Annual Report 2013
Fiscal year ended March 31, 2013

Continuing Forward towards Sustainable Growth

MITSUBISHI GAS CHEMICAL COMPANY, INC.

Message from the Management

Toshikiyo Kurai
Representative Director, President

Kazuo Sakai
Representative Director, Chairman

In the consolidated fiscal year under review (fiscal 2012), the Japanese economy saw recovery in business sentiment thanks to the correction of the yen's excessive appreciation in the second half of the period. However, the economy continued to face great strain due to the prolonged public finance crisis in Europe and the slowdown of the Chinese economy.

Due to weak overseas demand and the strong yen, the MGC Group's methanol and ammonia derivatives and aromatic chemicals continued to face a difficult sales environment as in the previous year. However, methanol sales prices enjoyed favorable developments while electronics industry chemicals and polycarbonates achieved higher sales volumes. The MGC Group was thereby able to achieve an increase in revenue compared with the previous year.

Operating income achieved a year-on-year increase. Despite overall declines in the earnings of consolidated subsidiaries, the higher sales volume of Electronics Chemicals and a change in the depreciation method made positive contributions.

Meanwhile, net income for the period suffered significant decline due to lower equity in earnings compared with the previous year, particularly in methanol production companies overseas; the appropriation of funds for structural reform of the highly-pure isophthalic acid and metaxylene businesses; and the liquidation of deferred tax assets.

As a result, consolidated net sales increased by ¥15,762 million, or 3.5%, to ¥467,979 million, and operating income increased by ¥2,338 million, or 25.7%, to ¥11,421 million. Equity in earnings of affiliates decreased by ¥1,486 million, or 7.2%, to ¥19,045 million, and consolidated net loss for the period fell by ¥20,120 million, to ¥7,793 million.

Year-end dividends of ¥6 per share were the same as in the previous year. As the interim dividends were also ¥6 per share in the period, annual dividends were also the same as in the previous year, at ¥12 per share.

The MGC Group introduced its medium-term management plan MGC Will2014 in April 2012.

In core businesses, MGC has a wide range of products, from chemicals and raw materials such as methanol, hydrogen peroxide, and polycarbonates to high-performance products such as sheets and films, electronics chemicals, BT materials, and the AGELESS® oxygen absorber. This accounts for our tangible presence in all market segments. MGC will continue to strengthen and expand core businesses. In the segment of chemicals and raw materials, the low-cost production system will be enhanced by obtaining access to material sources, producing overseas, and improving processes. In high-performance products, a development platform that allows MGC to launch differentiated products while closely exchanging information with major global customers will be reinforced.

On the other hand, MGC has worked on improving the profitability of loss-making businesses. However, they have continued to face a difficult business environment due to a worsened demand–supply balance caused by increases in production capacity at competitors. It therefore remains unlikely that the environment of these businesses will turn for the better in the foreseeable future. MGC has decided to withdraw from these businesses and/or reduce their production. In keeping with changes in the business environment, MGC will continue to innovate its business structure at a fast pace.

Where the development of new businesses is concerned, MGC set up the Next Generation Business Project to reinforce its existing research and development. Integrating internal resources through a cross-organizational approach, this organization has been operating successfully. In the future, it will accelerate its work even further.

To achieve sustainable growth, we need to improve management quality further in all respects. To "improve total enterprise quality in support of sustainable growth," we will squarely face challenges such as fostering global human resources, improving the ability of the manufacturing floor, achieving production with low environmental impact, reducing costs, and improving group-wide business efficiency.

June 2013

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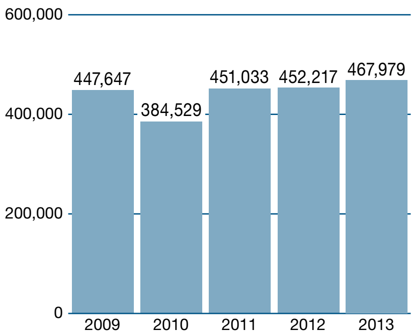
Financial Highlights

