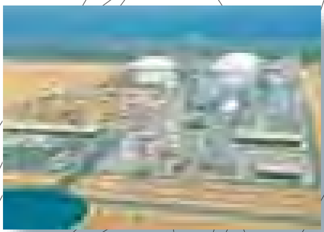
Annual Report 2010

Fiscal year ended March, 31 2010

Venezuela



Saudi Arabia

Leading the World in Methanol Production Innovations

Brunei

Japan

MGC

MITSUBISHI GAS CHEMICAL COMPANY, INC.

MESSAGE FROM THE MANAGEMENT

Kazuo Sakai
Representative Director, President

Hideki Odaka
Representative Director, Chairman

Despite some improvement for the year under review, the Japanese economy was sluggish, with low levels of capital investment and personal consumption.

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

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

Consolidated net sales for the MGC Group for the fiscal year ended March 31, 2010 decreased ¥63,118 million, or 14.1%, to ¥384,529 million. Consolidated operating income was ¥4,091 million, an improvement of ¥7,195 million from the operating loss recorded in the previous year, and consolidated ordinary income increased ¥391 million, or 5.6%, to ¥7,366 million. Consolidated net income for the year decreased ¥1,186 million, or 16.9%, to ¥5,828 million.

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

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

The MGC Group will also take steps to accelerate the pace of new product development and commercialization. Key issues to be addressed in this respect include making use of the technology platform developed under the previous medium-term plan, aligning the multiple technologies in the Group with the actual needs of the market place, and realizing synergy between Group companies and divisions.

In addition, in order to improve the quality of its management, the MGC Group is implementing a number of key measures, which include achieving zero accidents and disasters, actively contributing to the reduction of environmental impact, recruiting and fostering personnel, reducing costs, improving productivity, fine-tuning existing technologies, constructing a more robust financial foundation, and enhancing global group management.

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

June 2010

Hideki Odaka
K Sakai

CONTENTS

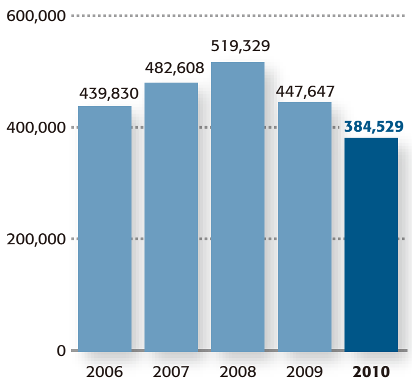
FINANCIAL HIGHLIGHTS

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

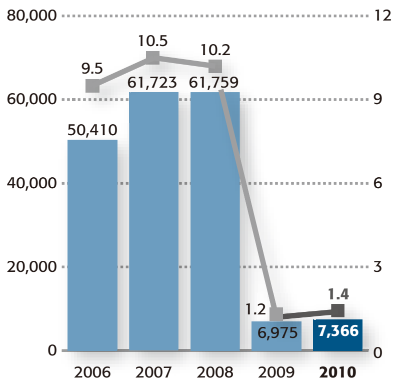
	Millions of yen					Thousands of U.S. dollars
	2010	2009	2008	2007	2006	**2010**
For the year :						
Net sales	**¥ 384,529**	¥ 447,647	¥ 519,329	¥482,608	¥439,830	**$4,132,943**
Natural Gas Chemicals	**110,503**	143,496	146,607	136,087	117,629	**1,187,693**
Aromatic Chemicals	**94,475**	120,672	143,365	133,165	129,097	**1,015,424**
Specialty Chemicals	**118,311**	124,537	151,637	141,216	123,308	**1,271,614**
Information and Advanced Materials	**60,376**	58,041	76,812	71,071	68,392	**648,926**
Other	**864**	901	908	1,069	1,404	**9,286**
Gross profit	**57,790**	52,021	102,179	91,679	87,136	**621,131**
Selling, general and administrative expenses	**53,699**	55,125	54,812	49,459	48,166	**577,160**
Operating income (loss)	**4,091**	(3,104)	47,367	42,220	38,970	**43,971**
EBITDA	**39,225**	36,403	82,735	83,375	64,926	**421,593**
Ordinary Income	**7,366**	6,975	61,759	61,723	50,410	**79,170**
Net income	**5,828**	7,014	40,209	40,044	32,944	**62,640**
R&D costs	**16,199**	14,707	13,563	11,489	10,702	**174,108**
Capital expenditures	**27,567**	35,120	39,448	29,502	17,484	**296,292**
Depreciation and amortization	**29,536**	28,935	24,521	28,626	18,759	**317,455**
At year end:						
Total assets	**¥ 539,431**	¥ 530,593	¥601,386	¥609,966	¥564,484	**$5,797,840**
Current assets	**218,083**	215,299	268,660	275,926	242,255	**2,343,970**
Current liabilities	**160,298**	161,088	213,531	221,669	221,650	**1,722,894**
Working capital	**57,785**	54,211	55,129	54,257	20,605	**621,076**
Total net assets	**278,095**	272,084	312,021	292,696	259,339	**2,988,983**
Interest-bearing debt	**165,848**	174,934	150,573	163,950	161,806	**1,782,545**
Per share of common stock (Yen/U.S. dollars):						
Net income—basic	**¥ 12.89**	¥ 15.30	¥ 87.01	¥ 86.63	¥ 70.98	**$ 0.14**
Net income—diluted	**12.61**	14.97	85.13	85.64	–	**0.14**
Net assets	**595.56**	585.90	654.25	613.64	543.12	**6.40**
Cash dividends	**8.00**	16.00	16.00	14.00	10.00	**0.09**
Ratios:						
Gross profit margin (%)	**15.0**	11.6	19.7	19.0	19.8	
Operating income margin (%)	**1.1**	(0.7)	9.1	8.7	8.9	
Return on sales (%)	**1.5**	1.6	7.7	8.3	7.5	
Return on assets (ROA) (%)	**1.4**	1.2	10.2	10.5	9.5	
Return on equity (ROE) (%)	**2.2**	2.5	13.7	15.0	14.5	
Current ratio (times)	**1.36**	1.34	1.26	1.24	1.09	
Net assets ratio (%)	**49.9**	49.9	50.3	46.5	44.5	
Number of employees	**4,920**	4,902	4,686	4,561	4,466	

Notes: 1. U.S. dollar amounts are translated from yen, for convenience only, at the approximate rate of ¥93.04 = US$1 prevailing on March 31, 2010.
2. Ordinary income, a common indicator in Japan, corresponds to income before income taxes and minority interests, less any extraordinary profit or loss.
3. Cash dividends for each year represent the total of the interim dividend and the year-end dividend declared as applicable to the respective year.
4. Return on assets = Ordinary income / Average total assets
5. The calculation of return on equity uses net assets excluding minority interests.

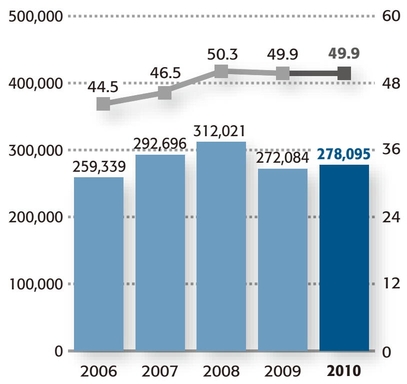
NET SALES
(Millions of yen)



ORDINARY INCOME AND ROA
(Millions of yen, %)



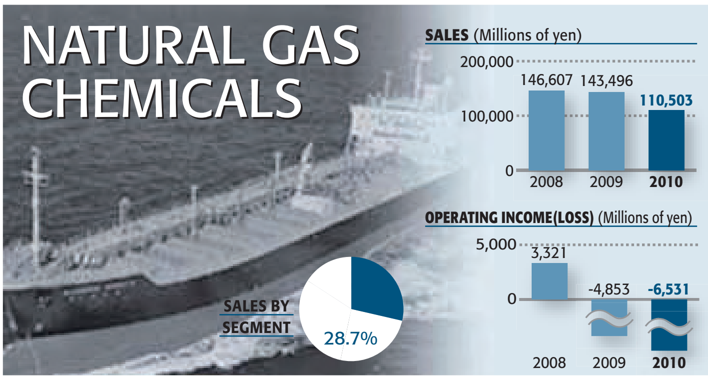
NET ASSETS AND NET ASSETS RATIO
(Millions of yen, %)



MGC AT A GLANCE

Mitsubishi Gas Chemical Company, Inc. (MGC) was established in 1951 through a merger between Japan Gas Chemical Co., Inc. and Mitsubishi Edogawa Chemical Co., Ltd. Today the MGC Group includes 132 affiliates in 14 different territories and countries worldwide. Starting in 2000, MGC introduced an "internal company" system to broadly develop its businesses—spanning from core chemical materials to functional materials and products—based on its four companies: Natural Gas Chemicals, Aromatic Chemicals, Specialty Chemicals, and Information & Advanced Materials. In addition to handling development in the areas of natural gas, petroleum exploration, and geothermal energy, MGC is also at the global forefront of the promotion of the next-generation clean energy DME. MGC is active worldwide in a variety of sectors, including automobiles, electronics, life sciences, the environment, and energy. Since its establishment, as a result of continually aiming to create its own technologies, MGC has developed over 80% of the

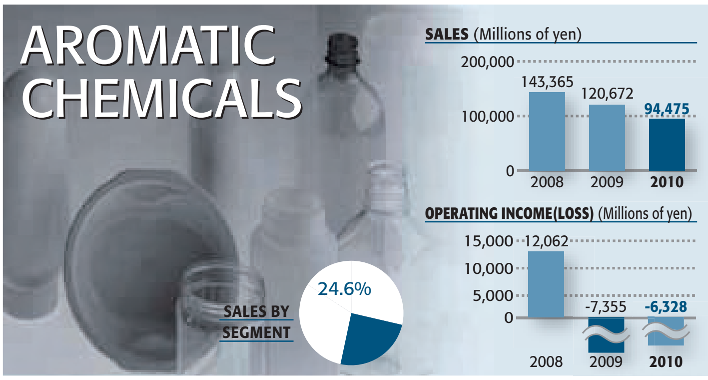
NATURAL GAS CHEMICALS



OUTLINE

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

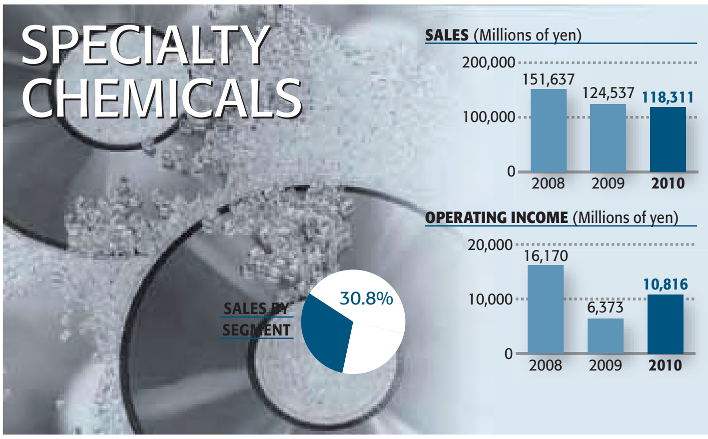
AROMATIC CHEMICALS



OUTLINE

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

SPECIALTY CHEMICALS



OUTLINE

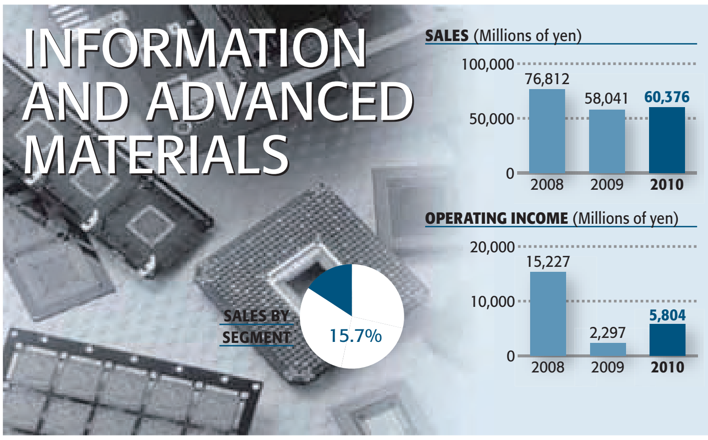
Inorganic Chemicals

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

Engineering Plastics

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

INFORMATION AND ADVANCED MATERIALS



OUTLINE

Electronic Materials

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

Oxygen Absorbers

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

products it handles and also has over 220 technology licenses.

