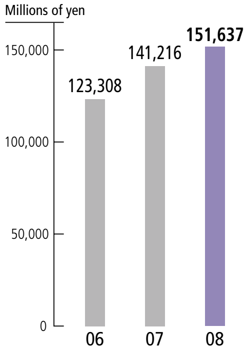
Revenue from inorganic chemicals for industrial applications increased due to higher sales volumes of hydrogen peroxide for use in the paper and pulp industry. However, earnings decreased as a result of higher raw material and fuel prices and competition from products originating overseas.

Revenue from electronic chemicals increased compared with the previous fiscal year, and earnings were unchanged. Firm overall demand helped to offset the impact of higher raw material and fuel prices and inventory adjustments by some purchasers of high-value-added products.

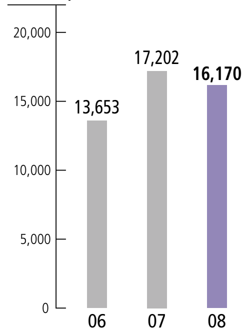
In engineering plastics, revenues increased, supported by continued solid demand from major customers in the electronic and automotive industries. However, earnings decreased due to higher raw material and fuel prices and a softer market for polycarbonate from the middle of the fiscal year.

Although revenue increased at consolidated subsidiary MGC FILSHEET CO., LTD., profitability worsened due to downward revisions of prices for the polycarbonate sheets and films that it manufactures, as well as an increased depreciation burden.

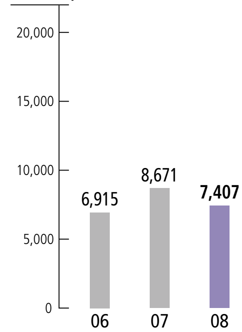
Net Sales
Millions of yen



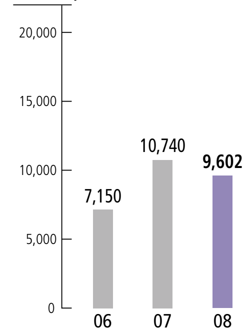
Operating Income
Millions of yen



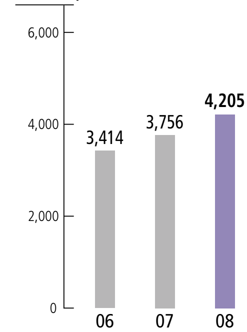
Capital Expenditures
Millions of yen



Depreciation
Millions of yen



Research and Development Expenses
Millions of yen



Information & Advanced Materials

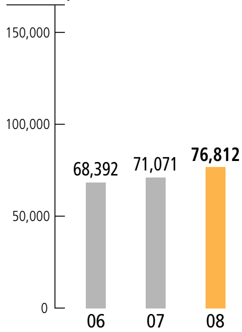
Kazuhiro Miyasaka
Company President

Sales of the Information & Advanced Materials segment increased ¥5,741 million, or 8.1 percent, to ¥76,812 million and operating income increased ¥768 million, or 5.3 percent to ¥15,227 million.

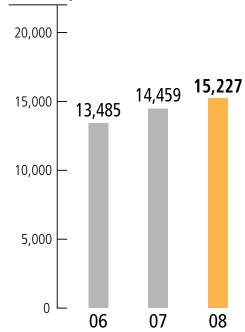
Revenue and earnings from materials for printed circuit boards increased. Although operations were affected by increases in the cost of copper foil and other raw materials, orders picked up during the fiscal year and demand for memory semiconductor applications increased, particularly in the first half of the year. At manufacturing subsidiary ELECTROTECHNO CO., LTD., measures to boost the production capacity of equipment for copper-clad laminate and other products were completed according to plan. At manufacturing subsidiary YONEZAWA DIA ELECTRONICS CO., INC., revenue and earnings increased. Factors included continued steady sales of LE Sheet, an entry sheet used in mechanical drilling, mainly for applications in motherboards and printed circuit boards for mobile phones, as well as lower production costs for LE Sheet resulting from technology improvements.

Revenue from AGELESS® and other oxygen absorbers increased, supported by higher exports and solid sales of AnaeroPack® and other products to the non-food sector. However, earnings were essentially unchanged from the previous fiscal year due to more intense competition in the domestic food sector, the main market for these products.

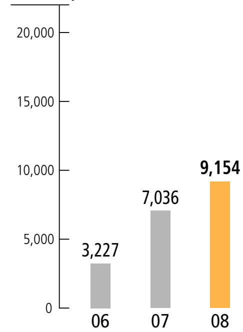
Net Sales
Millions of yen



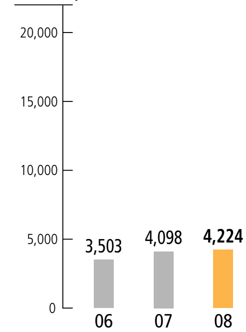
Operating Income
Millions of yen



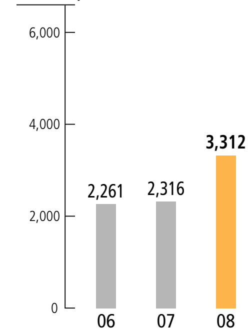
Capital Expenditures
Millions of yen



Depreciation
Millions of yen



Research and Development Expenses
Millions of yen



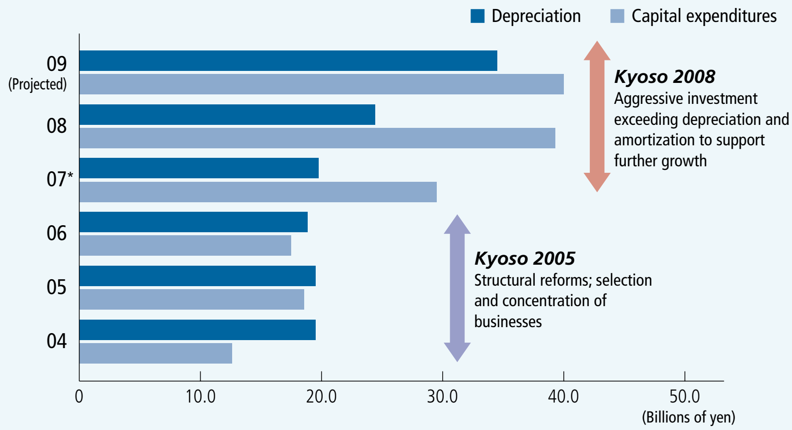
Other

Sales of the Other segment decreased ¥161 million, or 15.1 percent, to ¥908 million, and operating income increased ¥12 million, or 2.5 percent, to ¥495 million.

Supporting Further Growth — MGC's New Facilities and Investment Plan

MGC is currently aggressively investing in its core business as part of *Kyoso 2008*, the medium-term management plan for the period from April 2006 to March 2009 that serves as the MGC Group's second stage targeting further growth. Following is a summary of some of MGC's new facilities and the exploration investment plan that will support further growth.

Capital Expenditures and Depreciation



* A one-time loss totaling ¥8.8 billion resulting from revisions to the method of calculating depreciation of property, plant and equipment has been subtracted from depreciation for the fiscal year ended March 31, 2007.

Expansion of Production Capacity for Copper-Clad Laminates

In April 2008, manufacturing subsidiary ELECTROTECHNO CO., LTD. finished optimizing its new line for mass-producing copper-clad laminates and other products. As a result, ELECTROTECHNO increased its copper-clad laminate production capacity by 300,000m^2 to 1,000,000m^2 per month. The new line uses cutting-edge production equipment to meet growing market needs for thinner materials.

MGC's Copper-Clad Laminates

MGC's copper-clad laminates include BT resin laminates, which have a high share of the market for semiconductor substrate materials, and high-performance epoxy resin laminates, which are used in high multilayer printed circuit boards. BT copper-clad laminates are a mainstay product, based on original BT resin developed by MGC. Highly evaluated for their superior heat resistance and high-frequency characteristics, they are widely used in semiconductor package materials and module board materials. Demand is expected to continue growing with the increase in digital electronic equipment. High-performance epoxy resin laminates are increasingly being adopted for use in information processing equipment, telecommunications infrastructure equipment and semiconductor testing devices, which require high heat resistance and electrical conductivity for high-speed transmission with low signal loss.

Expansion of Production Capacity for Purified Isophthalic Acid

In April 2008, MGC subsidiary AG INTERNATIONAL CHEMICAL CO., INC. (AGIC) commenced commercial production of purified isophthalic acid (PIA) at its newly constructed facility, which has an annual production capacity of 100,000 tons. AGIC already owns a facility at the MGC Mizushima Plant that can produce 130,000 tons of PIA annually, but it has been operating at full capacity for several years to meet rapidly increasing demand. The addition of the new facility increased AGIC's total annual production capacity to 230,000 tons, consolidating the company's position as the top manufacturer of PIA in Asia.

What is PIA?

PIA is a chemical substance synthesized from meta-xylene, and is used to produce polyethylene terephthalate (PET) bottle resins, paint, and glass fiber reinforced plastics. Demand for PIA has risen steadily in recent years, and is expected to continue increasing, driven by high growth in the markets for PET bottles, which is its primary application, and powdered paints.