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

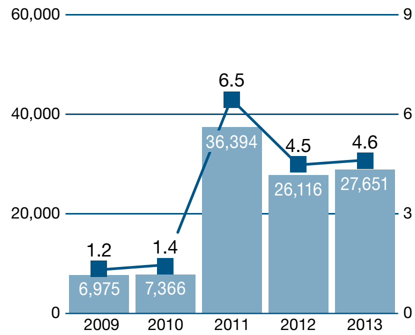
	Millions of yen					Thousands of U.S. dollars
	2013	2012	2011	2010	2009	**2013**
For the year:						
Net sales	**¥467,979**	¥452,217	¥451,033	¥384,529	¥447,647	**$4,975,853**
Natural Gas Chemicals	**153,995**	153,164	145,564	110,503	143,496	**1,637,374**
Aromatic Chemicals	**128,222**	125,301	111,182	94,475	120,672	**1,363,339**
Specialty Chemicals	**131,611**	121,047	134,016	118,311	124,537	**1,399,373**
Information and Advanced Materials	**53,274**	51,859	59,508	60,376	58,041	**566,443**
Other	**875**	844	763	864	901	**9,304**
Gross profit	**67,967**	66,486	80,070	57,790	52,021	**722,669**
Selling, general and administrative expenses	**56,545**	57,402	56,706	53,699	55,125	**601,223**
Operating income (loss)	**11,421**	9,083	23,364	4,091	(3,104)	**121,435**
EBITDA	**35,417**	55,229	54,970	39,225	36,403	**376,576**
Ordinary income	**27,651**	26,116	36,394	7,366	6,975	**294,003**
Net income (loss)	**(7,793)**	12,327	18,950	5,828	7,014	**(82,860)**
R&D costs	**15,332**	17,449	16,380	16,199	14,707	**163,020**
Capital expenditures	**30,982**	42,423	35,401	27,567	35,120	**329,421**
Depreciation and amortization	**23,096**	27,763	28,950	29,536	28,935	**245,572**
At year end:						
Total assets	**¥613,908**	¥595,250	¥577,046	¥539,431	¥530,593	**6,527,464**
Current assets	**261,397**	254,037	244,523	218,083	215,299	**2,779,341**
Current liabilities	**195,438**	193,464	182,528	160,298	161,088	**2,078,022**
Working capital	**65,698**	60,572	61,995	57,785	54,211	**698,543**
Total net assets	**294,895**	292,111	288,258	278,095	272,084	**3,135,513**
Interest-bearing debt	**182,644**	185,185	182,679	165,848	174,934	**1,941,988**
Per share of common stock (Yen/U.S. dollars):						
Net income (loss)—basic	**¥ (17.25)**	¥ 27.28	¥ 41.92	¥ 12.89	¥ 15.30	**$ (0.18)**
Net income—diluted	**—**	27.01	41.00	12.61	14.97	**—**
Net assets	**628.40**	623.46	615.25	595.56	585.90	**6.68**
Cash dividends	**12.00**	12.00	8.00	8.00	16.00	**0.13**
Ratios:						
Gross profit margin (%)	**14.5**	14.7	17.8	15.0	11.6	
Operating income margin (%)	**2.4**	2.0	5.2	1.1	(0.7)	
Return on sales (%)	**(1.7)**	2.7	4.2	1.5	1.6	
Return on assets (ROA) (%)	**4.6**	4.5	6.5	1.4	1.2	
Return on equity (ROE) (%)	**(2.8)**	4.4	6.9	2.2	2.5	
Current ratio (times)	**1.34**	1.31	1.34	1.36	1.34	
Equity ratio (%)	**46.2**	47.3	48.2	49.9	49.9	
Number of employees	**5,323**	5,216	4,979	4,920	4,902	

Notes: 1. U.S. dollar amounts are translated from yen, for convenience only, at the approximate rate of ¥94.05 = US$1 prevailing on March 29, 2013.
2. EBITDA = Net income before taxes + Interest expense + Depreciation and amortization
3. Ordinary income, a common indicator in Japan, corresponds to income before income taxes and minority interests, less any extraordinary profit or loss.
4. Cash dividends for each year represent the total of the interim dividend and the year-end dividend declared as applicable to the respective year.
5. Return on assets = Ordinary income / Average total assets
6. The calculation of return on equity uses net assets excluding minority interests.

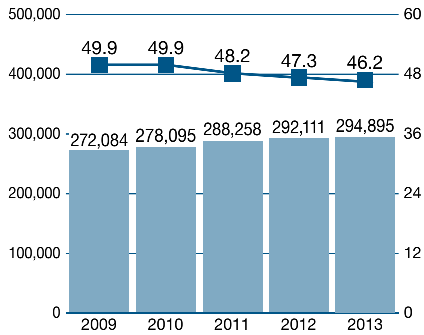
Net Sales
(Millions of yen)



Ordinary income and ROA
(Millions of yen, %)

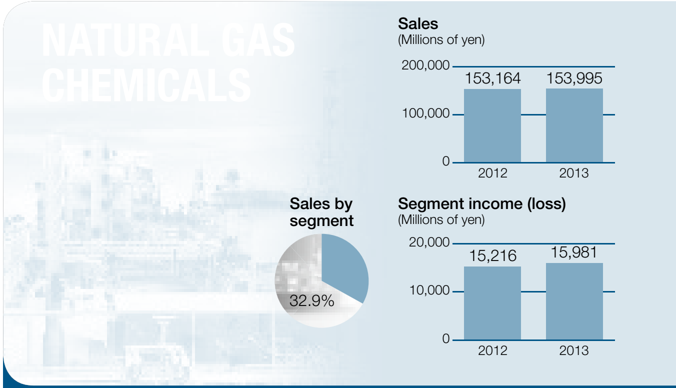


Net assets and Equity ratio
(Millions of yen, %)