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

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

MAJOR PRODUCTS

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

SUBSIDIARIES: 9 COMPANIES

•Japan Finechem Co., Inc. •Japan Pionics Co., Ltd.
•A&C Co., Inc. •Kinoe Terminal Co., Inc.
•Marine Transport and Terminal Co., Limited
•Kokuka Sangyo Co., Ltd. •Polyols Asia Co., Ltd.
•Japan Bio Co., Ltd.
•Ling Tian (Nanjing) Fine Chemical Corporation

AFFILIATES: 4 COMPANIES

•Japan Saudi Arabia Methanol Co., Inc.
•Metanol de Oriente, Metor, S.A.
•Japan Acryace Corporation
•Toho Earthtech, Inc.

MAJOR PRODUCTS

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

SUBSIDIARIES: 5 COMPANIES

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

AFFILIATES: 3 COMPANIES

•Mizushima Aroma Co., Ltd.
•DIA Terephthalic Acid Corporation
•CG Ester Corporation

MAJOR PRODUCTS

Inorganic Chemicals

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

Engineering Plastics

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

SUBSIDIARIES: 11 COMPANIES

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

AFFILIATES: 3 COMPANIES

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

MAJOR PRODUCTS

Electronic Materials

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

Oxygen Absorbers

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

SUBSIDIARIES: 3 COMPANIES

•Electrotechno Co., Ltd.
•Yonezawa DIA Elecronics Co., Inc.
•Japan Circuit Industrial Co., Ltd.

SUBSIDIARIES: 7 COMPANIES

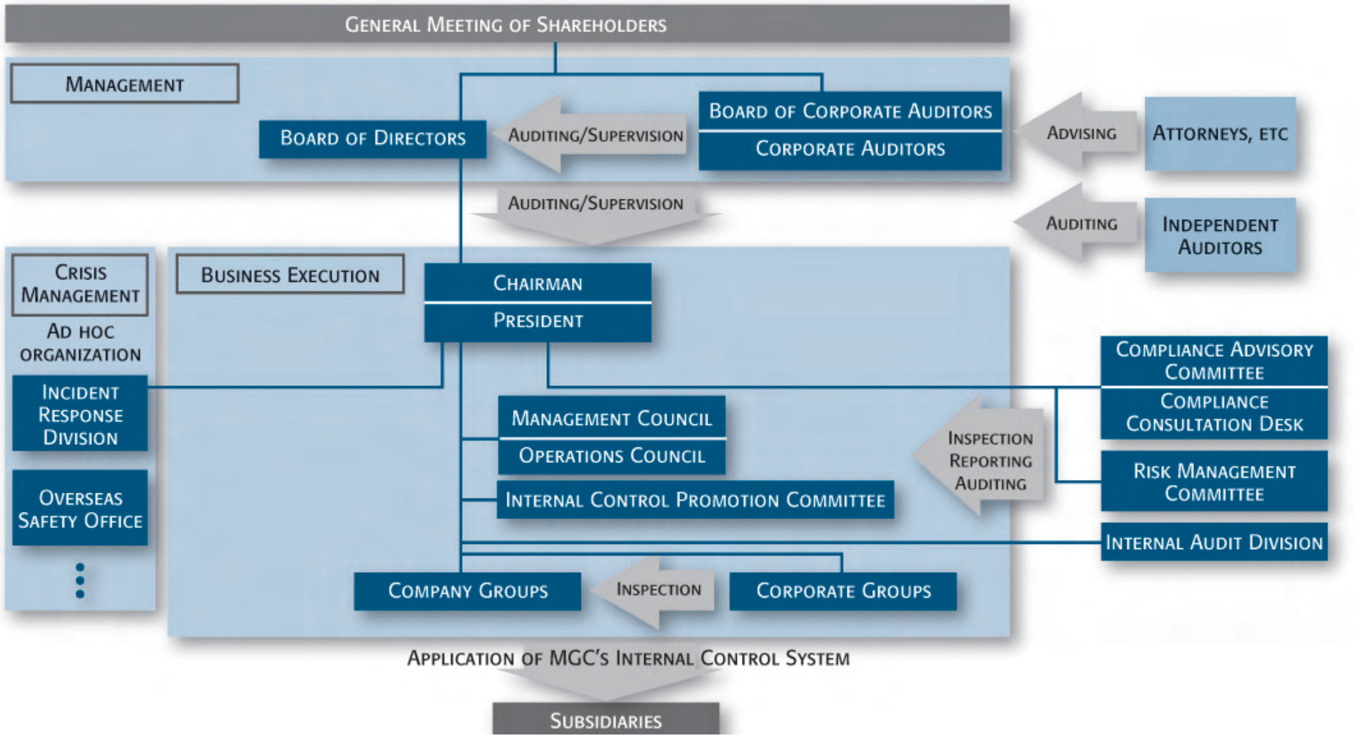
•Tokyo Shokai, Ltd.
•Ryoko Chemical Co., Ltd.
•Ryoyo Trading Co., Ltd.
•Mitsubishi Gas Chemical America, Inc.
•Mitsubishi Gas Chemical Singapore Pte. Ltd.
•Ryowa Enterprise Co., Ltd.
•MGC Finance Co., Ltd.

AFFILIATES: 2 COMPANIES

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

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE FRAMEWORK



CORPORATE GOVERNANCE POLICY

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

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

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

CORPORATE GOVERNANCE SYSTEM

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

The Board of Directors oversees business execution, while executive officers carry out the functions of business execution. For matters arising in the course of its business execution that may have a significant effect on the company, MGC makes its decisions on the basis of multifaceted deliberations. The Management Council deliberates on management policies and the Operations Council deliberates on specific plans for the implementation of these. MGC receives advice from attorneys and other experts when necessary in the course of its decision making and business execution. In MGC's articles of incorporation, the Board of Directors is stipulated to comprise 15 or fewer members and as of June 25, 2010 there are 10 members. There are no Board of Directors members chosen from outside of the company.

MGC's Board of Auditors is comprised of five corporate auditors (three full-time) and of these, three are outside corporate auditors. MGC has appointed outside corporate auditors who have no special interest in the company. Their task is to monitor the process of important decision making in the course of business execution in order to audit business execution and ensure rational decision making as well as compliance with laws and corporate ethics. MGC has assigned full-time staff to aid the outside corporate auditors and all of its corporate

BOARD OF DIRECTORS, CORPORATE AUDITORS AND EXECUTIVE OFFICERS

REPRESENTATIVE DIRECTOR, CHAIRMAN
HIDEKI ODAKA

REPRESENTATIVE DIRECTOR, PRESIDENT
KAZUO SAKAI

REPRESENTATIVE DIRECTORS, SENIOR MANAGING EXECUTIVE OFFICERS
YOSHISHIGE YAMAZAKI
President of Natural Gas Chemicals Company

JIN HATA
In charge of compliance, Chairman of Internal Control Promotion Committee, In charge of Internal Audit Division, In charge of Finance & Accounting Center, In charge of Corporate Communications Division

DIRECTORS, MANAGING EXECUTIVE OFFICERS
KUNIAKI AGEISHI
In charge of Production Technology Division and Environment & Safety Division

YUH MIYAUCHI
President of Information & Advanced Materials Company

KUNIO OYA
In charge of risk management, Member of Internal Control Promotion Committee, In charge of Administrative & Personnel Center and Purchasing & Logistics Center

TOSHIKIYO KURAI
President of Specialty Chemicals Company, General Manager, Engineering Plastics Division, Specialty Chemicals Company

MAKOTO MIZUTANI
Chairman of The Committee on Future R&D, In charge of Research and Development Division, General Manager, Tokyo Techno Park

MASAMI ORISAKU
Member of Internal Control Promotion Committee, In charge of Corporate Planning Division

CORPORATE AUDITORS
SHOJI UEMATSU
KUNIAKI KAWAKAMI

OUTSIDE CORPORATE AUDITORS
ICHIEI NOGUCHI
WATARU TAGUCHI
YOSHIMASA NIHEI

EXECUTIVE OFFICERS
YUKIO SAKAI
President of Aromatic Chemicals Company

HIDEYUKI TAKAHASHI
General Manager, Oxygen Absorbers Division, Information & Advanced Materials Company

KATSUHIKO SUGITA
General Manager, Finance & Accounting Center

TAKAYUKI WATANABE
General Manager, Electronic Materials Division, Information & Advanced Materials Company

YOSHIHIRO YAMANE
Member of The Committee on Future R&D, General Manager, Research and Development Division, General Manager, MGC Chemical Analysis Center

SHIGENOBU ONO
Member of The Committee on Future R&D, General Manager, Planning & Development Division, Aromatic Chemicals Company

KUNIO KAWA
Member of The Committee on Future R&D, General Manager, Corporate Planning Division

HIROTSUGU YAMAMURA
General Manager, Inorganic Chemicals Division, Specialty Chemicals Company

OSAMU KONDO
Executive Assistant to Director in charge of Production Technology Division and Environment & Safety Division, General Manager, Production Technology Division, General Manager, Process Technology Department, Production Technology Division

SHUICHI MURAI
General Manager, Basic Chemicals Division, Natural Gas Chemicals Company

KENJI INAMASA
Plant Manager, Mizushima Plant, Aromatic Chemicals Company

KATSUSHIGE HAYASHI
Plant Manager, Kashima Plant, Specialty Chemicals Company

EXECUTIVE GENERAL MANAGER
KINYA TSUJI
CEO, BRUNEI METHANOL COMPANY Sdn. Bhd.

auditors in the execution of their duties. The Internal Audit Division was established to enhance internal controls and to raise business management efficiency. In order to confirm the proper execution of business, internal audits are conducted based on an annual plan. The Corporate Auditors and the Internal Audit Division cooperate in the execution of audit duties, providing regular reporting and attending meeting sessions. 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.

Pursuant to the Companies Act, 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 corporate auditors and independent auditors cooperate in the execution of audit duties, providing regular reporting and attending meeting sessions. In addition, the Internal Audit Division and the independent auditor also consult with each other as appropriate in response to the internal control reporting system and other issues.

EXECUTIVE/AUDITOR COMPENSATION

Compensation for MGC's directors and auditors in the current fiscal year is as follows.

Compensation paid to Board of Directors members	: ¥462 million
Compensation paid to auditors	: ¥92 million (of which ¥41 million paid to outside auditors)
Total	¥555 million

(Notes)
1. Compensation listed above includes the increased amount paid in the current fiscal year for the provision of retirement benefits (¥101 million for Board of Directors members)
2. In addition to the compensation mentioned in Note 1., retirement payments of ¥122 million were paid to two retired Board of Directors members, in accordance with the resolution made at the 82nd Shareholders Meeting held on June 25, 2009.