Expansion of Production Capacity for Meta-Xylenediamine

In April 2008, full-scale commercial production began at a newly constructed meta-xylenediamine (MXDA) facility at the Mizushima Plant. The facility has an annual production capacity of 20,000 tons, and raises MGC's annual MXDA production capacity to 50,000 tons when combined with the existing facility at the Niigata Plant. Using two locations has further stabilized MGC's supply framework. The new facility incorporates improvements to existing processes that have reduced production costs.

What is MXDA?

MXDA is a chemical substance synthesized from meta-xylene. While MGC sells MXDA to other companies for producing epoxy resin curing agents, polyamides and isocyanate, more than half of it is used internally as a raw material for derivatives such as Nylon-MXD6 resin and 1,3-bis (aminomethyl) cyclohexane. The demand for MXDA has increased more than 10 percent annually in recent years in line with growth of these derivatives. MGC is also developing new derivatives that use MXDA as a raw material, and forecasts further increase in demand in the future.

Offshore Exploration for Natural Gas and Oil at Kita Kambara, Niigata Prefecture[1]

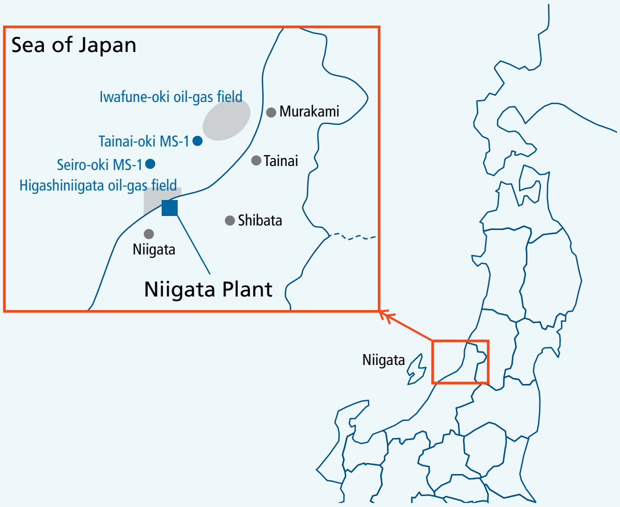
Based on a geotechnical survey of the seabed adjacent to Kita Kambara in Niigata Prefecture, MGC commenced drilling at two exploratory wells at Seiro-oki and Tainai-oki, two offshore locations judged to have potential for yielding oil or gas. Drilling began in March 2008 at Seiro-oki MS-1 well, using the semi-submersible platform Hakuryu No. 5. Once the target depth of 4,300 meters has been reached, drilling will commence at Tainai-oki MS-1. Drilling here is scheduled to finish at the end of August when the target depth of 4,350 meters has been reached.

If exploratory drilling suggests that oil and natural gas exist, MGC will conduct tests to verify productivity and delineate reservoirs. On the basis of these tests, a decision will be made whether to proceed with development of a new oil and gas field.

MGC's Exploration Operations

Focusing on the rich natural gas reserves of Niigata Prefecture, MGC was the first company in Japan to synthesize methanol and ammonia from natural gas. Since then, MGC has been developing diverse chemical products using natural gas as a raw material[2]. Exploration operations are the foundation of "natural gas chemicals." For approximately 50 years, MGC has carried out natural gas and oil exploration activities in Niigata Prefecture. The gas produced is used as a feedstock and fuel at the Niigata Plant. Crude oil produced in conjunction with natural gas is sold to oil refining companies.

In addition to producing natural gas and crude oil in the Higashiniigata oil-gas field directly beneath the Niigata Plant and the Iwafune-oki oil-gas field in the Japan Sea, MGC undertakes ongoing exploration in Japan and overseas to secure new reserves.



Notes:

1. This business is a joint venture with Japan Petroleum Exploration Co., Ltd. and Japex Offshore Ltd.
2. Domestic production of methanol ceased in 1995.

Six-Year Summary

Mitsubishi Gas Chemical Company, Inc. and Consolidated Subsidiaries
For the years ended March 31, 2008, 2007, 2006, 2005, 2004 and 2003

	Millions of yen					
	2008	2007	2006	2005	2004	2003
For the year:						
Net sales	¥519,329	¥482,608	¥439,830	¥388,589	¥340,711	¥312,119
Chemical products	—	—	—	223,952	188,984	176,747
Advanced materials	—	—	—	138,976	127,991	110,201
Other products	—	—	—	25,661	23,736	25,171
Natural Gas Chemicals	146,607	136,087	117,629	112,172	—	—
Aromatic Chemicals	143,365	133,165	129,097	110,045	—	—
Specialty Chemicals	151,637	141,216	123,308	106,541	—	—
Information and Advanced Materials	76,812	71,071	68,392	57,890	—	—
Other	908	1,069	1,404	1,941	—	—
Gross profit	102,179	91,679	87,136	75,363	55,711	45,159
Selling, general and administrative expenses	54,812	49,459	48,166	44,494	40,776	43,252
Operating income	47,367	42,220	38,970	30,869	14,935	1,907
Net income (loss)	40,209	40,044	32,944	23,349	10,622	(474)
R&D expenses	13,563	11,489	10,702	10,726	10,516	11,542
Capital expenditures	39,448	29,502	17,484	18,591	12,505	15,796
Depreciation and amortization	24,521	28,626	18,759	19,430	19,519	20,113
At year end:						
Total assets	¥601,386	¥609,966	¥564,484	¥494,577	¥475,117	¥458,137
Current assets	268,660	275,926	242,255	208,365	191,775	180,343
Current liabilities	213,531	221,669	221,650	197,045	199,885	193,765
Working capital	55,129	54,257	20,605	11,320	(8,110)	(13,422)
Total net assets	312,021	292,696	259,339	203,307	180,524	161,859
Interest-bearing debt	150,573	163,950	161,806	167,059	184,299	193,999
Per share of common stock (Yen):						
Net income (loss)—basic	¥ 87.01	¥ 86.63	¥ 70.98	¥ 50.41	¥ 22.91	¥ (1.05)
Net income—diluted	85.13	85.64	—	—	—	—
Net assets	654.25	613.64	543.12	439.60	390.23	349.93
Cash dividends	16.00	14.00	10.00	6.00	4.00	3.00
Ratios:						
Gross profit margin (%)	19.7	19.0	19.8	19.4	16.4	14.5
Operating income margin (%)	9.1	8.7	8.9	7.9	4.4	0.6
Return on sales (%)	7.7	8.3	7.5	6.0	3.1	—
Return on assets (ROA) (%)	6.6	6.8	6.2	4.8	2.3	(0.1)
Return on equity (ROE) (%)	13.7	15.0	14.5	12.2	6.2	(0.3)
Current ratio (times)	1.26	1.24	1.09	1.06	0.96	0.93
Net assets ratio (%)	50.3	46.5	44.5	41.1	38.0	35.3
Number of employees	4,686	4,561	4,466	4,426	4,537	4,729

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, 2006. Figures for previous years use stockholders' equity.
3. Diluted net income per share is not presented for 2003 although there was an issue of convertible bonds, because the company recorded a net loss for the year. Diluted net income per share for 2004, 2005, 2006 and 2007 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
6. The calculation of return on equity uses net assets excluding minority interests.

Mitsubishi Gas Chemical Company, Inc. and Consolidated Subsidiaries
For the years ended March 31, 2008, 2007 and 2006

Sales and Income

During the year ended March 31, 2008, consolidated net sales increased ¥36,721 million, or 7.6 percent, compared with the previous fiscal year to ¥519,329 million, and operating income increased ¥5,147 million, or 12.2 percent, to ¥47,367 million. Consolidated net income for the fiscal year increased ¥165 million, or 0.4 percent, to ¥40,209 million. Factors included a decline in equity in earnings of affiliates following the one-time increase of the previous year resulting from special dividend payments from affiliated companies, foreign exchange loss, impairment loss associated with Coenzyme Q_{10}, an increase in taxes paid by subsidiaries, and the absence of the one-time loss resulting from revisions to the method of calculating depreciation of property, plant and equipment that impacted net income in the previous year.

Performance by Business Segment

Natural Gas Chemicals Segment

In the methanol business, the market softened at the start of the fiscal year as stable output from global manufacturing plants met demand. However, the market surged again in early autumn 2007 due to a decline in the operating ratio at the manufacturing plants of a major competing industry participant overseas. As a result, MGC's revenue and earnings grew both in Japan and at overseas subsidiaries. Equity in earnings of overseas methanol companies also increased substantially due to higher average prices compared with the previous fiscal year.

Revenue and earnings from methanol and ammonia derivatives grew due to solid overall demand and the successful reflection of higher raw material and fuel costs in prices.

Despite increased sales volumes of Coenzyme Q_{10}, revenue and earnings from enzymes and coenzymes decreased due to market decline, mainly in exports.

Revenue and earnings from natural gas and other energy products increased as a result of rising crude oil prices.

As a result, sales of the Natural Gas Chemicals segment increased ¥10,520 million, or 7.7 percent, year on year, to ¥146,607 million, and operating income increased ¥842 million, or 34.0 percent, to ¥3,321 million.

Aromatic Chemicals Segment

Revenue from commodity aromatic chemicals was essentially unchanged from the previous fiscal year as a result of price increases that helped offset increased mixed xylene and fuel costs. Reorganization of para-xylene operations resulted in a structure from the second half of the fiscal year that avoids market fluctuation risks.