MANAGEMENT'S DISCUSSION AND ANALYSIS

1. Results of Operations

1) Net Sales & Operating Income

The business environment for the MGC Group remained severe throughout the year, with low demand for specialty chemicals and other core MGC Group products in the main markets of Japan, Europe and the U.S., despite some recovery in demand for certain semiconductor- and LCD-related products against the backdrop of the economic stimulus measures in Japan and other countries and the demand in emerging economies. Problems also arose at some of the core Group manufacturing facilities, which had a major impact on earnings.

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

As a result, consolidated net sales decreased ¥63,118 million, or 14.1%, to ¥384,529 million, and operating income increased ¥7,195 million, to ¥4,091 million.

2)Non-Operating Revenue

Non-operating revenue decreased ¥6,540 million, or 35.0%, to ¥12,134 million. The main factors for the decrease were decreased equity in the earnings of affiliates. Non-operating expenditures increased ¥263 million, or 3.1%, to ¥8,858 million. As a result, ordinary income increased ¥391 million, or 5.6%, to ¥7,366 million.

Extraordinary profit rose ¥2,171 million, to ¥2,434 million, due to factors that included the effect of the sale of securities. Extraordinary losses increased ¥305 million, or 15.5%, to ¥2,269 million, due to factors that included an impairment loss.

As a result of the above, current income before income taxes and minority interests increased ¥2,258 million, or 42.8%, to ¥7,531 million, and current net income decreased ¥1,186 million, or 16.9%, to ¥5,828 million.

3) Dividend

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

2. Segment Information

1) Natural Gas Chemicals Company

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

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

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

In the sale of natural gas and other energy, earnings decreased significantly due to lower sales volumes and considerably lower sales prices for crude oil.

Consolidated net sales in the Natural Gas Chemicals Company for the year ended March 31, 2010 decreased ¥32,993 million, or 23.0%, to ¥110,503 million, and an operating loss of ¥6,531 million was recorded, representing a deterioration of ¥1,678 million.

2) Aromatic Chemicals Company

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

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

Consolidated net sales in the Aromatic Chemicals Company for the year ended March 31, 2010 decreased ¥26,197 million, or 21.7%, to ¥94,475 million. An operating loss of ¥6,328 million was recorded, representing a narrowing of the previous year's loss by ¥1,027 million due to a large decrease in the value of inventory assets written down.

3) Specialty Chemicals Company

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

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

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

Consolidated net sales in the Specialty Chemicals Company for the year ended March 31, 2010 decreased ¥6,226 million, or 5.0%, to ¥118,311 million, and operating income increased ¥4,443 million, or 69.7%, to ¥10,816 million.

4) Information & Advanced Materials Company

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

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

Consolidated net sales in the Information & Advanced Materials Company for the year ended March 31, 2010 increased ¥2,335 million, or 4.0%, to ¥60,376 million, and operating income increased ¥3,506 million, or 152.6%, to ¥5,804 million.

5) Other

Consolidated net sales in the Other business segment for the year ended March 31, 2010 decreased ¥37 million, or 4.1%, to ¥864 million, and operating income decreased ¥93 million, or 16.3%, to ¥479 million.

3. Financial Position

Total consolidated assets as of March 31, 2010 were ¥539,431 million, ¥8,838 million higher than at the end of the previous fiscal year.

Current assets increased ¥2,784 million to ¥218,083 million, primarily due to an increase in trade notes and accounts receivable associated with a recovery of sales in the second half of the year.

Fixed assets increased ¥6,054 million to ¥321,348 million, primarily due to an increase in investment securities concomitant with an improvement in the market value of securities held in a recovering stock market.

Total liabilities increased ¥2,827 million to ¥261,336 million. Current liabilities decreased ¥790 million, with trade notes and accounts payable increasing by ¥16,185 million, while ¥12,969 million of short-term debt was repaid. Non-current liabilities increased ¥3,617 million due to an increase in long-term debt and other such factors. Net interest-bearing debt (short-term debt, long-term debt, bonds and lease obligations) decreased ¥9,086 million to ¥165,848 million.

Net assets increased ¥6,011 million to ¥278,095 million. In addition to the increase in market value of investment securities mentioned above, this outcome was influenced by improvement in foreign currency translation adjustments relating to the recording of net assets at overseas consolidated subsidiaries.

As a result of the above, the shareholders' equity ratio was 49.9% as of March 31, 2010, the same as one year earlier. Net assets per share at the end of the period were ¥595.56, compared to ¥585.90 one year earlier.

4. Cash Flow

Total cash and cash equivalents as of March 31, 2010 was ¥36,049 million, ¥17,016 million lower than at the end of the previous fiscal year.

1) Operating activity cash flow

Net cash provided by operating activities was ¥31,327 million, a decrease of ¥17,700 million compared to the previous year. This decrease was primarily due to trade notes and accounts receivable increasing by a greater amount than trade notes and accounts payable, along with a reduction in dividend income from companies accounted for by the equity method.

2) Investing activity cash flow

Net cash outflow from investing activities was ¥33,663 million, ¥7,591 million less than the outflow recorded in the previous year. This was primarily because of the acquisition of fixed assets and investment securities, even though cash inflow was received from the sale of investments securities.

3) Financing activity cash flow

Net cash outflow from financing activity was ¥15,354 million, compared to an inflow of ¥11,541 million in the previous year. This outflow was primarily due to repayment of long-term debt and the payment of dividends.

5. Capital Expenditures

Capital investment for the Company and its consolidated companies was ¥27,567 million.

In terms of capital expenditure per business segment, Natural Gas Chemicals Company was ¥6,915 million, Aromatic Chemicals Company was ¥8,206 million, Specialty Chemicals Company was ¥8,611 million, Information & Advanced Materials Company was ¥3,827 million, and other businesses combined were ¥8 million.

6. Research and Development

The MGC Group's medium-term plan *MGC Will 2011* sets out the Group Vision of seeking to "achieve sustainable growth as an outstanding chemicals company that is characterized by its own unique technologies and creates a strong impression" and actively engage in research and development, in close cooperation with group companies, in line with the plan's key policies of "strengthening and expanding core businesses and accelerating new product development and commercialization."

MGC is aiming to achieve synergy by sharing and further developing the technologies it has acquired and developed over many years under its R&D system based on its research laboratories in Tokyo, Niigata, and Hiratsuka, the MGC Chemical Analysis Center, the Research & Technology Development Division of corporate groups, Planning & Development divisions of company groups, as well as the research divisions of individual plants; and to enhance the speed and efficiency for promptly fostering new products via research and development that takes advantage of MGC's comprehensive strengths through collaborative development with affiliates and outsourcing of research. Tokyo Techno Park was also created last autumn through the remodeling and rebuilding of the Tokyo Techno-Center adjacent to the Tokyo Research Laboratory; and it is in operation as an urban research and development base involved mainly in research on functional products and materials.

The Group's research and development personnel, including those at the R&D divisions of its affiliates, total 724, making up around 15% of the total workforce. Expenditures on research totaled ¥16,199 million. Research and development costs by segment were as follows:

Natural Gas Chemicals Company: ¥3,796 million
Aromatic Chemicals Company: ¥3,049 million
Specialty Chemicals Company: ¥5,384 million
Information & Advanced Materials Company: ¥3,969 million

7. Risk Factors

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

Please note that the following does not represent an exhaustive list of risks. All forward-looking statements in the text are based on the judgment of the MGC Group as of June 25, 2010.

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 in Japan and overseas, at each stage, including manufacturing, storage, distribution and sale. In addition, with rising environmental awareness worldwide, regulations on chemical substances are becoming increasingly stringent, which could disrupt the MGC Group's business activities.

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

6) Natural Disasters

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

7) Accidents and Disasters

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

8) Research and Development

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

9) Joint Ventures

The MGC Group procures virtually all of its methanol, the Group's largest-selling product when derivatives are included, from joint ventures in Saudi Arabia 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, 2010 and 2009

ASSETS

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2010	2009	**2010**
Current assets:			
Cash (notes 3 and 6)	**¥ 27,561**	¥ 23,209	**$ 296,227**
Trade notes and accounts receivable (note 15)	**104,087**	74,550	**1,118,734**
Short-term investments (notes 4 and 6)	**10,017**	30,846	**107,663**
Inventories	**62,006**	65,338	**666,444**
Deferred income taxes (note 8)	**3,494**	3,303	**37,554**
Other current assets	**11,623**	18,639	**124,925**
Less allowance for doubtful receivables	**705**	586	**7,577**
Total current assets	**218,083**	215,299	**2,343,970**
Property, plant and equipment (note 6):			
Buildings and structures	**123,652**	117,709	**1,329,020**
Machinery, equipment and vehicles	**340,217**	328,032	**3,656,674**
Land	**22,940**	22,993	**246,561**
Leased assets	**529**	358	**5,686**
Construction in progress	**17,301**	21,474	**185,952**
Other	**29,289**	28,031	**314,800**
	533,928	518,597	**5,738,693**
Less accumulated depreciation	**372,594**	351,949	**4,004,665**
Net property, plant and equipment	**161,334**	166,648	**1,734,028**
Intangible assets, net:			
Leased assets	**54**	48	**581**
Software	**2,671**	1,946	**28,708**
Other	**1,933**	887	**20,776**
Net intangible assets	**4,658**	2,881	**50,065**
Investments and other assets:			
Investments in securities (notes 4, 5 and 6)	**130,471**	121,540	**1,402,311**
Long-term loans receivable	**2,733**	3,313	**29,375**
Deferred income taxes (note 8)	**17,457**	15,271	**187,629**
Other investments and other assets (notes 5 and 7)	**6,324**	7,222	**67,971**
Less allowance for doubtful receivables	**1,629**	1,581	**17,509**
Total investments and other assets	**155,356**	145,765	**1,669,777**
Total assets	**¥539,431**	¥530,593	**$5,797,840**

See accompanying notes to consolidated financial statements.

LIABILITIES & NET ASSETS

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2010	2009	**2010**
Current liabilities:			
Trade notes and accounts payable	**¥ 56,487**	¥ 40,302	**$ 607,126**
Short-term debt and current installments of long-term debt (note 6)	**74,121**	87,057	**796,657**
Accrued expenses	**12,851**	14,636	**138,123**
Accrued income taxes (note 8)	**2,422**	362	**26,032**
Accrued bonuses	**3,646**	3,778	**39,188**
Other current liabilities (note 8)	**10,771**	14,953	**115,768**
Total current liabilities	**160,298**	161,088	**1,722,894**
Non-current liabilities:			
Long-term debt (note 6)	**91,727**	87,877	**985,888**
Liabilities for retirement and severance benefits (note 7)	**5,677**	4,782	**61,017**
Deferred income taxes (note 8)	**866**	685	**9,308**
Other non-current liabilities	**2,768**	4,077	**29,750**
Total non-current liabilities	**101,038**	97,421	**1,085,963**
Total liabilities	**261,336**	258,509	**2,808,857**
Stockholders' equity:			
Common stock (note 9):	**41,970**	41,970	**451,096**
Authorized 984,856,000 shares; issued 483,478,398 shares in 2010 and 2009			
Additional paid-in capital (note 9)	**35,590**	35,589	**382,524**
Retained earnings (note 10)	**222,394**	221,991	**2,390,305**
Treasury stock, at cost; 31,446,964 shares in 2010 and 31,420,297 shares in 2009	**(7,905)**	(7,891)	**(84,963)**
Total stockholders' equity	**292,049**	291,659	**3,138,962**
Valuation and translation adjustments:			
Net unrealized loss on other securities (note 4)	**(1,013)**	(3,330)	**(10,888)**
Deferred gains (losses) on hedges	**(2)**	30	**(22)**
Surplus on revaluation of land	**192**	192	**2,064**
Foreign currency translation adjustments	**(22,013)**	(23,689)	**(236,597)**
Total valuation and translation adjustments	**(22,836)**	(26,797)	**(245,443)**
Minority interests	**8,882**	7,222	**95,464**
Total net assets	**278,095**	272,084	**2,988,983**
Commitments and contingencies (note 16)			
Total liabilities and net assets	**¥539,431**	¥ 530,593	**$ 5,797,840**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

Mitsubishi Gas Chemical Company, Inc. and Consolidated Subsidiaries
For the years ended March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2010	2009	**2010**
Net sales (note 15)	**¥384,529**	¥447,647	**$4,132,943**
Cost of sales (note 12)	**326,739**	395,626	**3,511,812**
Gross profit	**57,790**	52,021	**621,131**
Selling, general and administrative expenses (notes 11 and 12)	**53,699**	55,125	**577,160**
Operating income (loss)	**4,091**	(3,104)	**43,971**
Other income (deductions):			
Interest income	**202**	340	**2,171**
Dividend income	**1,183**	1,432	**12,715**
Interest expenses	**(2,159)**	(2,195)	**(23,205)**
Equity in earnings of affiliates	**8,794**	14,707	**94,518**
Gain on sale of investments in securities	**1,942**	–	**20,873**
Exchange loss	**(1,047)**	(1,264)	**(11,253)**
Personnel expenses for seconded employees	**(1,768)**	(1,181)	**(19,003)**
Loss on sale/disposal of property, plant and equipment	**(1,127)**	(1,057)	**(12,113)**
Impairment loss	**(520)**	–	**(5,589)**
Provision of allowance for doubtful receivables	**–**	(1,092)	**–**
Loss on devaluation of investments in securities	**–**	(213)	**–**
Other, net	**(2,060)**	(1,100)	**(22,141)**
	3,440	8,377	**36,973**
Income before income taxes and minority interests	**7,531**	5,273	**80,944**
Income taxes (note 8):			
Current	**4,304**	329	**46,260**
Deferred	**(3,248)**	(2,581)	**(34,910)**
	1,056	(2,252)	**11,350**
Income before minority interests	**6,475**	7,525	**69,594**
Minority interests	**647**	511	**6,954**
Net income	**¥ 5,828**	¥ 7,014	**$ 62,640**

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, 2010 and 2009

	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 (loss) on other securities (note 4)	Deferred gains (losses)on hedges	Surplus on revaluation of land	Foreign currency translation adjustments	Total	Minority interests	Total net assets
Balance at March 31, 2008	¥ 41,970	¥ 35,577	¥ 222,047	¥ (4,287)	¥ 295,307	¥10,867	¥ 129	¥ 192	¥ (4,181)	¥ 7,007	¥ 9,707	¥ 312,021
Changes resulting from accounting changes of foreign subsidiaries			(144)		(144)							(144)
Changes arising during year:												
Cash dividends			(7,393)		(7,393)							(7,393)
Net income			7,014		7,014							7,014
Decrease resulting from newly consolidated subsidiary			(207)		(207)							(207)
Increase resulting from the merger			45		45							45
Increase resulting from affiliates newly accounted for by the equity method			629		629							629
Purchase of treasury stock				(3,617)	(3,617)							(3,617)
Disposition of treasury stock		12		13	25							25
Net changes other than stockholders' equity						(14,197)	(99)		(19,508)	(33,804)	(2,485)	(36,289)
Total changes during the year	–	12	88	(3,604)	(3,504)	(14,197)	(99)	–	(19,508)	(33,804)	(2,485)	(39,793)
Balance at March 31, 2009	41,970	35,589	221,991	(7,891)	291,659	(3,330)	30	192	(23,689)	(26,797)	7,222	272,084
Changes arising during year:												
Cash dividends			**(5,425)**		**(5,425)**							**(5,425)**
Net income			**5,828**		**5,828**							**5,828**
Purchase of treasury stock				**(15)**	**(15)**							**(15)**
Disposition of treasury stock		**1**		**1**	**2**							**2**
Net changes other than stockholders' equity						**2,317**	**(32)**		**1,676**	**3,961**	**1,660**	**5,621**
Total changes during the year	**–**	**1**	**403**	**(14)**	**390**	**2,317**	**(32)**	**–**	**1,676**	**3,961**	**1,660**	**6,011**
Balance at March 31, 2010	**¥41,970**	**¥35,590**	**¥ 222,394**	**¥ (7,905)**	**¥292,049**	**¥(1,013)**	**¥ (2)**	**¥ 192**	**¥(22,013)**	**¥(22,836)**	**¥8,882**	**¥278,095**

	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 (loss) on other securities	Deferred gains (losses) on hedges	Surplus on revaluation of land	Foreign currency translation adjustments	Total	Minority interests	Total net assets
Balance at March 31, 2009	$451,096	$ 382,513	$ 2,385,974	$ (84,813)	$ 3,134,770	$ (35,791)	$ 322	$ 2,064	$ (254,611)	$ (288,016)	$ 77,622	$ 2,924,376
Changes arising during year:												
Cash dividends			**(58,309)**		**(58,309)**							**(58,309)**
Net income			**62,640**		**62,640**							**62,640**
Purchase of treasury stock				**(161)**	**(161)**							**(161)**
Disposition of treasury stock		**11**		**11**	**22**							**22**
Net changes other than stockholders' equity						**24,903**	**(344)**		**18,014**	**42,573**	**17,842**	**60,415**
Total changes during the year	**–**	**11**	**4,331**	**(150)**	**4,192**	**24,903**	**(344)**	**–**	**18,014**	**42,573**	**17,842**	**64,607**
Balance at March 31, 2010	**$451,096**	**$382,524**	**$2,390,305**	**$(84,963)**	**$3,138,962**	**$(10,888)**	**$ (22)**	**$ 2,064**	**$(236,597)**	**$(245,443)**	**$95,464**	**$2,988,983**

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, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2010	2009	**2010**
Cash flows from operating activities:			
Income before income taxes and minority interests	**¥ 7,531**	5,273	**$ 80,944**
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	**29,507**	28,935	**317,143**
Loss on sale/disposal of property, plant and equipment	**466**	619	**5,008**
Impairment loss	**520**	–	**5,589**
Equity in earnings of affiliates	**(8,794)**	(14,707)	**(94,518)**
Allowance for doubtful receivables	**168**	545	**1,806**
Increase in liabilities for retirement and severance benefits	**892**	43	**9,587**
Interest and dividend income	**(1,385)**	(1,772)	**(14,886)**
Interest expenses	**2,159**	2,195	**23,205**
Gain on sale of short-term investments and investments in securities	**(2,050)**	(8)	**(22,034)**
Loss on devaluation of short-term investments and investments in securities	**4**	213	**43**
(Increase) decrease in trade notes and accounts receivable	**(29,579)**	62,831	**(317,917)**
Decrease in inventories	**3,510**	3,011	**37,726**
Increase (decrease) in trade notes and accounts payable	**17,147**	(43,001)	**184,297**
Other, net	**32**	1,545	**344**
Sub total	**20,128**	45,722	**216,337**
Interest and dividend received	**1,392**	1,764	**14,961**
Dividend received from affiliates accounted for by the equity method	**9,183**	15,382	**98,700**
Interest paid	**(2,201)**	(2,170)	**(23,656)**
Income taxes refunded (paid)	**2,825**	(11,671)	**30,363**
Net cash provided by operating activities	**31,327**	49,027	**336,705**
Cash flows from investing activities:			
Purchase of short-term investments	**(990)**	(946)	**(10,641)**
Proceeds from sale of short-term investments	**895**	890	**9,620**
Capital expenditures	**(31,635)**	(38,121)	**(340,015)**
Proceeds from sale of property, plant and equipment	**1,181**	1,193	**12,694**
Purchase of investments in securities	**(6,879)**	(4,726)	**(73,936)**
Proceeds from sale of investments in securities	**4,031**	52	**43,325**
Decrease in long-term loans receivable	**178**	890	**1,913**
Other, net	**(444)**	(486)	**(4,772)**
Net cash used in investing activities	**(33,663)**	(41,254)	**(361,812)**
Cash flows from financing activities:			
(Decrease) increase in short-term debt	**(3,130)**	4,682	**(33,642)**
Proceeds from long-term debt	**60,720**	35,351	**652,623**
Payments on long-term debt	**(66,737)**	(16,937)	**(717,294)**
Purchase of treasury stock	**(15)**	(3,617)	**(161)**
Dividends paid to stockholders	**(5,425)**	(7,393)	**(58,308)**
Dividends paid to minority stockholders of subsidiaries	**(622)**	(522)	**(6,685)**
Other, net	**(145)**	(23)	**(1,559)**
Net cash Provided for (used in) financing activities	**(15,354)**	11,541	**(165,026)**
Effect of exchange rate changes on cash and cash equivalents	**(445)**	(3,872)	**(4,783)**
(Decrease) increase in cash and cash equivalents	**(18,135)**	15,442	**(194,916)**
Cash and cash equivalents at beginning of year	**53,065**	37,235	**570,346**
Cash and cash equivalents of newly consolidated subsidiaries	**1,119**	118	**12,027**
Increase in cash and cash equivalents resulting from the merger	**–**	270	**–**
Cash and cash equivalents at end of year (note 3)	**¥36,049**	¥ 53,065	**$ 387,457**

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Mitsubishi Gas Chemical Company, Inc. and Consolidated Subsidiaries
For the years ended March 31, 2010 and 2009

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.

Previously, a company could use the financial statements of its foreign subsidiaries which have been prepared in conformity with financial accounting standards of the countries of their domicile. From the year ended March 31, 2009, the Company adopted "Practical Solution on unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (ASBJ Practical Issues Task Force (PITF) No. 18, May 17, 2006). This PITF requires that for the preparation of consolidated financial statements, the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should be unified, in principle, and financial statements prepared by foreign subsidiaries in accordance with IFRSs or the generally accepted accounting principles in the United States (U.S. GAAP) tentatively may be used for the consolidation process, however, the items listed in the PITF should be adjusted in the consolidation process so that net income is accounted for in accordance with Japan GAAP unless they are not material. The Company made necessary modification to the consolidated financial statements according to the PITF. The effect of the change on operating income and income before income taxes and minority interests was immaterial.

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 (35 subsidiaries for 2010 and 34 subsidiaries for 2009). 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 held for sale in the ordinary course of business are measured at the lower of cost or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses, determined principally by the average method.

Inventories were previously stated principally at cost determined principally by the average method. From the year ended March 31, 2009, the Company adopted "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9, July 5, 2006), and inventories held for sale in the ordinary course of business are measured at the lower of cost or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses, determined principally by the average method. As a result of the change, operating loss increased by ¥6,745 million and income before income taxes and minority interests decreased by same amount.

(f) Property, Plant and Equipment

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

The estimated useful lives are as follows:

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

From the year ended March 31, 2009, the Company and its domestic consolidated subsidiaries changed the estimated useful lives of machinery as a result of review of their useful lives. The effect of this change was to increase operating loss by ¥453 million and to decrease income before income taxes and minority interests by ¥382 million.

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

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

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

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

(j) Retirement and Severance Benefits
MGC have retirement benefit plans covering substantially all employees.

Under the Accounting Standards for Retirement and Severance Benefits, provisions have been made in the accompanying consolidated financial statements based on the present value of the projected future retirement and severance benefits attributable to employee services rendered by the end of the year, less amounts funded under pension plans.