Revenue from specialty aromatic chemicals increased compared with the previous year, supported by solid demand for both meta-xylenediamine (MXDA), which is used as an epoxy curing agent among other applications, and Nylon-MXD6, which is increasingly used in PET bottles due to its superior gas barrier properties. However, earnings decreased due to an increase in fixed costs including depreciation and other expenses associated with the completion of the MXDA production facility at the Mizushima plant. At MGC subsidiary A.G. INTERNATIONAL CHEMICAL CO., INC., tight global supply for isophthalic acid, which is used in PET bottles and coating materials, among other applications, led to strong sales, which resulted in substantial increases in revenue and earnings.

As a result, sales of the Aromatic Chemicals segment increased ¥10,200 million, or 7.7 percent, to ¥143,365 million, and operating income increased ¥4,661 million, or 63.0 percent, to ¥12,062 million.

Specialty Chemicals Segment

Revenue from inorganic chemicals for industrial applications increased due to higher sales volumes of hydrogen peroxide for use in the paper and pulp industry. However, earnings decreased as a result of higher raw material and fuel prices and competition from products originating overseas.

Revenue from electronic chemicals increased compared with the previous fiscal year, and earnings were unchanged. Firm overall demand helped to offset the impact of higher raw material and fuel prices and inventory adjustments by some purchasers of high-value- added products.

In engineering plastics, revenues increased, supported by continued solid demand from major customers in the electronic and automotive industries. However, earnings decreased due to higher raw material and fuel prices and a softer market for polycarbonate from the middle of the fiscal year.

Although revenue increased at consolidated subsidiary MGC FILSHEET CO., LTD., profitability worsened due to downward revisions of prices for the polycarbonate sheets and films that it manufactures, as well as an increased depreciation burden.

As a result, sales of the Specialty Chemicals segment increased ¥10,421 million, or 7.4 percent, to ¥151,637 million, and operating income decreased ¥1,032 million, or 6.0 percent, to ¥16,170 million.

Information & Advanced Materials Segment

Revenue and earnings from materials for printed circuit boards increased. Although operations were affected by increases in the cost of copper foil and other raw materials, orders picked up during the fiscal year and demand for memory semiconductor applications increased, particularly in the first half of the year. At manufacturing subsidiary ELECTROTECHNO CO., LTD., measures to boost the production capacity of equipment for copper clad laminate and other products were completed according to plan. At manufacturing subsidiary YONEZAWA DIA ELECTRONICS CO., INC., revenue and earnings increased. Factors included continued steady sales of LE Sheet, an entry sheet used in mechanical drilling, mainly for applications in motherboards and printed circuit boards for mobile phones, as well as lower production costs for LE Sheet resulting from technology improvements.

Revenue from AGELESS® and other oxygen absorbers increased, supported by higher exports and solid sales of AnaeroPack® and other products to the non-food sector. However, earnings were essentially unchanged from the previous fiscal year due to more intense competition in the domestic food sector, the main market for these products.

As a result, sales of the Information & Advanced Materials segment increased ¥5,741 million, or 8.1 percent, to ¥76,812 million and operating income increased ¥768 million, or 5.3 percent, to ¥15,227 million.

Other Segment

Sales of the Other segment decreased ¥161 million, or 15.1 percent, to ¥908 million, and operating income increased ¥12 million, or 2.5 percent, to ¥495 million.

Assets and Liabilities

Current assets decreased ¥7,266 million from a year earlier to ¥268,660 million. The last day of the previous fiscal year fell on a business holiday, and therefore the fiscal year-end settlements were included, which reduced trade notes and accounts receivable.

Net property, plant and equipment increased ¥8,775 million from a year earlier to ¥161,739 million. The main factor in the increase was capital expenditures that exceeded the increase in depreciation resulting from a change in the method of depreciation.

Investments and other assets decreased ¥10,209 million from a year earlier to ¥167,978 million. Investments in securities decreased ¥11,453 million to ¥153,921 million, mainly due to a decrease in the fair market value of stock held by the Company resulting from weaker stock market conditions.

As a result, total assets as of March 31, 2008 decreased ¥8,580 million from a year earlier to ¥601,386 million.

Current liabilities decreased ¥8,138 million from a year earlier to ¥213,531 million. Non-current liabilities decreased ¥19,767 million from a year earlier to ¥75,834 million. Interest-bearing debt, consisting of short-term debt and current installments of long-term debt plus long-term debt, stood at ¥150,573 million as of March 31, 2008, a decrease of ¥13,377 million from a year earlier. In addition, trade notes and accounts payable decreased as a result of the inclusion of settlements due on the balance sheet date in the previous fiscal year because the fiscal year end fell on a business holiday.

Total net assets as of March 31, 2008 increased ¥19,325 million from a year earlier to ¥312,021 million. Although net unrealized gain on other securities decreased, reflecting the drop in the fair market value of stock held by the Company as discussed above, retained earnings increased due to the Company's solid business performance.

As a result, the ratio of net assets to total assets increased to 50.3 percent from 46.5 percent a year earlier, and net assets per share increased to ¥654.25 from ¥613.64 a year earlier.

Cash Flow

Cash and cash equivalents at the end of the year decreased ¥4,032 million from a year earlier to ¥37,235 million.

Net cash provided by operating activities increased ¥18,598 million from the previous fiscal year to ¥40,395 million. The significant year-on-year change in trade notes and accounts receivable result largely because the final day of the previous fiscal year fell on a business holiday.

Net cash used in investing activities increased ¥6,868 million from the previous fiscal year to ¥20,908 million, mainly due to an increase in cash used for purchase of property, plant and equipment and for purchase of investments in securities.

Net cash used in financing activities increased ¥13,432 million from the previous fiscal year to ¥22,251 million. Net payments on long-term debt increased substantially as the MGC Group reduced external borrowing intended to fund capital expenditures. Other uses of cash included increased dividends to stockholders totaling ¥7,394 million.

Capital Expenditures

Capital expenditures of the MGC Group (the Company and its consolidated subsidiaries) for the year ended March 31, 2008 totaled ¥39,448 million.

By segment, capital expenditures were ¥5,648 million in the Natural Gas Chemicals segment, ¥17,235 million in the Aromatic Chemicals segment, ¥7,407 million in the Specialty Chemicals segment, ¥9,154 million in the Information & Advanced Materials segment, and ¥4 million in the Other segment.

Research and Development Expenses

Under *Kyoso 2008*, its medium-term management plan, the MGC Group is working to realize its Group vision of sustainable growth as a highly profitable, research-driven corporate group. To that end, the Company is actively conducting research and development in close cooperation with subsidiaries in line with the basic strategies of the plan, which are to deploy an in-depth differentiation strategy for further growth and to strengthen the management infrastructure.

The R&D organization consists of the three research laboratories in Tokyo, Niigata and Hiratsuka and the MGC Chemical Analysis Center, as well as the Research & Technology Development Division within the Corporate Group, the planning and development divisions within the Company Group, and the technical research departments of each plant. With this structure, MGC is promoting more efficient and speedy cultivation of new product lines by further enhancing the extensive technology platform it has built up, creating synergy by combining these technologies, and conducting research and development that leverages the Group's capabilities through joint development with and consignment of research to subsidiaries. Moreover, MGC has decided to integrate and restructure the Tokyo Research Laboratory and the neighboring Tokyo Techno-Center to form the Tokyo Techno Park. This new facility will be an urban research and development base focusing on research of specialty chemicals and advanced materials.

The MGC Group's research and development staff, including the research and development divisions of subsidiaries, numbers about 670 people, or approximately 14 percent of all employees. Total research and development expenses for the year ended March 31, 2008 were ¥13,563 million. Research and development expenses by segment were ¥2,972 million in the Natural Gas Chemicals segment, ¥3,074 million in the Aromatic Chemicals segment, ¥4,205 million in the Specialty Chemicals segment, and ¥3,312 million in the Information & Advanced Materials segment.

Consolidated Forecast for the Fiscal Year Ending March 31, 2009

A slowdown in the U.S. economy stemming from the subprime mortgage crisis, along with a limited recovery in domestic consumption, are prompting concerns of deceleration or stagnation in the domestic economy. In addition, the operating environment is likely to worsen, with increases in and sustained high costs for crude oil and other fuels as well as raw materials and construction materials, and a continued strong yen.

Under these conditions, 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.

Although the healthy sales volumes of isophthalic acid and electronic materials recorded during the fiscal year under review are expected to continue to expand in the next fiscal year, market conditions are expected to worsen. In addition, operating income is expected to decrease year on year because of an increase in fixed costs including depreciation costs associated with the operation of new facilities, repair and improvement costs incurred in large-scale renovations of aging facilities, and retirement benefit expenses. Equity in earnings of affiliates is expected to be lower due to market decline and the impact of a strong yen on foreign currency translation, despite the anticipated increase in sales volumes from the operation of new facilities at overseas methanol manufacturing companies.

Consolidated full-year forecasts for the year ending March 31, 2009 are for net sales of ¥540 billion, operating income of ¥30 billion and net income of ¥35 billion.

These forecasts are based on an assumed exchange rate for the fiscal year of ¥100 = US$1. Premised on the achievement of the above performance forecasts, MGC plans to pay an interim dividend and a year-end dividend of ¥8.00 per share each.