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

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

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

Previously, 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. On March 30, 2007, the ASBJ issued ASBJ Statement No.13, "Accounting Standard for Lease Transactions," which revised the former accounting standard for lease transactions issued on June 17, 1993, and ASBJ Guidance No.16, "Guidance on Accounting Standard for Lease Transactions," which revised the former guidance issued on January 18, 1994. From the year ended March 31, 2009, the Company adopted the revised accounting standards. The revised accounting standards require that all finance lease transactions shall be capitalized. Leased assets related to finance lease transactions without title transfer are depreciated on a straight-line basis, with the lease periods as their useful lives and no residual value. Regarding finance leases transactions without title transfer for which the starting date for the lease transactions is prior to the initial fiscal year in which these new accounting standards apply, the Company and its domestic consolidated subsidiaries have continued recognize lease payments as expenses. The effect of this change on operating income and income before income taxes and minority interests was nil.

(l) Foreign Currency Translation
Under the Accounting Standards for Foreign Currency Transactions, foreign currency transactions are translated into yen on the basis of the rates in effect at the transaction dates, receivables and payables denominated in foreign currencies are translated into yen at the rate of exchange as of the balance sheet dates, and gains or losses resulting from the translation of foreign currencies are credited or charged to income. Assets and liabilities of overseas subsidiaries are translated into yen at the rate of exchange as of the balance sheet date, and revenues and expenses of them are translated into yen using the average rate in the year. And a comprehensive adjustment resulting from translation is presented as "Foreign currency translation adjustments" and "Minority interests" in a component of net assets.

(m) Income Taxes
Income taxes in Japan applicable to the Company and its domestic consolidated subsidiaries consist of corporate tax, inhabitant tax and business tax.

The Accounting Standards for Income Taxes require that deferred income taxes be accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled, and the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

(n) Accrued Estimated Cost of Abandonment of Wells
MGC provided the accrued estimated cost of abandonment of a well at an offshore oil field to cover the costs to be incurred

upon the abandonment of the well at an estimated amount which is allocated over a scheduled period based on MGC's plan for the abandonment of the well.

(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) Classification in the cash flow statement of dividends received from affiliates accounted for by equity method
Previously, dividends received from affiliates accounted for by equity method were included in cash flows from investing activities in the cash flow statements because the collection period was relatively long when the dividends were taken as return on the investment. However, in recent years, the collection period on investment becomes shorter and this trend is expected to continue. Therefore, to present the actual cash flows of whole MGC's operations which include the affiliates accounted for by equity method, the dividends received are included in cash flows from operating activities from the year ended March 31, 2009. As a result of this change, cash flows form operating activities increased in ¥15,382 million, and cash flows form investing activities decreased by same amount.

(q) 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, 2010.

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, 2010 have been translated into United States dollars at the rate of ¥93.04=U.S.$1, the approximate exchange rate on the Tokyo Foreign Exchange Market on March 31, 2010. This translation should not be construed as a representation that the amounts shown could be converted into U.S. dollars at such rate.

3 Cash and Cash Equivalents

Reconciliation between "Cash" in the consolidated balance sheets and "Cash and cash equivalents" in the consolidated statements of cash flows at March 31, 2010 and 2009 is follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Cash	**¥ 27,561**	¥ 23,209	**$ 296,227**
Time deposits with maturities of over three months	**(642)**	(274)	**(6,900)**
Short-term investments	**9,130**	30,130	**98,130**
Cash and cash equivalents	**¥ 36,049**	¥ 53,065	**$ 387,457**

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, 2010 and 2009 are summarized as follows:

	Millions of yen			
	Balance sheet amount	Gross unrealized gain	Gross unrealized loss	Fair value
March 31, 2010				
Government bond securities	**¥ 17**	**¥ –**	**¥ –**	**¥ 17**
Certificates of deposit	**9,998**	**–**	**–**	**9,998**
Other	**10**	**–**	**–**	**10**
	¥10,025	**¥ –**	**¥ –**	**¥10,025**
March 31, 2009				
Government bond securities	¥ 8	¥ –	¥ –	¥ 8
	¥ 8	¥ –	¥ –	¥ 8

	Thousands of U.S. dollars			
	Balance sheet amount	Gross unrealized gain	Gross unrealized loss	Fair value
March 31, 2010				
Government bond securities	**$ 183**	**$ –**	**$ –**	**$ 183**
Certificates of deposit	**107,459**	**–**	**–**	**107,459**
Other	**107**	**–**	**–**	**107**
	$ 107,749	**$ –**	**$ –**	**$ 107,749**

Acquisition cost, balance sheet amount and gross unrealized gain and loss of other securities with fair value as of March 31, 2010 and 2009 are summarized as follows:

	Millions of yen			
	Acquisition cost	Gross unrealized gain	Gross unrealized loss	Balance sheet amount
March 31, 2010				
Equity securities	**¥33,579**	**¥8,814**	**¥ (7,365)**	**¥35,028**
Corporate bond securities	**66**	**1**	**–**	**67**
Other securities	**33**	**0**	**–**	**33**
	¥33,678	**¥8,815**	**¥ (7,365)**	**¥ 35,128**
March 31, 2009				
Equity securities	¥29,899	¥ 5,818	¥ (7,670)	¥ 28,047
Corporate bond securities	66	–	(1)	65
Other securities	33	0	–	33
	¥29,998	¥ 5,818	¥ (7,671)	¥ 28,145

	Thousands of U.S. dollars			
	Acquisition cost	Gross unrealized gain	Gross unrealized loss	Balance sheet amount
March 31, 2010				
Equity securities	**$ 360,909**	**$94,733**	**$ (79,159)**	**$ 376,483**
Corporate bond securities	**709**	**11**	**–**	**720**
Other securities	**355**	**0**	**–**	**355**
	$ 361,973	**$94,744**	**$ (79,159)**	**$ 377,558**

It is not practicable to estimate the fair value of securities as of March 31, 2010 and 2009 described below because of lack of market price and difficulty in estimating fair value.

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Held-to-maturity securities:			
Certificates of deposit	**¥ –**	¥30,835	**$ –**
Other securities:			
Unlisted equity securities	**3,841**	3,672	**41,283**
	¥ 3,841	¥34,507	**$ 41,283**

For the years ended March 31, 2010 and 2009, proceeds from the sale of other securities are ¥4,031 million ($43,325 thousand) and ¥24 million, gross realized gains are ¥2,050 million ($22,034 thousand) and ¥16 million and gross realized losses are nil and ¥8 million.

The Company recognized impairment losses on securities of ¥4 million ($43 thousand) and ¥181 million for the years ended March 31, 2010 and 2009, respectively. The Company recognizes impairment losses on securities with market value when the market value declines by more than 50 percent, or when the market value declines by more than 30 percent but less than 50 percent, the Company recognizes necessary impairment losses as a result of considering the possibility of recovery. The Company recognizes impairment losses on securities without market value when the value declines significantly due to an issuer's financial condition.

5 Investments in Affiliates

The aggregate carrying amounts of investments in affiliates as of March 31, 2010 and 2009 are ¥91,599 million ($984,512 thousand) and ¥89,812 million, respectively.

6 Short-term and Long-term Debt

Short-term debt is represented by bank loans which are due within one year. The weighted average interest rate of short-term debt at March 31, 2010 and 2009 is 0.7% and 1.1%, respectively.

Long-term debt as of March 31, 2010 and 2009 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Loans, principally from banks, maturing in installments through 2028 with weighted average interest of 1.4% and 1.8% at March 31, 2010 and 2009, respectively, partially secured by mortgage of property, plant and equipment and securities	**¥76,633**	¥ 82,602	**$ 823,657**
Lease liabilities maturing in installments through 2014 with weighted average interest of 2.2% and 2.4% at March 31, 2010 and 2009, respectively	**448**	355	**4,815**
Yen zero coupon convertible bonds (bonds with stock acquisition rights), due 2011	**20,000**	20,000	**214,961**
	97,081	102,957	**1,043,433**
Less current installments:			
Loans	**5,238**	14,997	**56,298**
Lease liabilities	**116**	83	**1,247**
	¥ 91,727	¥ 87,877	**$ 985,888**

The yen zero coupon convertible bonds (bonds with stock acquisition rights), due 2011 is exercisable for the period from October 5, 2006 to September 7, 2011 and entitling the bearer to acquire fully-paid and non-assessable shares of common stock of the Company at the conversion price of ¥1,959.30 ($21.06) per share at March 31, 2010.

The aggregate annual maturities of long-term debt after March 31, 2011 are as follows:

	Millions of yen	Thousands of U.S. dollars
Year ending March 31:		
2012	¥24,202	$ 260,125
2013	21,761	233,889
2014	23,562	253,246
2015	2,630	28,267

Property, plant and equipment and securities with a book value at March 31, 2010 of ¥14,447 million ($155,277 thousand) are mortgaged to secure certain debts.

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

7 Retirement and Severance Benefits

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

The funded status of the pension plans at March 31, 2010 and 2009 is outlined as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Projected benefit obligation	**¥(37,568)**	¥(38,567)	**$ (403,783)**
Plan assets at fair value	**13,614**	12,418	**146,324**
Assets contributed to the trust	**13,646**	10,476	**146,668**
Funded status	**(10,308)**	(15,673)	**(110,791)**
Unrecognized actuarial loss	**4,828**	12,418	**51,891**
Unrecognized prior service cost	**922**	1,052	**9,910**
Net amount recognized in the consolidated balance sheets	**(4,558)**	(2,203)	**(48,990)**
Prepaid retirement and severance benefits	**72**	1,530	**774**
Accrued retirement and severance benefits	**¥ (4,630)**	¥ (3,733)	**$ (49,764)**

Net periodic pension cost for the years ended March 31, 2010 and 2009 consists of the following components:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Service cost	**¥ 1,868**	¥1,733	**$ 20,077**
Interest cost	**680**	830	**7,309**
Expected return on plan assets	**(245)**	(343)	**(2,633)**
Amortization of actuarial loss	**2,535**	293	**27,246**
Amortization of prior service cost	**80**	80	**860**
Net periodic pension cost	**4,918**	2,593	**52,859**
Contribution to the defined contribution pension plan	**320**	362	**3,439**
	¥ 5,238	¥2,955	**$ 56,298**

Significant assumptions of pension plans used to determine these amounts in fiscal 2010 and 2009 are as follows:

	2010	2009
Periodic allocation method for projected benefit	**Straight-line**	Straight-line
Discount rate	**Mainly 2.0%**	Mainly 2.0%
Expected rate of return on plan assets	**Mainly 2.5%**	Mainly 2.5%
Period for amortization of unrecognized prior service cost / benefit	**Mainly 10 years**	Mainly 10years
Period for amortization of unrecognized actuarial loss / gain	**Mainly 10 years**	Mainly 10 years

Directors, corporate auditors and executive officers are not covered by the plans described above. For such persons, the Company and certain subsidiaries had unfunded defined benefit pension plans. Under the plans, directors, corporate auditors and executive officers are entitled to lump-sum payments based on the current rate of pay and length of service when they leave the companies. MGC provides for the amount of the vested benefits to which directors, corporate auditors and executive officers are entitled if they were to retire or sever immediately at the balance sheet dates. As of March 31, 2010 and 2009, the liabilities for retirement and severance benefits related to the plans were ¥1,046 million ($11,242 thousand) and ¥1,049 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.

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 2010 and 2009.

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, 2010 and 2009 is follows:

	2010	2009
Statutory tax rate	**40.5%**	40.5%
Equity in earnings of affiliates	**(47.3)**	(113.0)
Dividend income eliminated in consolidation	**60.7**	141.8
Valuation allowance	**32.6**	67.0
Income not credited for tax purposes	**(62.6)**	(133.6)
Unrealized profit	**–**	(32.3)
Difference in statutory tax rates of subsidiaries	**(12.5)**	(15.0)
Other	**2.6**	1.8
Effective tax rate	**14.0%**	(42.7)%

Significant components of deferred tax assets and liabilities at March 31, 2010 and 2009 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Deferred tax assets:			
Liabilities for retirement and severance benefits	**¥ 6,419**	¥ 5,800	**$ 68,992**
Tax loss carryforward	**17,715**	14,528	**190,402**
Devaluation loss on investments in securities	**1,233**	1,114	**13,252**
Accrued bonuses	**1,437**	1,506	**15,445**
Intercompany profits	**519**	529	**5,578**
Depreciation	**2,959**	3,600	**31,804**
Other	**8,166**	7,373	**87,769**
	38,448	34,450	**413,242**
Valuation allowance	**(10,110)**	(7,656)	**(108,663)**
	28,338	26,794	**304,579**
Deferred tax liabilities:			
Net unrealized gain on other securities	**(2,620)**	(1,519)	**(28,160)**
Gain by contributing the assets to the trust	**(2,040)**	(3,096)	**(21,926)**
Tax purpose reserves etc. regulated by Japanese tax law	**(2,764)**	(3,567)	**(29,708)**
Other	**(1,004)**	(881)	**(10,791)**
	(8,428)	(9,063)	**(90,585)**
Net deferred tax assets	**¥ 19,910**	¥ 17,731	**$ 213,994**

Net deferred tax assets and liabilities as of March 31, 2010 and 2009 are reflected in the accompanying consolidated balance sheets under the following captions:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Current assets– Deferred income taxes	**¥ 3,494**	¥ 3,303	**$ 37,554**
Investments and other assets– Deferred income taxes	**17,457**	15,271	**187,629**
Current liabilities– Other current liabilities	**(175)**	(158)	**(1,881)**
Non-current liabilities– Deferred income taxes	**(866)**	(685)	**(9,308)**
Net deferred tax assets	**¥ 19,910**	¥ 17,731	**$ 213,994**

9 Common Stock

Under the Corporation Law of Japan, the entire amount of the issue price of shares is required to be designated as stated common stock account although a company in Japan may, by resolution of its Board of Directors, account for an amount not exceeding 50% of the issue price of new shares as additional paid-in capital.

10 Retained Earnings and Dividends

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

Cash dividends charged to retained earnings for the years ended March 31, 2010 and 2009 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, 2009

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

(a) Total dividends	¥3,697 million
(b) Cash dividends per common share	¥8
(c) Record date	March 31, 2008
(d) Effective date	June 11, 2008

The following was approved by the Board of Directors held on November 7, 2008.

(a) Total dividends	¥3,696 million
(b) Cash dividends per common share	¥8
(c) Record date	September 30, 2008
(d) Effective date	December 5, 2008

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

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

(a) Total dividends	¥3,616 million ($38,865 thousand)
(b) Cash dividends per common share	¥8 ($0.09)
(c) Record date	March 31, 2009
(d) Effective date	June 8, 2009

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

(a) Total dividends	¥1,808 million ($19,433 thousand)
(b) Cash dividends per common share	¥4 ($0.04)
(c) Record date	September 30, 2009
(d) Effective date	December 4, 2009

(c) Dividends to be paid after the balance sheet date but the record date for the payment belongs to the year ended March 31, 2010

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

(a) Total dividends	¥1,808 million ($19,433 thousand)
(b) Dividend source	Retained earnings
(c) Cash dividends per common share	¥4 ($0.04)
(d) Record date	March 31, 2010
(e) Effective date	June 7, 2010

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
	2010	2009	**2010**
Freight	**¥10,624**	¥11,000	**$114,187**
Stevedoring and warehouse fee	**2,435**	2,558	**26,172**
Salaries	**8,694**	9,213	**93,444**
Employees' bonuses	**3,208**	3,415	**34,480**
Pension cost	**2,324**	1,422	**24,979**
Welfare	**2,681**	2,628	**28,816**
Transportation	**1,563**	1,996	**16,799**
Depreciation	**4,598**	3,819	**49,420**

12 Research and Development Costs

Research and development costs charged to income for the years ended March 31, 2010 and 2009 are ¥16,199 million ($174,108 thousand) and ¥14,707 million, respectively.

13 Per Share Information

(a) Net Income per Share

Basic and diluted net income per share, and reconciliation of the numbers and the amounts used in the basic and diluted net income per share computations for the years ended March 31, 2010 and 2009 are as follows:

	Yen		U.S. dollars
	2010	2009	**2010**
Basic net income per share	**¥12.89**	¥15.30	**$ 0.14**
Diluted net income per share	**12.61**	14.97	**0.14**

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Net income	**¥5,828**	¥7,014	**$62,640**
Net income not applicable to common stockholders	**–**	–	**–**
Net income applicable to common stockholders	**¥5,828**	¥7,014	**$62,640**

	Number of shares	
	2010	2009
Weighted average number of shares outstanding on which basic net income per share is calculated	**452,044,572**	458,312,702
Effect of dilutive convertible bonds	**10,207,727**	10,207,727
Number of shares outstanding on which diluted net income per share is calculated	**462,252,299**	468,520,429

(b) Net Assets per Share

Net assets per share at March 31, 2010 and 2009 are as follows:

	Yen		U.S. dollars
	2010	2009	**2010**
Net assets per share	**¥595.56**	¥585.90	**$6.40**

14 Leases

(a) Finance Lease

A summary of assumed amounts of acquisition cost which includes interest portion, accumulated depreciation and net book value at March 31, 2010 and 2009 are as follows, which would have been reflected in the consolidated balance sheets if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:

	Millions of yen		
	Machinery, equipment and vehicles	Other tangible assets	total
March 31, 2010			
Acquisition cost	**¥1,994**	**¥1,325**	**¥3,319**
Accumulated depreciation	**894**	**878**	**1,772**
Net book value	**¥1,100**	**¥ 447**	**¥1,547**
March 31, 2009			
Acquisition cost	¥2,156	¥2,953	¥5,109
Accumulated depreciation	1,407	2,091	3,498
Net book value	¥ 749	¥ 862	¥1,611

	Thousands of U.S. dollars		
	Machinery, equipment and vehicles	Other tangible assets	total
March 31, 2010			
Acquisition cost	**$ 21,432**	**$14,241**	**$ 35,673**
Accumulated depreciation	**9,609**	**9,437**	**19,046**
Net book value	**$ 11,823**	**$ 4,804**	**$ 16,627**

Future minimum payments which include interest portion required under finance leases at March 31, 2010 and 2009 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Within one year	**¥ 509**	¥ 693	**$ 5,471**
Over one year	**1,038**	918	**11,156**
	¥1,547	¥1,611	**$16,627**

Lease payments for the years ended March 31, 2010 and 2009 amounted to ¥721 million ($7,749 thousand) and ¥1,047 million, respectively.

(b) Operating Lease

Future minimum lease payments required under noncancellable operating leases as of March 31, 2010 and 2009 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Within one year	**¥1,044**	¥ 342	**$ 11,221**
Over one year	**5,823**	1,271	**62,586**
	¥6,867	¥1,613	**$ 73,807**

15 Balances and Transactions with Related Party

The Company has a 50% equity ownership in Mitsubishi Engineering-Plastics Corp. at March 31, 2010 and 2009.

Balances with the company at March 31, 2010 and 2009, and related transactions for the years then ended are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Balances:			
Trade accounts receivable	**¥ 7,525**	¥4,062	**$ 80,879**
Transactions:			
Sales	**25,613**	39,687	**275,290**

The Company has a 50% equity ownership in Mizushima Aroma Co., Ltd. at March 31, 2010 and 2009.

Balances with the company at March 31, 2010 and 2009 and related transactions for the years then ended are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Balances:			
Trade accounts receivable	**¥ 4,561**	¥ 2,785	**$ 49,022**
Transactions:			
Sales	**15,540**	20,650	**167,025**

The Company has a 50% equity ownership in CG Ester Corporation at March 31, 2009.

Balances with the company at March 31, 2009 and related transactions for the year then ended are summarized as follows:

	Millions of yen
Balances:	
Trade accounts receivable	**¥2,422**
Transactions:	
Sales	**7,228**

The Company has a 50% equity ownership in BRUNEI METHANOL COMPANY SDN. BHD. both at March 31, 2010 and 2009.

At March 31, 2010 and 2009, the Company has guaranteed ¥14,161 million ($152,203 thousand) and ¥10,535 million of the company's loans to financial institutions, respectively.

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

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Total current assets	**¥ 138,652**	¥ 138,386	**$ 1,490,241**
Total non-current assets	**202,117**	186,444	**2,172,367**
Total current liabilities	**106,386**	106,325	**1,143,444**
Total non-current liabilities	**44,662**	32,569	**480,030**
Total net assets	**189,721**	185,936	**2,039,134**
Sales	**272,058**	349,480	**2,924,097**
Income before income taxes	**23,690**	45,006	**254,622**
Net income	**21,578**	36,229	**231,922**

16 Commitments and Contingencies

It is common practice in Japan for companies, in the ordinary course of business, to receive promissory notes in settlement of trade accounts receivable and to subsequently discount such notes at banks or to transfer them by endorsement to suppliers in the settlement of accounts payable. At March 31, 2010, MGC was contingently liable with respect to export trade notes receivable discounted in the amounts of ¥65 million ($699 thousand). Notes discounted are accounted for as sales and removed from the balance sheets. And at March 31, 2010 and 2009, MGC was contingently liable with respect to recourse obligations related to trade notes receivable transferred in the amounts of ¥205 million ($2,203 thousand) and ¥101 million, respectively. At March 31, 2010, MGC was contingently liable with respect to recourse obligations related to trade accounts receivable transferred in the amounts of ¥159 million ($1,709 thousand).

Contingent liabilities at March 31, 2010 for loans guaranteed amounted to ¥18,625 million ($200,183 thousand).

17 Financial Instruments

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

Conditions of Financial instruments

(1) Management policy

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

(2) Financial instruments and risks

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

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

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

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

Hedge accounting is applied for certain derivative transactions. MGC has entered into interest rate swap agreements to manage interest rate exposures on certain borrowings. If interest rate swap agreements are used as hedges and meet certain hedging criteria, the difference in amounts to be paid or received on the interest rate swap agreements is recognized over the life of the agreements as an adjustment to interest expense. MGC employs derivative transactions within actual demand and does not hold or issue derivative financial instruments for the purpose of trading.

(3) Financial instruments risk management

1) Credit risk

To mitigate and quickly capture the collectability issues, sales administration division regularly monitors major customers' credit status, and performs due date controls and balance controls for each customer in accordance with trade receivables and credit control rules. MGC invests in securities readily convertible into cash for held-to-maturity securities.