Business and Other Risks

The following are the main foreseeable risks that have the potential to affect the MGC Group's operating results, stock price and financial condition.

Please note that the following does not represent an exhaustive list of risks. All forward-looking statements in the text are based on the judgment of the MGC Group as of June 26, 2008.

1) Economic Conditions

The business revenues of the MGC Group are affected by economic conditions in the countries and regions where the Group's products are sold.

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

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

2) Overseas Business

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

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

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

3) Business Characteristics

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

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

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

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

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

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

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

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

4) Product Defects

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

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

5) Legal Restrictions

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

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

6) Natural Disasters

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

7) Accidents and Disasters

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

8) Research and Development

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

9) Joint Ventures

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

10) Intellectual Property

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

Consolidated Balance Sheets

Mitsubishi Gas Chemical Company, Inc. and Consolidated Subsidiaries
March 31, 2008 and 2007

ASSETS	Millions of yen		Thousands of U.S. dollars (note 2)
	2008	2007	2008
Current assets:			
Cash (note 3)	¥ 30,265	¥ 36,565	$ 302,076
Trade notes and accounts receivable (note 16)	139,715	151,783	1,394,500
Short-term investments (notes 4 and 6)	8,381	6,356	83,651
Inventories	70,246	66,115	701,128
Deferred income taxes (note 8)	5,695	4,946	56,842
Other current assets	15,317	11,147	152,880
Less allowance for doubtful receivables	959	986	9,572
Total current assets	268,660	275,926	2,681,505
Property, plant and equipment (notes 6 and 13):			
Buildings and structures	116,998	109,484	1,167,761
Machinery, equipment and vehicles	311,164	288,731	3,105,739
Land	23,141	23,465	230,971
Construction in progress	20,093	19,095	200,549
Other	26,905	26,122	268,540
	498,301	466,897	4,973,560
Less accumulated depreciation	336,562	313,933	3,359,237
Net property, plant and equipment	161,739	152,964	1,614,323
Intangible assets, net:			
Goodwill	465	850	4,641
Software	2,112	1,542	21,080
Other	432	497	4,312
Net intangible assets	3,009	2,889	30,033
Investments and other assets:			
Investments in securities (notes 4, 5 and 6)	153,921	165,374	1,536,291
Long-term loans receivable	3,376	3,514	33,696
Deferred income taxes (note 8)	4,876	4,214	48,668
Other investments and other assets (notes 5 and 7)	6,466	5,868	64,537
Less allowance for doubtful receivables	661	783	6,598
Total investments and other assets	167,978	178,187	1,676,594
Total assets	¥601,386	¥609,966	$6,002,455

See accompanying notes to consolidated financial statements.

LIABILITIES AND NET ASSETS

	Millions of yen		Thousands of U.S. dollars (note 2)
	2008	2007	2008
Current liabilities:			
Trade notes and accounts payable	¥ 85,148	¥ 96,869	$ 849,865
Short-term debt and current installments of long-term debt (note 6)	84,679	85,587	845,184
Accrued expenses	15,212	14,212	151,831
Accrued income taxes (note 8)	5,052	6,320	50,424
Accrued bonuses	4,230	4,193	42,220
Other current liabilities (notes 7 and 8)	19,210	14,488	191,736
Total current liabilities	213,531	221,669	2,131,260
Non-current liabilities:			
Long-term debt (note 6)	65,894	78,363	657,690
Liabilities for retirement and severance benefits (note 7)	4,701	9,251	46,921
Deferred income taxes (note 8)	374	5,513	3,733
Other non-current liabilities (note 7)	4,865	2,474	48,558
Total non-current liabilities	75,834	95,601	756,902
Total liabilities	289,365	317,270	2,888,162
Stockholders' equity:			
Common stock (note 9):	41,970	41,970	418,904
Authorized 984,856,000 shares; issued 483,478,398 shares in 2008 and 2007			
Additional paid-in capital (note 9)	35,577	35,565	355,096
Retained earnings (note 10)	222,047	188,695	2,216,259
Treasury stock, at cost; 21,396,891 shares in 2008 and 21,268,505 shares in 2007	(4,287)	(4,139)	(42,789)
Total stockholders' equity	295,307	262,091	2,947,470
Valuation and translation adjustments:			
Net unrealized gain on other securities (note 4)	10,867	22,042	108,464
Deferred gains on hedges	129	208	1,288
Surplus on revaluation of land	192	192	1,916
Foreign currency translation adjustments	(4,181)	(902)	(41,731)
Total valuation and translation adjustments	7,007	21,540	69,937
Minority interests	9,707	9,065	96,886
Total net assets	312,021	292,696	3,114,293
Commitments and contingencies (note 17)			
Total liabilities and net assets	¥601,386	¥609,966	$6,002,455

Consolidated Statements of Income

Mitsubishi Gas Chemical Company, Inc. and Consolidated Subsidiaries
For the years ended March 31, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars (note 2)
	2008	2007	2008
Net sales (note 16)	¥519,329	¥482,608	$5,183,441
Cost of sales (note 12)	417,150	390,929	4,163,589
Gross profit	102,179	91,679	1,019,852
Selling, general and administrative expenses (notes 11 and 12)	54,812	49,459	547,080
Operating income	47,367	42,220	472,772
Other income (deductions):			
Interest income	425	289	4,242
Dividend income	1,579	1,674	15,760
Interest expenses	(2,147)	(2,101)	(21,429)
Equity in earnings of affiliates	21,312	23,200	212,716
Exchange loss	(3,705)	—	(36,980)
Personnel expenses for seconded employees	(1,212)	(1,560)	(12,097)
Gain on sale of investments in securities (note 4)	—	323	—
Loss on disposal of inventories	(911)	(600)	(9,093)
Loss on sale/disposal of property, plant and equipment	(1,370)	(987)	(13,674)
Depreciation	—	(8,794)	—
Impairment loss (note 13)	(5,023)	—	(50,135)
Other, net	(247)	(1,016)	(2,465)
	8,701	10,428	86,845
Income before income taxes and minority interests	56,068	52,648	559,617
Income taxes (note 8):			
Current	12,212	13,470	121,888
Deferred	2,076	(2,141)	20,721
	14,288	11,329	142,609
Income before minority interests	41,780	41,319	417,008
Minority interests	1,571	1,275	15,681
Net income	¥ 40,209	¥ 40,044	$ 401,327

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, 2008 and 2007

Years ended March 31, 2008 and 2007

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, 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
Changes arising during year:												
Cash dividends			**(7,395)**		**(7,395)**							**(7,395)**
Net income			**40,209**		**40,209**							**40,209**
Increase resulting from newly consolidated subsidiaries			**538**		**538**							**538**
Purchase of treasury stock				**(151)**	**(151)**							**(151)**
Disposition of treasury stock		**12**		**3**	**15**							**15**
Net changes other than stockholders' equity						**(11,175)**	**(79)**		**(3,279)**	**(14,533)**	**642**	**(13,891)**
Total changes during the year	**—**	**12**	**33,352**	**(148)**	**33,216**	**(11,175)**	**(79)**	**—**	**(3,279)**	**(14,533)**	**642**	**19,325**
Balance at March 31, 2008	**¥41,970**	**¥35,577**	**¥222,047**	**¥(4,287)**	**¥295,307**	**¥ 10,867**	**¥129**	**¥192**	**¥(4,181)**	**¥ 7,007**	**¥9,707**	**¥312,021**

Year ended March 31, 2008

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, 2007	$418,904	$354,976	$1,883,372	$(41,312)	$2,615,940	$ 220,002	$2,076	$1,916	$ (9,003)	$ 214,991	$90,478	$2,921,409
Changes arising during year:												
Cash dividends			**(73,810)**		**(73,810)**							**(73,810)**
Net income			**401,327**		**401,327**							**401,327**
Increase resulting from newly consolidated subsidiaries			**5,370**		**5,370**							**5,370**
Purchase of treasury stock				**(1,507)**	**(1,507)**							**(1,507)**
Disposition of treasury stock		**120**		**30**	**150**							**150**
Net changes other than stockholders' equity						**(111,538)**	**(788)**		**(32,728)**	**(145,054)**	**6,408**	**(138,646)**
Total changes during the year	**—**	**120**	**332,887**	**(1,477)**	**331,530**	**(111,538)**	**(788)**	**—**	**(32,728)**	**(145,054)**	**6,408**	**192,884**
Balance at March 31, 2008	**$418,904**	**$355,096**	**$2,216,259**	**$(42,789)**	**$2,947,470**	**$ 108,464**	**$1,288**	**$1,916**	**$(41,731)**	**$ 69,937**	**$96,886**	**$3,114,293**