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

2) Market risk

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

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

3) Liquidity risk

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

(4) Supplemental explanation regarding fair value of financial instruments

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

Fair value of financial instruments

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

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

	Millions of yen			Thousand of U.S. dollars		
	Balance sheet amount	Fair value	Differences	Balance sheet amount	Fair value	Differences
March 31, 2010						
Assets:						
(1) Cash	¥ 27,561	¥ 27,561	¥ –	$ 296,227	$ 296,227	$ –
(2) Trade notes and accounts receivable	104,087	104,087	–	1,118,734	1,118,734	–
(3) Short–term investments and Investments in securities:			–			–
Held–to–maturity securities	10,025	10,025	0	107,749	107,749	0
Other securities	35,128	35,128	–	377,558	377,558	–
Total assets	¥ 176,801	¥ 176,801	¥ 0	$ 1,900,268	$ 1,900,268	$ 0
Liabilities:						
(1) Trade notes and accounts payable	¥ 56,487	¥ 56,487	¥ –	$ 607,126	$ 607,126	$ –
(2) Short–term borrowings	74,005	74,005	–	795,411	795,411	–
(3) Accrued expenses	12,851	12,851	–	138,123	138,123	
(4) Bonds	20,000	19,600	(400)	214,961	210,662	(4,299)
(5) Long–term borrowings	71,395	71,606	211	767,358	769,626	2,268
Total liabilities	¥ 234,738	¥ 234,549	¥ (189)	$ 2,522,979	$ 2,520,948	$ (2,031)
Derivative transactions:						
Hedge accounting not applied	¥ (22)	¥ (22)	¥ –	$ (236)	$ (236)	$ –
Hedge accounting applied	2	(821)	(823)	21	(8,824)	(8,845)
Total derivatives	¥ (20)	¥ (843)	¥ (823)	$ 215	$ (9,060)	$ (8,845)

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

*2 Other than the above, the Company held listed associated company stocks, their carrying value are ¥20,546 million ($220,830 thousand) and fair value are ¥15,401 million ($165,531 thousand).

<1> Fair value measurement of financial instruments

Assets:

(1) Cash, (2) Trade notes and accounts receivable
The carrying amount approximates fair value because of the short maturity of these instruments.

(3) Short-term investments and investments in securities
The fair value of equity securities is calculated by quoted market price and the fair value of bond securities is estimated based on quotes from counterparties. See note (4) Short-term Investments and Investments in Securities for information by category.

(1) Trade notes and accounts payable, (2) Short-term borrowings and (3) Accrued expenses
The carrying amount approximates fair value because of the short maturity of these instruments.

(4) Bonds
The fair value of equity securities is calculated by market price.

(5) Long-term borrowings
Fair value of long-term borrowings is based on the present value of future cash flows discounted using the current borrowing rate for similar debt of a comparable maturity.

Derivative Transactions:
See note (18) Derivative Financial Instruments.

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

	Millions of yen	Thousands of U.S. dollars
Unlisted equity securities	¥ 3,841	$ 41,283

* It is extremely difficult to measure the fair value, and thus above are not included in "Assets (3) Other securities."
Other than the above, the Company held unlisted associated company stocks of ¥70,949 million ($762,564 thousand).

<3> Projected future redemption of monetary claim and securities with maturities

	Millions of yen			
	Due within one year	Due after one year through five years	Due after five year through ten years	Due after ten years
(1) Cash	¥ 27,561	¥ –	¥ –	¥ –
(2) Trade notes and accounts receivable	104,087	–	–	–
(3) Short-term investments and investments in securities:				
Held-to-maturity securities:				
Government bonds	8	7	1	0
Certificates of deposit	9,998	–	–	–
Other	10	–	–	–
Other securities with maturities				
Corporate bonds	–	–	66	–
Other	–	23	–	–
Total	¥ 141,664	¥30	¥67	¥ 0

	Thousands of U.S. dollars			
	Due within one year	Due after one year through five years	Due after five year through ten years	Due after ten years
(1) Cash	$ 296,227	$ –	$ –	$ –
(2) Trade notes and accounts receivable	1,118,734	–	–	–
(3) Short-term investments and investments in securities:				
Held-to-maturity securities:				
Government bonds	86	75	11	0
Certificates of deposit	107,459	–	–	–
Other	108	–	–	–
Other securities with maturities				
Corporate bonds	–	–	709	–
Other	–	247	–	–
Total	$ 1,522,614	$ 322	$720	$ 0

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

	Millions of yen					
	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Bonds	¥ –	¥ 20,000	¥ –	¥ –	¥ –	¥ –
Long-term borrowings	5,238	4,087	21,644	23,483	2,608	19,573
Lease obligations	116	115	117	79	22	–

	Thousands of U.S. dollars					
	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Bonds	$ –	$ 214,961	$ –	$ –	$ –	$ –
Long-term borrowings	56,298	43,927	232,631	252,397	28,031	210,372
Lease obligations	1,247	1,236	1,258	849	236	–

18 Derivative Financial Instruments

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

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

	Millions of yen		
	Contract or notional ammounts	Fair value	Valuation gain (loss)
Forward exchange contracts:			
To buy foreign currency:			
U.S. dollar	¥ 28	¥ (5)	¥ (5)
To sell foreign currency:			
U.S. dollar	186	(5)	(5)
Euro	62	(1)	(1)
New Taiwan dollar	362	(11)	(11)
		¥(22)	¥(22)

	Thousands of U.S. dollars		
	Contract or notional ammounts	Fair value	Valuation gain (loss)
Forward exchange contracts:			
To buy foreign currency:			
U.S. dollar	$ 301	$ (54)	$ (54)
To sell foreign currency:			
U.S. dollar	1,999	(54)	(54)
Euro	666	(11)	(11)
New Taiwan dollar	3,891	(118)	(118)
		$ (237)	$ (237)

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

	Millions of yen	
	Contract or notional amounts	Fair value
Forward exchange contracts:		
To sell foreign currency:		
U.S. dollar	¥203	¥ 0
Euro	69	3
		¥ 3

	Thousands of U.S. dollars	
	Contract or notional amounts	Fair value
Forward exchange contracts:		
To sell foreign currency:		
U.S. dollar	$ 2,182	$ 0
Euro	742	32
		$ 32

The fair value of forward exchange contracts 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.

	Millions of yen	
	Contract or notional amounts	Fair value
Interest rate swap agreements:		
Fixed rate received for variable rate	¥ 40	¥ 0
Variable rate received for fixed rate	30,495	(824)
	¥ 30,535	¥ (824)

	Thousands of U.S. dollars	
	Contract or notional amounts	Fair value
Interest rate swap agreements:		
Fixed rate received for variable rate	$ 430	$ 0
Variable rate received for fixed rate	327,762	(8,856)
	$ 328,192	$ (8,856)

The fair value of forward exchange contracts are estimated based on quotes from counterparties. The difference in amounts to be paid or received on interest rate swaps is recognized over the life of the agreements as an adjustment to interest expense.

The contract or notional amounts and fair value of derivative financial instruments held as of March 31, 2009 were summarized as follows:

	Millions of yen		
	Contract or notional ammounts	Fair value	Valuation gain (loss)
Forward exchange contracts:			
To buy foreign currency:			
U.S. dollar	¥ 1,391	¥ 1,314	¥ (77)
To sell foreign currency:			
Korean Won	92	92	–
New Taiwan dollar	220	229	(9)
Interest rate and currency swap agreements:			
U.S. dollar received for Thai baht	491	4	4
Interest rate swap agreements:			
Fixed rate received for variable rate	95	0	0
Variable rate received for fixed rate	31,000	(686)	(686)

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.

19 Investment and Rental Property

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

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

The amounts recognized in the consolidated balance sheet and fair values related to the rental property are as follows.

Millions of yen			
Consolidated balance sheet amount			
Balance at beginning of the year	Increase/ (decrease)	Balance at end of the year	Fair value
¥4,165	¥(242)	¥3,923	¥7,537

Thousands of U.S. dollars			
Consolidated balance sheet amount			
Balance at beginning of the year	Increase/ (decrease)	Balance at end of the year	Fair value
$44,766	$(2,601)	$42,165	$81,008

1. Consolidated balance sheet amount is its cost minus accumulated depreciation.
2. Decrease for the year is mainly due to impairment loss of ¥223 million ($2,397 thousand).
3. Fair value is based on roadside value etc..

Income from the rental property is ¥253 million ($2,719 thousand) for the year ended March 31, 2010.

20 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, 2010 and 2009 is summarized as follows:

	Millions of yen							
	2010							
	Natural gas chemicals	Aromatic chemicals	Specialty chemicals	Information and advanced materials	Other	Total	Elimination / corporate	Consolidated
Sales to outside customers	**¥ 110,503**	**¥ 94,475**	**¥ 118,311**	**¥ 60,376**	**¥ 864**	**¥ 384,529**	**¥ –**	**¥ 384,529**
Inter-segment sales	**5,165**	**1,392**	**1,867**	**10**	**186**	**8,620**	**(8,620)**	**–**
	115,668	**95,867**	**120,178**	**60,386**	**1,050**	**393,149**	**(8,620)**	**384,529**
Operating expenses	**122,199**	**102,195**	**109,362**	**54,582**	**571**	**388,909**	**(8,471)**	**380,438**
Operating income (loss)	**¥ (6,531)**	**¥ (6,328)**	**¥ 10,816**	**¥ 5,804**	**¥ 479**	**¥ 4,240**	**¥ (149)**	**¥ 4,091**
Assets	**¥ 154,567**	**¥ 113,798**	**¥ 125,698**	**¥ 59,854**	**¥ 14,622**	**¥ 468,539**	**¥ 70,892**	**¥ 539,431**
Depreciation	**7,133**	**8,550**	**8,852**	**4,990**	**11**	**29,536**	**–**	**29,536**
Capital expenditures	**6,915**	**8,206**	**8,611**	**3,827**	**8**	**27,567**	**–**	**27,567**

	Millions of yen							
	2009							
	Natural gas chemicals	Aromatic chemicals	Specialty chemicals	Information and advanced materials	Other	Total	Elimination / corporate	Consolidated
Sales to outside customers	¥ 143,496	¥120,672	¥ 124,537	¥ 58,041	¥ 901	¥ 447,647	¥ –	¥ 447,647
Inter-segment sales	7,361	1,378	1,910	17	238	10,904	(10,904)	–
	150,857	122,050	126,447	58,058	1,139	458,551	(10,904)	447,647
Operating expenses	155,710	129,405	120,074	55,761	567	461,517	(10,766)	450,751
Operating income (loss)	¥ (4,853)	¥ (7,355)	¥ 6,373	¥ 2,297	¥ 572	¥ (2,966)	¥ (138)	¥ (3,104)
Assets	¥ 155,957	¥ 118,785	¥ 113,492	¥ 58,809	¥ 20,341	¥ 467,384	¥ 63,209	¥ 530,593
Depreciation	6,373	7,745	9,720	5,086	10	28,934	–	28,934
Capital expenditures	10,735	10,627	9,052	4,697	9	35,120	–	35,120

	Thousands of U.S. dollars							
	2010							
	Natural gas chemicals	Aromatic chemicals	Specialty chemicals	Information and advanced materials	Other	Total	Elimination / corporate	Consolidated
Sales to outside customers	**$ 1,187,693**	**$ 1,015,424**	**$ 1,271,614**	**$ 648,926**	**$ 9,286**	**$ 4,132,943**	**$ –**	**$ 4,132,943**
Inter-segment sales	**55,514**	**14,961**	**20,067**	**107**	**1,999**	**92,648**	**(92,648)**	**–**
	1,243,207	**1,030,385**	**1,291,681**	**649,033**	**11,285**	**4,225,591**	**(92,648)**	**4,132,943**
Operating expenses	**1,313,402**	**1,098,399**	**1,175,430**	**586,651**	**6,137**	**4,180,019**	**(91,047)**	**4,088,972**
Operating income (loss)	**$ (70,195)**	**$ (68,014)**	**$ 116,251**	**$ 62,382**	**$ 5,148**	**$ 45,572**	**$ (1,601)**	**$ 43,971**
Assets	**$ 1,661,296**	**$ 1,223,109**	**$ 1,351,010**	**$ 643,315**	**$ 157,158**	**$ 5,035,888**	**$ 761,952**	**$ 5,797,840**
Depreciation	**76,666**	**91,896**	**95,142**	**53,633**	**118**	**317,455**	**–**	**317,455**
Capital expenditures	**74,323**	**88,199**	**92,551**	**41,133**	**86**	**296,292**	**–**	**296,292**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Notes:
1.The main products of each segment are as follows:
Natural gas chemicals:
Methanol, ammonia, amines, methacrylates, polyols, enzymes and coenzymes, natural gas and crude oil
Aromatic chemicals:
Xylene isomers and xylene derivatives
Specialty chemicals:
Hydrogen peroxide and other industrial inorganic chemicals, electronic chemicals and engineering plastics
Information and advanced materials:
Printed circuit board materials, printed circuit boards and oxygen absorber (AGELESS®)
Other:
Real estate business, etc.