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, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars (note 2)
	2008	2007	2008
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 56,068	¥ 52,648	$ 559,617
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	24,521	28,626	244,745
Loss on sale/disposal of property, plant and equipment	737	867	7,356
Impairment loss	5,023	—	50,135
Equity in earnings of affiliates	(21,312)	(23,200)	(212,716)
Allowance for doubtful receivables	(149)	426	(1,487)
Decrease in liabilities for retirement and severance benefits	(4,545)	(1,294)	(45,364)
Interest and dividend income	(2,004)	(1,963)	(20,002)
Interest expenses	2,147	2,101	21,429
Gain on sale of short-term investments and investments in securities	(49)	(218)	(489)
Loss on devaluation of short-term investments and investments in securities	18	229	180
(Increase) decrease in trade notes and accounts receivable	10,039	(25,272)	100,200
Increase in inventories	(5,591)	(10,764)	(55,804)
Increase (decrease) in trade notes and accounts payable	(11,051)	11,191	(110,301)
Bonuses to directors and corporate auditors	—	(134)	—
Other, net	396	5,113	3,952
Sub total	54,248	38,356	541,451
Interest and dividend received	2,005	1,612	20,012
Interest paid	(2,155)	(2,026)	(21,509)
Income taxes paid	(13,703)	(16,145)	(136,770)
Net cash provided by operating activities	40,395	21,797	403,184
Cash flows from investing activities:			
Purchase of short-term investments	(139)	(114)	(1,387)
Proceeds from sale of short-term investments	239	124	2,385
Capital expenditures	(34,829)	(26,316)	(347,630)
Proceeds from sale of property, plant and equipment	2,117	2,534	21,130
Purchase of investments in securities	(9,876)	(2,385)	(98,573)
Proceeds from sale of investments in securities	173	542	1,727
(Increase) decrease in long-term loans receivable	(420)	633	(4,192)
Other, net	21,827	10,942	217,856
Net cash used in investing activities	(20,908)	(14,040)	(208,684)
Cash flows from financing activities:			
Decrease in short-term debt	(1,833)	(747)	(18,295)
Proceeds from long-term debt	4,402	42,844	43,936
Payments on long-term debt	(16,818)	(44,457)	(167,861)
Purchase of treasury stock	(152)	(113)	(1,517)
Dividends paid to stockholders	(7,394)	(5,547)	(73,800)
Dividends paid to minority stockholders of subsidiaries	(668)	(943)	(6,667)
Other, net	212	144	2,116
Net cash used in financing activities	(22,251)	(8,819)	(222,088)
Effect of exchange rate changes on cash and cash equivalents	(1,847)	(124)	(18,435)
Decrease in cash and cash equivalents	(4,611)	(1,186)	(46,023)
Cash and cash equivalents at beginning of year	41,267	40,590	411,888
Increase in cash and cash equivalents resulting from the merger	—	856	—
Cash and cash equivalents of newly consolidated subsidiaries	579	1,007	5,779
Cash and cash equivalents at end of year (note 3)	¥ 37,235	¥ 41,267	$ 371,644

See accompanying notes to consolidated financial statements.

Mitsubishi Gas Chemical Company, Inc. and Consolidated Subsidiaries

Note 1. Summary of Significant Accounting Policies

(a) Basis of Presenting Consolidated Financial Statements

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

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

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

(b) Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries (33 subsidiaries for 2008 and 31 subsidiaries for 2007). 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 of the Company and its domestic consolidated subsidiaries is provided principally by the declining-balance method for the year ended March 31, 2008 and principally by the straight-line method for the year ended March 31, 2007, based on the estimated useful lives. And depreciation of overseas subsidiaries is provided principally by the straight-line method.

The estimated useful lives are as follows:

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

From the year ended March 31, 2008, the Company changed its depreciation method of property, plant and equipment other than buildings from the straight-line method to the declining-balance method. And the Company and its domestic consolidated subsidiaries changed the estimated residual value of property, plant and equipment which was acquired on or after April 1, 2007 from 5% of the acquisition cost to ¥1 in accordance with the revised corporate tax law. Under the circumstances of increasing capital expenditures and growing obsolescence through technology innovation, these changes are made to aim at showing periodical profits and losses more appropriately. As a result of these changes, both operating income and income before income taxes and minority interests decreased by ¥3,327 million ($33,207 thousand).

With respect to property, plant and equipment acquired on or before March 31, 2007, the Company and its domestic consolidated subsidiaries had depreciated the estimated residual value of property, plant and equipment from 5% of the acquisition cost to ¥1 as a memorandum value until the year ended March 31, 2007 because research on actual conditions of property, plant and equipment disposals had found an actual disposal value was almost zero due to accruing disposal costs, etc. From the year ended March 31, 2008, such property, plant and equipment acquired on or before March 31, 2007 which were depreciated to the allowable limit based on a pre-revised corporate tax law (95% of the acquisition cost) in a particular business year are further depreciated down to ¥1 evenly over five years starting from the following business year. The change was made because it takes a long time to depreciate to ¥1 by the declining-balance method (the newly adopted depreciation method) and that does not reflect the actual condition, and made for office work simplification. The effect of this change was immaterial.

(g) Intangible Assets

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

(h) Impairment of Long-lived Assets

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

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

Effective from April 1, 2007, revenues and expenses of overseas subsidiaries are translated into yen using the average rate in the year, which were previously translated into yen at the rate of exchange as of the balance sheet date. This change was made to reflect the actual results of operations of the subsidiaries which are generated through the year, considering the increasing materiality of the overseas subsidiaries. As a result of this change, net sales increased by ¥1,562 million ($15,590 thousand), operating income increased by ¥26 million ($260 thousand) and income before income taxes and minority interests increased by ¥705 million ($7,037 thousand), respectively.

(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 at March 31, 2007 amounted to ¥283,423 million 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 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 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, 2008.

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, 2008 have been translated into United States dollars at the rate of ¥100.19=U.S.$1, the approximate exchange rate on the Tokyo Foreign Exchange Market on March 31, 2008. 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, 2008 and 2007 is follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Cash	¥30,265	¥36,565	$302,076
Time deposits with maturities of over three months	(255)	(371)	(2,545)
Short-term investments	7,225	5,073	72,113
Cash and cash equivalents	¥37,235	¥41,267	$371,644

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, 2008 and 2007 are summarized as follows:

	Millions of yen			
	Balance sheet amount	Gross unrealized gain	Gross unrealized loss	Fair value
March 31, 2008				
Government bond securities	¥51	¥—	¥—	¥51
	¥51	¥—	¥—	¥51

March 31, 2007				
Government bond securities	¥51	¥—	¥—	¥51
	¥51	¥—	¥—	¥51

	Thousands of U.S. dollars			
	Balance sheet amount	Gross unrealized gain	Gross unrealized loss	Fair value
March 31, 2008				
Government bond securities	$509	$—	$—	$509
	$509	$—	$—	$509

Acquisition cost, balance sheet amount and gross unrealized gain and loss of other securities with fair value as of March 31, 2008 and 2007 are summarized as follows:

	Millions of yen			
	Acquisition cost	Gross unrealized gain	Gross unrealized loss	Balance sheet amount
March 31, 2008				
Equity securities	¥30,056	¥17,540	¥(298)	¥47,298
Other securities	33	—	—	33
	¥30,089	¥17,540	¥(298)	¥47,331
March 31, 2007				
Equity securities	¥26,813	¥36,883	¥(46)	¥63,650
Other securities	33	—	—	33
	¥26,846	¥36,883	¥(46)	¥63,683

	Thousands of U.S. dollars			
	Acquisition cost	Gross unrealized gain	Gross unrealized loss	Balance sheet amount
March 31, 2008				
Equity securities	$299,990	$175,067	$(2,974)	$472,083
Other securities	329	—	—	329
	$300,319	$175,067	$(2,974)	$472,412

It is not practicable to estimate the fair value of securities as of March 31, 2008 and 2007 described below because of lack of market price and difficulty in estimating fair value.

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Held-to-maturity securities:			
Certificates of deposit	¥ 8,261	¥6,244	$ 82,453
Other securities:			
Unlisted equity securities	3,400	3,477	33,936
	¥11,661	¥9,721	$116,389

Projected future redemption of other securities with maturities and held-to-maturity securities at March 31, 2008 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	¥ 44	¥13	¥ 2	¥—
Other:				
Certificates of deposit	8,261	—	—	—
	¥8,305	¥13	¥ 2	¥—

	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	$ 439	$130	$20	$—
Other:				
Certificates of deposit	82,454	—	—	—
	$82,893	$130	$20	$—

For the years ended March 31, 2008 and 2007, proceeds from the sale of other securities are ¥168 million ($1,677 thousand) and ¥476 million, gross realized gains are ¥54 million ($539 thousand) and ¥326 million, gross realized losses are ¥10 million ($100 thousand) and ¥3 million, respectively.

Note 5. Investments in Affiliates

The aggregate carrying amounts of investments in affiliates as of March 31, 2008 and 2007 are ¥103,300 million ($1,031,041 thousand) and ¥98,346 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, 2008 and 2007 is 1.2% and 1.0%, respectively.

Long-term debt as of March 31, 2008 and 2007 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Loans, principally from banks, maturing in installments through 2028 with weighted average interest of 1.8% at March 31, 2008 and maturing in installments through 2028 with weighted average interest of 1.7% at March 31, 2007, partially secured by mortgage of property, plant and equipment and securities	¥61,852	¥73,681	$617,347
Yen zero coupon convertible bonds (bonds with stock acquisition rights), due 2011	20,000	20,000	199,621
1.18% unsecured yen bonds issued by a subsidiary, due 2009	1,000	1,000	9,981
	82,852	94,681	826,949
Less current installments	16,958	16,288	169,259
	65,894	78,393	657,690
Elimination on consolidation	—	(30)	—
	¥65,894	¥78,363	$657,690

The yen zero coupon convertible bonds (bonds with stock acquisition rights), due 2011 are 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 ¥1,963 ($19.59) per share on March 31, 2008.

The aggregate annual maturities of long-term debt after March 31, 2009 are as follows:

	Millions of yen	Thousands of U.S. dollars
Year ending March 31:		
2010	¥13,983	$139,565
2011	2,743	27,378
2012	21,801	217,597
2013	18,755	187,194

Property, plant and equipment and securities with a book value at March 31, 2008 of ¥30,579 million ($305,210 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.

Effective March 1, 2008, the Company amended the plan to introduce a "point" based funded pension plan. Under the new plan, the pension payments are based on accumulated "points" vested each year by the employees' length of service and job title. And the Company converted its tax qualified noncontributory pension plan into a defined benefit corporation pension plan, and converted a part of its unfunded lump-sum payment plan into a defined contribution pension plan. With respect to these transfers, the Company adopted "Accounting for Transfers among Retirement Benefit Plans" (Financial Accounting Standard Implementation Guidance No. 1), and as a result of these transfers, loss on revision of pension plans of ¥565 million ($5,639 thousand) was recorded in the accompanying consolidated statement of income for the year ended March 31, 2008.

The funded status of the pension plans at March 31, 2008 and 2007 is outlined as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Projected benefit obligation	¥(39,152)	¥(43,185)	$(390,778)
Plan assets at fair value	16,436	19,447	164,048
Assets contributed to the trust	18,485	24,663	184,500
Funded status	(4,231)	925	(42,230)
Unrecorded actuarial loss (gain)	1,415	(7,607)	14,123
Unrecognized prior service cost (benefit)	1,082	(239)	10,800
Net amount recognized in the consolidated balance sheets	(1,734)	(6,921)	(17,307)
Prepaid retirement and severance benefits	1,943	1,269	19,393
Accrued retirement and severance benefits	¥ (3,677)	¥ (8,190)	$ (36,700)

For the year ended March 31, 2008, the effect of the partial transfer of tax-qualified noncontributory pension plans and unfunded lump-sum payment plan into a defined contribution pension plan was as follows:

	Millions of yen	Thousands of U.S. dollars
Decrease in projected benefit obligations	¥4,222	$42,140
Unrecorded actuarial gain	(186)	(1,856)
Unrecognized prior service benefit	(273)	(2,725)
Decrease in accrued retirement and severance benefits and increase in prepaid retirement and severance benefits	¥3,763	$37,559

Assets of ¥4,328 million ($43,198 thousand) will be transferred to the defined contribution pension plan over 4 years, and as at March 31, 2008, the not transferred amount is ¥3,246 million ($32,398 thousand) which was included in other current liabilities and other non-current liabilities in the accompanying consolidated balance sheet.

Net periodic pension cost for the years ended March 31, 2008 and 2007 consists of the following components:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Service cost	¥ 1,630	¥ 1,706	$ 16,269
Interest cost	956	990	9,542
Expected return on plan assets	(415)	(404)	(4,142)
Amortization of actuarial gain	(1,551)	(2,102)	(15,481)
Amortization of prior service benefit	(49)	(61)	(489)
Net periodic pension cost	571	¥ 129	5,699
Loss on revision of pension plans	565		5,639
Contribution to the defined contribution pension plan	19		190
	¥ 1,155		$ 11,528

Significant assumptions of pension plans used to determine these amounts in fiscal 2008 and 2007 are as follows:

	2008	2007
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, 2008 and 2007, the liabilities for retirement and severance benefits related to the plans were ¥1,024 million ($10,221 thousand) and ¥1,061 million, respectively.

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

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 2008 and 2007.

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, 2008 and 2007 is follows:

	2008	2007
Statutory tax rate	40.5%	40.5%
Equity in earnings of affiliates	(15.4)	(17.9)
Dividend income eliminated in consolidation	15.6	10.9
Income not credited for tax purposes	(12.5)	(8.4)
Difference in statutory tax rates of subsidiaries	(1.9)	(1.7)
Other	(0.8)	(1.9)
Effective tax rate	25.5%	21.5%

Significant components of deferred tax assets and liabilities at March 31, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Deferred tax assets:			
Liabilities for retirement and severance benefits	¥ 5,817	¥ 8,495	$ 58,059
Tax loss carryforward	3,968	3,357	39,605
Devaluation loss on investments in securities	2,335	2,538	23,306
Accrued bonuses	1,676	1,662	16,728
Intercompany profits	964	1,030	9,622
Depreciation	4,281	4,834	42,729
Other	8,427	5,170	84,110
	27,468	27,086	274,159
Valuation allowance	(4,120)	(2,546)	(41,122)
	23,348	24,540	233,037
Deferred tax liabilities:			
Net unrealized gain on other securities	(6,444)	(15,085)	(64,318)
Gain by contributing the assets to the trust	(3,096)	(3,096)	(30,901)
Tax purpose reserves, etc. regulated by Japanese tax law	(3,335)	(2,427)	(33,287)
Other	(503)	(428)	(5,020)
	(13,378)	(21,036)	(133,526)
Net deferred tax assets	¥ 9,970	¥ 3,504	$ 99,511

Net deferred tax assets and liabilities as of March 31, 2008 and 2007 are reflected in the accompanying consolidated balance sheets under the following captions:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Current assets — Deferred income taxes	¥5,695	¥ 4,946	$56,842
Investments and other assets — Deferred income taxes	4,876	4,214	48,668
Current liabilities — Other current liabilities	(227)	(143)	(2,266)
Non-current liabilities — Deferred income taxes	(374)	(5,513)	(3,733)
Net deferred tax assets	¥9,970	¥ 3,504	$99,511

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, 2008 and 2007 represent dividends paid out during those years. The amount available for dividends is based on the amount recorded in the Company's non-consolidated books of account in accordance with the Corporation Law.

(a) Dividends paid during the year ended March 31, 2007

The following was approved by the general meeting of stockholders held on June 29, 2006.

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

The following was approved by the Board of Directors held on November 14, 2006.

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

(b) Dividends paid during the year ended March 31, 2008

The following was approved by the Board of Directors held on May 11, 2007.

(a) Total dividends	¥3,698 million ($36,910 thousand)
(b) Cash dividends per common share	¥8 ($0.08)
(c) Record date	March 31, 2007
(d) Effective date	June 11, 2007

The following was approved by the Board of Directors held on November 9, 2007.

(a) Total dividends	¥3,697 million ($36,900 thousand)
(b) Cash dividends per common share	¥8 ($0.08)
(c) Record date	September 30, 2007
(d) Effective date	December 7, 2007

(c) Dividends to be paid after the balance sheet date but the record date for the payment belongs to the year ended March 31, 2008

The following was approved by the Board of Directors held on May 22, 2008.

(a) Total dividends	¥3,697 million ($36,900 thousand)
(b) Dividend source	Retained earnings
(c) Cash dividends per common share	¥8 ($0.08)
(d) Record date	March 31, 2008
(e) Effective date	June 9, 2008

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
	2008	2007	2008
Freight	¥12,830	¥11,710	$128,057
Stevedoring and warehouse fee	2,588	2,632	25,831
Salaries	8,950	8,205	89,330
Employees' bonuses	3,626	3,587	36,191
Pension cost	273	120	2,725
Welfare	2,680	2,589	26,749
Transportation	1,878	1,767	18,744
Depreciation	3,542	2,279	35,353

Note 12. Research and Development Costs

Research and development costs charged to income for the years ended March 31, 2008 and 2007 are ¥13,563 million ($135,373 thousand) and ¥11,489 million, respectively.

Note 13. Long-lived Assets

For the year ended March 31, 2008, MGC reviewed its long-lived assets for impairment and, as a result, recognized an impairment loss as follows:

Location	Usage	Classification	Millions of yen	Thousands of U.S. dollars
Niigata City, Niigata Prefecture	Coenzymes Q_{10} manufacturing facilities	Machinery and equipment, etc.	¥4,277	$42,689

The long-lived assets that are used for business are grouped according to the classification which is used for monitoring the profit and loss continuously under the management accounting system, and the idle assets are grouped individually by each item.

Coenzymes Q_{10} manufacturing facilities were written down to a recoverable amount and the amount written down was recognized as impairment loss of ¥4,277 million ($42,689 thousand) because the market condition worsened dramatically. The recoverable amount was measured at its value in use and the discount rate used for computation of present value of future cash flows was 5%.

Impairment loss on long-lived assets consisted of the following:

	Millions of yen	Thousands of U.S. dollars
Buildings and structures	¥ 890	$ 8,883
Machinery, equipment and vehicles	3,343	33,367
Other (property, plant and equipment)	44	439
Software	0	0
Total	¥4,277	$42,689

Other than the above impairment loss was immaterial.