2.Corporate assets of ¥99,850 million ($1,073,194 thousand) and ¥98,919 million as of March 31, 2010 and 2009 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, 2009, as described in Note 1 (e), the Company adopted "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9, July 5, 2006). As a result of these changes, operating income of each segment decreased as follows:

	Millions of yen
Natural gas chemicals	¥ 1,040
Aromatic chemicals	3,344
Specialty chemicals	1,027
Information and advanced materials	1,334

4.For the year ended March 31, 2009, as described in Note 1 (f), the Company and its domestic consolidated subsidiaries changed the estimated useful lives of machinery. As a result of these changes, operating income of each segment increased (decreased) as follows:

	Millions of yen
Natural gas chemicals	¥ (108)
Aromatic chemicals	271
Specialty chemicals	(220)
Information and advanced materials	(396)

(b) Geographic segments
MGC has classified its geographic areas other than Japan into "North and South America" and "Asia."
Segment information by geographic area for the years ended March 31, 2010 and 2009 is summarized as follows:

	Millions of yen 2010					
	Japan	Asia	Other	Total	Elimination / corporate	Consolidated
Sales to outside customers	**¥ 333,114**	**¥ 30,510**	**¥ 20,905**	**¥384,529**	**¥ –**	**¥ 384,529**
Inter-segment sales	**31,997**	**4,594**	**69**	**36,660**	**(36,660)**	**–**
	365,111	**35,104**	**20,974**	**421,189**	**(36,660)**	**384,529**
Operating expenses	**365,249**	**32,291**	**19,792**	**417,332**	**(36,894)**	**380,438**
Operating income (loss)	**¥ (138)**	**¥ 2,813**	**¥ 1,182**	**¥ 3,857**	**¥ 234**	**¥ 4,091**
Assets	**¥ 509,486**	**¥ 31,335**	**¥ 13,126**	**¥553,947**	**¥ (14,516)**	**¥ 539,431**

	Millions of yen 2009					
	Japan	Asia	Other	Total	Elimination / corporate	Consolidated
Sales to outside customers	¥ 369,279	¥ 43,731	¥ 34,637	¥ 447,647	¥ –	¥ 447,647
Inter-segment sales	34,299	5,784	850	40,933	(40,933)	–
	403,578	49,515	35,487	488,580	(40,933)	447,647
Operating expenses	409,674	46,518	35,290	491,482	(40,731)	450,751
Operating income (loss)	¥ (6,096)	¥ 2,997	¥ 197	¥ (2,902)	¥ (202)	¥ (3,104)
Assets	¥ 502,822	¥ 23,015	¥ 12,905	¥ 538,742	¥ (8,149)	¥ 530,593

	Thousands of U.S. dollars 2010					
	Japan	Asia	Other	Total	Elimination / corporate	Consolidated
Sales to outside customers	**$ 3,580,331**	**$ 327,924**	**$ 224,688**	**$ 4,132,943**	**$ –**	**$ 4,132,943**
Inter-segment sales	**343,906**	**49,376**	**742**	**394,024**	**(394,024)**	**–**
	3,924,237	**377,300**	**225,430**	**4,526,967**	**(394,024)**	**4,132,943**
Operating expenses	**3,925,720**	**347,065**	**212,726**	**4,485,511**	**(396,539)**	**4,088,972**
Operating income (loss)	**$ (1,483)**	**$ 30,235**	**$ 12,704**	**$ 41,456**	**$ 2,515**	**$ 43,971**
Assets	**$ 5,475,989**	**$ 336,791**	**$ 141,079**	**$ 5,953,859**	**$ (156,019)**	**$ 5,797,840**

1. The major countries or regions in the respective divisions are as follows:
   Asia: Korea, China, Taiwan, Singapore, Thailand and Indonesia
   Other: U.S.A.

2. For the year ended March 31, 2009, as described in Note 1 (e), the Company adopted "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9, July 5, 2006). As a result of these changes, operating income of Japan segment decreased by ¥6,745 million.

3. For the year ended March 31, 2009, as described in Note 1 (f), the Company and its domestic consolidated subsidiaries changed the estimated useful lives of machinery. As a result of these changes, operating loss of Japan segment increased by ¥453 million.

(c) Overseas sales

Information for overseas sales for the years ended March 31, 2010 and 2009 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Overseas sales			
Asia	**¥ 131,441**	¥ 115,875	**$ 1,412,736**
North and South America	**27,183**	37,190	**292,165**
Other	**8,043**	10,229	**86,447**
	¥ 166,667	¥163,294	**$ 1,791,348**
Consolidated sales	**¥384,529**	¥447,647	**$4,132,943**
Percentage of overseas sales to consolidated sales	**43.3%**	36.5%	**43.3%**

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

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

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

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

21 The income statement disclosure under accounting principles generally accepted in Japan

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

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

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Sales	**¥384,529**	¥ 447,647	**$ 4,132,943**
Gross profit	**57,790**	52,021	**621,131**
Operating income (loss)	**4,091**	(3,104)	**43,970**
Ordinary income	**7,366**	6,975	**79,170**
Income before income taxes and minority interests	**7,531**	5,273	**80,944**
Net income	**5,828**	7,014	**62,640**

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Mitsubishi Gas Chemical Company, Inc.:

We have audited the accompanying consolidated balance sheets of Mitsubishi Gas Chemical Company, Inc. and consolidated subsidiaries as of March 31, 2010 and 2009, 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 consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Mitsubishi Gas Chemical Company, Inc. and consolidated subsidiaries as of March 31, 2010 and 2009, 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 the Note 1(p) to the consolidated financial statements, effective in the year ended March 31, 2009, in the consolidated statements of cash flows, dividends received from affiliates accounted for by the equity method have been classified as a component of cash flows from operating activities, which had been previously included in investing activities. As more fully described in Note 1(e) to the consolidated financial statements, effective in the year ended March 31, 2009, the Company has adopted "Accounting Standard for Measurement of Inventories."

The accompanying consolidated financial statements as of and for the year ended March 31, 2010 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

Toyo Horwath
Tokyo, Japan
June 25, 2010

CORPORATE DATA / INVESTOR INFORMATION

As of March 31, 2010

MITSUBISHI GAS CHEMICAL COMPANY, INC.

Establishment
April 21, 1951

Paid-in Capital
¥ 41.97 billion

Outstanding Shares
483,478,398

Number of Stockholders
32,785

Listing (Ticker Code)
Tokyo (4182)

Stock Transaction Units
1,000 - share units

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

Independent Auditor
Toyo Horwath

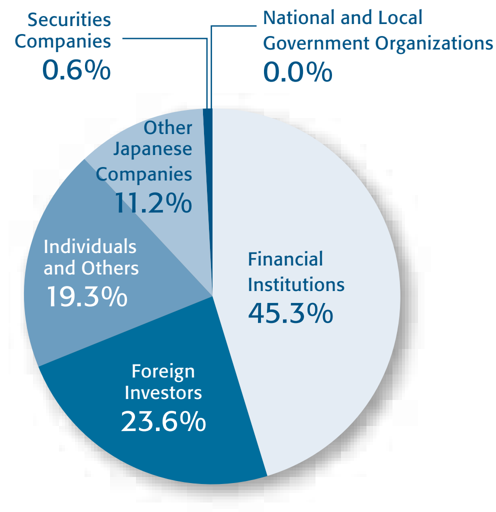
Transfer Agent and Registrar
Mitsubishi UFJ Trust and Banking Corp.

MAJOR STOCKHOLDERS

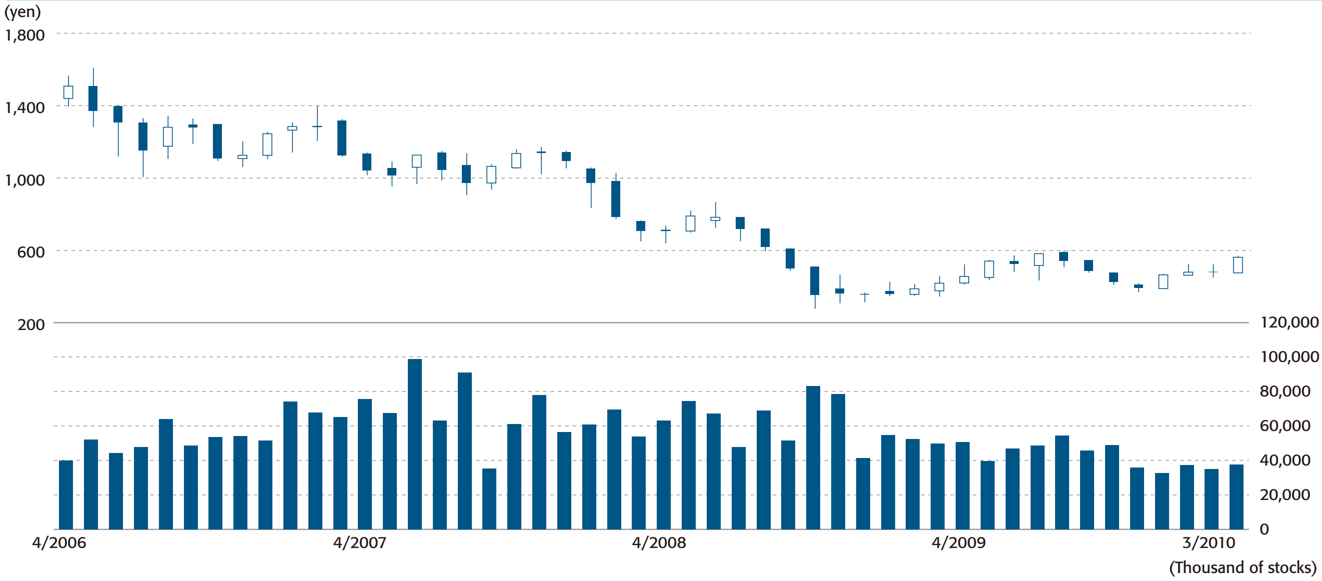
Name	Number of Shares Held (Thousands)	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	29,202	6.5
Nippon Life Insurance Company	21,452	4.7
Japan Trustee Services Bank, Ltd. (Trust Account)	21,013	4.6
Meiji Yasuda Life Insurance Company	16,795	3.7
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	15,007	3.3
Mitsubishi UFJ Trust and Banking Corp.	11,686	2.6
The Norinchukin Bank	10,053	2.2
Asahi Glass Co., Ltd.	9,671	2.1
Tokio Marine & Nichido Fire Insurance Co., Ltd.	8,708	1.9
Sompo Japan Insurance Inc.	8,565	1.9

Note: MGC holds 31,420 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



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/eng

Printed in Japan with environmentally friendly soy ink on paper made from certified forest-conscious materials.