Note 14. 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, 2008 and 2007 are as follows:

	Yen		U.S. dollars
	2008	2007	2008
Basic net income per share	¥87.01	¥86.63	$0.87
Diluted net income per share	85.13	85.64	0.85

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Net income	¥40,209	¥40,044	$401,327
Net income not applicable to common stockholders	—	—	—
Net income applicable to common stockholders	¥40,209	¥40,044	$401,327

	Number of shares	
	2008	2007
Weighted average number of shares outstanding on which basic net income per share is calculated	462,131,344	462,252,747
Effect of dilutive convertible bonds	10,188,487	5,351,245
Number of shares outstanding on which diluted net income per share is calculated	472,319,831	467,603,992

(b) Net Assets per Share

Net assets per share at March 31, 2008 and 2007 are as follows:

	Yen		U.S. dollars
	2008	2007	2008
Net assets per share	¥654.25	¥613.64	$6.53

Note 15. 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, 2008 and 2007 are as follows:

	Millions of yen		
	Machinery, equipment and vehicles	Other tangible assets	Total
March 31, 2008			
Acquisition cost	¥1,951	¥2,955	¥4,906
Accumulated depreciation	1,005	1,474	2,479
Net book value	¥ 946	¥1,481	¥2,427
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

	Thousands of U.S. dollars		
	Machinery, equipment and vehicles	Other tangible assets	Total
March 31, 2008			
Acquisition cost	$19,473	$29,494	$48,967
Accumulated depreciation	10,031	14,712	24,743
Net book value	$ 9,442	$14,782	$24,224

Future minimum payments which include interest portion required under finance leases at March 31, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Within one year	¥1,032	¥1,087	$10,300
Over one year	1,395	1,604	13,924
	¥2,427	¥2,691	$24,224

Lease payments for the years ended March 31, 2008 and 2007 amounted to ¥1,239 million ($12,367 thousand) and ¥1,264 million, respectively.

(b) Operating Lease

Future minimum lease payments required under noncancellable operating leases as of March 31, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Within one year	¥ 504	¥ 389	$ 5,030
Over one year	1,967	2,224	19,633
	¥2,471	¥2,613	$24,663

Note 16. Balances and Transactions with Related Party

The Company has a 50% equity ownership in Mitsubishi Engineering-Plastics Corp. at March 31, 2008 and 2007.

Balances with the company at March 31, 2008 and 2007, and related transactions for the years then ended are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Balances:			
Trade accounts receivable	¥15,889	¥20,520	$158,589
Transactions:			
Sales	61,080	58,617	609,642

The Company has a 50% equity ownership in Mizushima Aroma Co., Ltd. at March 31, 2008 and 2007.

Balances with the company at March 31, 2008 and 2007 and related transactions for the years then ended are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Balances:			
Trade accounts receivable	¥ 7,012	¥10,508	$ 69,987
Transactions:			
Sales	24,272	24,710	242,260

The Company has a 50% equity ownership in CG Ester Corporation at March 31, 2008 and 2007.

Balances with the company at March 31, 2008 and 2007 and related transactions for the years then ended are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Balances:			
Trade accounts receivable	¥5,246	¥4,683	$52,361
Transactions:			
Sales	9,944	8,191	99,251

Note 17. 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, 2008 and 2007, MGC was contingently liable with respect to trade notes receivable discounted in the amounts of ¥11 million ($110 thousand) and ¥309 million, respectively. Notes discounted are accounted for as sales and removed from the balance sheets. And at March 31, 2008, MGC was contingently liable with respect to recourse obligations related to trade notes receivable transferred in the amounts of ¥482 million ($4,811 thousand).

Contingent liabilities at March 31, 2008 for loans guaranteed amounted to ¥10,113 million ($100,938 thousand).

Note 18. 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, 2008 and 2007 are summarized as follows:

	Millions of yen		
	Contract or notional amounts	Fair value	Valuation gain (loss)
March 31, 2008			
Forward exchange contracts:			
To buy foreign currency:			
U.S. dollar	¥ 1,385	¥1,240	¥(145)
To sell foreign currency:			
U.S. dollar	15	15	—
New Taiwan dollar	489	478	11
Interest rate and currency swap agreements:			
U.S. dollar received for Thai baht	551	(125)	(125)
Interest rate swap agreements:			
Fixed rate received for variable rate	195	(1)	(1)
Variable rate received for fixed rate	11,733	(209)	(209)
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)

	Thousands of U.S. dollars		
	Contract or notional amounts	Fair value	Valuation gain (loss)
March 31, 2008			
Forward exchange contracts:			
To buy foreign currency:			
U.S. dollar	$ 13,824	$12,377	$(1,447)
To sell foreign currency:			
U.S. dollar	150	150	—
New Taiwan dollar	4,881	4,771	110
Interest rate and currency swap agreements:			
U.S. dollar received for Thai baht	5,500	(1,248)	(1,248)
Interest rate swap agreements:			
Fixed rate received for variable rate	1,946	(10)	(10)
Variable rate received for fixed rate	117,107	(2,086)	(2,086)

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 19. 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, 2008 and 2007 is summarized as follows:

Millions of yen

2008	Natural gas chemicals	Aromatic chemicals	Specialty chemicals	Information and advanced materials	Other	Total	Elimination / corporate	Consolidated
Sales to outside customers	¥146,607	¥143,365	¥151,637	¥76,812	¥ 908	¥519,329	¥ —	¥519,329
Inter-segment sales	9,740	1,787	2,296	18	198	14,039	(14,039)	—
	156,347	145,152	153,933	76,830	1,106	533,368	(14,039)	519,329
Operating expenses	153,026	133,090	137,763	61,603	611	486,093	(14,131)	471,962
Operating income	¥ 3,321	¥ 12,062	¥ 16,170	¥15,227	¥ 495	¥ 47,275	¥ 92	¥ 47,367
Assets	¥174,178	¥139,051	¥152,242	¥75,744	¥19,796	¥561,011	¥ 40,375	¥601,386
Depreciation	5,449	5,236	9,602	4,224	10	24,521	—	24,521
Impairment loss	4,278	707	26	12	—	5,023	—	5,023
Capital expenditures	5,648	17,235	7,407	9,154	4	39,448	—	39,448

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

Thousands of U.S. dollars

2008	Natural gas chemicals	Aromatic chemicals	Specialty chemicals	Information and advanced materials	Other	Total	Elimination / corporate	Consolidated
Sales to outside customers	$1,463,290	$1,430,931	$1,513,494	$766,663	$ 9,063	$5,183,441	$ —	$5,183,441
Inter-segment sales	97,215	17,836	22,917	180	1,976	140,124	(140,124)	—
	1,560,505	1,448,767	1,536,411	766,843	11,039	5,323,565	(140,124)	5,183,441
Operating expenses	1,527,358	1,328,376	1,375,017	614,862	6,098	4,851,711	(141,042)	4,710,669
Operating income	$ 33,147	$ 120,391	$ 161,394	$151,981	$ 4,941	$ 471,854	$ 918	$ 472,772
Assets	$1,738,477	$1,387,873	$1,519,533	$756,003	$197,585	$5,599,471	$ 402,984	$6,002,455
Depreciation	54,386	52,261	95,838	42,160	100	244,745	—	244,745
Impairment loss	42,699	7,057	259	120	—	50,135	—	50,135
Capital expenditures	56,373	172,023	73,930	91,366	40	393,732	—	393,732

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 ¥73,795 million ($736,551 thousand) and ¥91,240 million as of March 31, 2008 and 2007 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. For the year ended March 31, 2008, as described in Note 1 (f), the Company changed its depreciation method of property, plant and equipment other than buildings from the straight-line method to the declining-balance method. And the Company and its domestic consolidated subsidiaries changed the estimated residual value of property, plant and equipment which was acquired on or after April 1, 2007 from 5% of the acquisition cost to ¥1. As a result of these changes, operating income of each segment decreased as follows:

	Millions of yen	Thousands of U.S. dollars
Natural gas chemicals	¥ 574	$ 5,729
Aromatic chemicals	1,014	10,121
Specialty chemicals	1,169	11,668
Information and advanced materials	570	5,689

Decrease in operating income of “Other” segment was immaterial.

4. Effective from April 1, 2007, as described in Note 1 (l), revenues and expenses of overseas subsidiaries are translated into yen using the average rate in the year, which were previously translated into yen at the rate of exchange as of the balance sheet date. As a result of this change, sales of each segment increased as follows:

	Millions of yen	Thousands of U.S. dollars
Natural gas chemicals	¥1,098	$10,959
Aromatic chemicals	244	2,435
Specialty chemicals	161	1,607
Information and advanced materials	59	589

And operating income of each segment increased (decreased) as follows:

	Millions of yen	Thousands of U.S. dollars
Natural gas chemicals	¥ 33	$330
Aromatic chemicals	12	120
Specialty chemicals	(17)	(170)
Information and advanced materials	(2)	(20)

5. For the year ended March 31, 2007, 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.

6. For the year ended March 31, 2007, 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
Natural gas chemicals	¥282
Aromatic chemicals	180
Specialty chemicals	971
Information and advanced materials	85
Other	42

7. For the year ended March 31, 2007, 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
Natural gas chemicals	¥115
Aromatic chemicals	134
Specialty chemicals	124
Information and advanced materials	15
Other	4

And depreciation of each segment increased as follows:

	Millions of yen
Natural gas chemicals	¥2,897
Aromatic chemicals	2,813
Specialty chemicals	2,827
Information and advanced materials	644
Other	6

(b) Geographic segments

Segment information by geographic area for the years ended March 31, 2008 and 2007 is summarized as follows:

	Millions of yen 2008				
	Japan	Other	Total	Elimination / corporate	Consolidated
Sales to outside customers	¥445,817	¥73,512	¥519,329	¥ —	¥519,329
Inter-segment sales	39,471	4,608	44,079	(44,079)	—
	485,288	78,120	563,408	(44,079)	519,329
Operating expenses	443,103	72,883	515,986	(44,024)	471,962
Operating income	¥ 42,185	¥ 5,237	¥ 47,422	¥ (55)	¥ 47,367
Assets	¥560,314	¥49,296	¥609,610	¥ (8,224)	¥601,386

	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

	Thousands of U.S. dollars 2008				
	Japan	Other	Total	Elimination / corporate	Consolidated
Sales to outside customers	$4,449,715	$733,726	$5,183,441	$ —	$5,183,441
Inter-segment sales	393,962	45,992	439,954	(439,954)	—
	4,843,677	779,718	5,623,395	(439,954)	5,183,441
Operating expenses	4,422,627	727,447	5,150,074	(439,405)	4,710,669
Operating income	$ 421,050	$ 52,271	$ 473,321	$ (549)	$ 472,772
Assets	$5,592,514	$492,025	$6,084,539	$ (82,084)	$6,002,455

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, Taiwan, Singapore, Thailand and Indonesia

(c) Overseas sales

Information for overseas sales for the years ended March 31, 2008 and 2007 is summarized as follows:

	Millions of yen 2008	Millions of yen 2007	Thousands of U.S. dollars 2008
Overseas sales			
Asia	¥144,195	¥118,960	$1,439,215
North and South America	34,297	31,500	342,320
Other	12,423	11,924	123,994
	¥190,915	¥162,384	$1,905,529
Consolidated sales	¥519,329	¥482,608	$5,183,441
Percentage of overseas sales to consolidated sales	36.8%	33.7%	36.8%

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, 2008 and 2007, 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, 2008 and 2007, 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(f) to the consolidated financial statements, effective in the year ended March 31, 2008, the Company has changed its depreciation method of property, plant and equipment other than buildings from the straight-line method to the declining-balance method. As more fully described in Note 1(l) to the consolidated financial statements, effective in the year ended March 31, 2008, revenues and expenses of overseas subsidiaries have been translated into yen using the average rate in the year, which had been previously translated into yen at the rate of exchange as of the balance sheet date.

Furthermore, 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."

The accompanying consolidated financial statements as of and for the year ended March 31, 2008 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 10, 2008

Toyo Horwath

Main Subsidiaries and Affiliates

(As of March 31, 2008)

Name	Issued share capital (Millions of yen, except as noted)	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	93.2	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	89.1	Manufacture and sale of foaming agents for rubber and plastic
MGC PURE CHEMICALS AMERICA, INC.	US$5,000 thousand	90.0	Manufacture and sale of chemicals for semiconductors
THAI POLYACETAL CO., LTD.	THB840 million	70.0	Manufacture and sale of polyacetal resin
MGC FILSHEET CO., LTD.	50	90.5	Manufacture and sale of polycarbonate sheet and film
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
MITSUBISHI GAS CHEMICAL AMERICA, INC.	US$1,084 thousand	100.0	Sale of chemicals and other products
MITSUBISHI GAS CHEMICAL SINGAPORE PTE. LTD.	US$1,161 thousand	100.0	Sale of chemicals and other products
KOKUKA SANGYO CO., LTD.	250	93.8	Transport of chemical products
FUDOW COMPANY LIMITED	180	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	10,113	42.9	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 million	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.
- TOYO KAGAKU CO., LTD.
- MGC PURE CHEMICALS SINGAPORE PTE. LTD.
- MGC PURE CHEMICALS TAIWAN, INC.
- YONEZAWA DIA ELECTRONICS CO., INC.
- 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, 2008)

Mitsubishi Gas Chemical Company, Inc.

Established
April 21, 1951

Paid-in Capital
¥41,970 million

Outstanding Shares
483,478,398

Number of Stockholders
34,171

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.

Independent Auditor
Toyo Horwath

Number of Employees
2,186 (non-consolidated)
4,686 (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

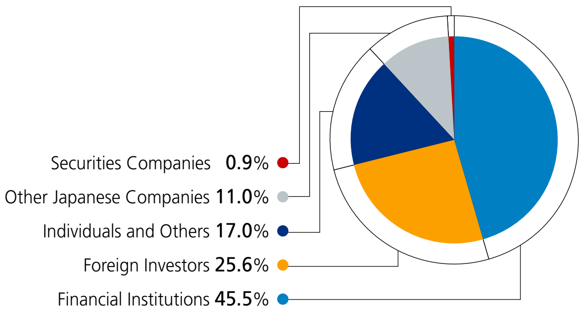
(As of March 31, 2008)

Principal Stockholders

Name	Number of Shares Held (Thousands)	Percentage of Total Shares Outstanding
The Master Trust Bank of Japan, Ltd. (Trust Account)	28,588	6.2%
Japan Trustee Services Bank, Ltd. (Trust Account)	24,334	5.3
Nippon Life Insurance Company	21,452	4.6
Meiji Yasuda Life Insurance Company	16,795	3.6
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	16,403	3.5
Mitsubishi UFJ Trust and Banking Corp.	11,686	2.5
Goldman Sachs International	10,128	2.2
The Norinchukin Bank	10,053	2.2
Asahi Glass Co., Ltd.	9,671	2.1
Tokio Marine & Nichido Fire Insurance Co., Ltd.	9,008	1.9

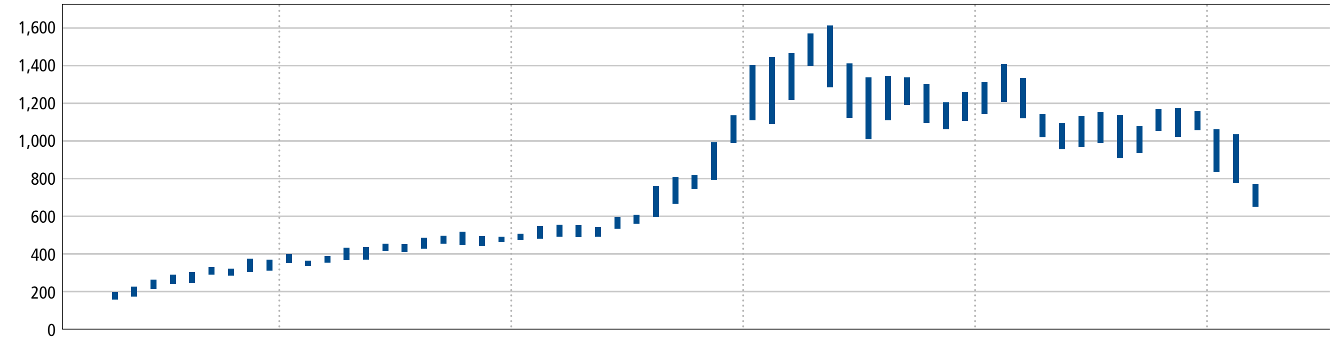
Note: MGC holds 21,396 thousand shares of treasury stock, which is not included in the above list of principal stockholders or percentage calculations.

Composition of Stockholders

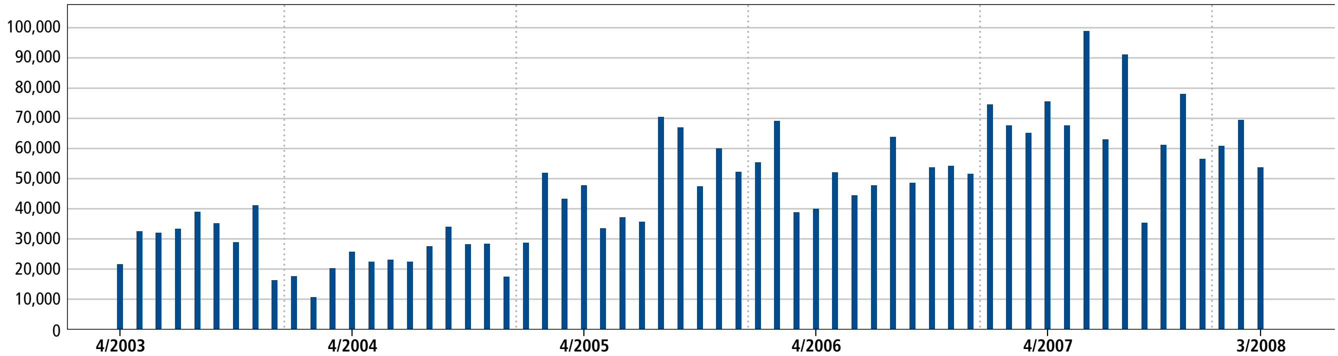


Monthly Stock Price Range and Trading Volume

Common Stock Price Range (Yen)



Trading Volume (Thousands of Shares)



MITSUBISHI GAS CHEMICAL COMPANY, INC.

Mitsubishi Building, 5-2 Marunouchi 2-chome, Chiyoda-ku, Tokyo 100-8324, Japan
Tel. +81-3-3283-5000 Fax. +81-3-3287-0833
http://www.mgc.co.jp

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