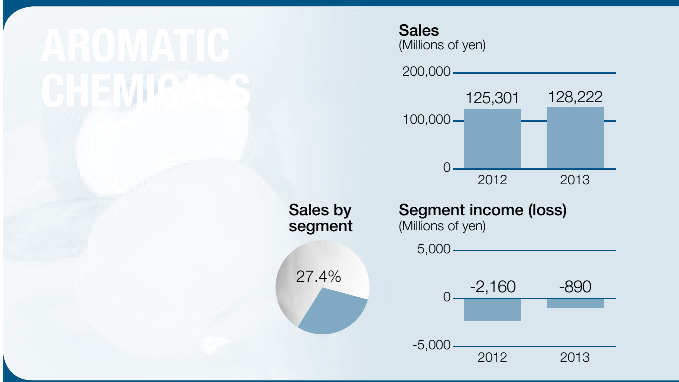
MGC at a Glance

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 over 120 affiliates at home and abroad. Starting in 2000, MGC introduced an “internal company” system to broadly develop its businesses—spanning basic chemicals to functional materials and products—based on its four companies: Natural Gas Chemicals, Aromatic Chemicals, Specialty Chemicals, and Information & Advanced Materials. In addition to exploration of natural gas and petroleum and development of 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, MGC has continually aimed to create its own technolo-



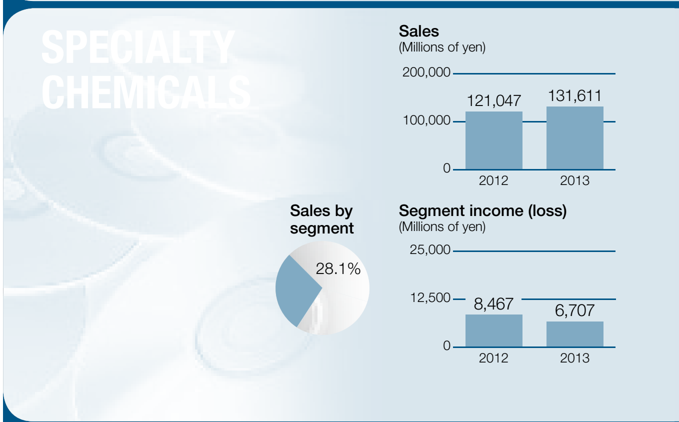
Outline

Starting from the raw material of natural gas, deploys the methanol chain and ammonia chain across a wide field ranging from basic chemicals to functional materials. Also promoting the use of biotechnology and the development of energy and resources.



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, and monomers and additives for resins. 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.



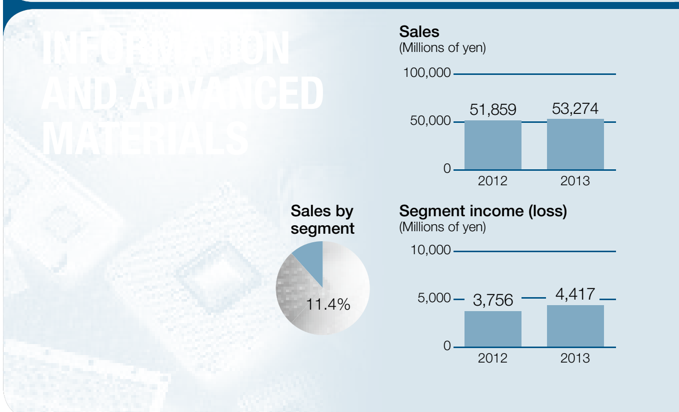
Outline

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 functional thermosetting resin, 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 optical applications as well as polycarbonate sheet & film with excellent surface coating technology.



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.

gies, and as a result, it has developed over 90% of the products it handles.

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 aimed to be a chemicals company that used domestic natural gas rather than depend on imported raw materials.

Major products

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

Subsidiaries: 13 companies

- Japan Finechem Co., Inc. • Japan Pionics Co., Ltd.
- A&C Co., Inc. • Kinoe Terminal Co., Inc.
- Marine Transport and Terminal Co., Ltd. • Kokuka Sangyo Co., Ltd.
- Polyols Asia Co., Ltd. • Japan Bio Co., Ltd. • Iwai Kaiun Ltd.
- KSK (Panama) Corp. • Glorious & KSK (Panama) S.A.
- Vigorous & KSK (Panama) S.A. • Courageous & KSK (Panama) S.A.

Affiliates: 6 companies

- Japan Saudi Arabia Methanol Co., Inc.
- Metanol de Oriente, Metor, S.A.
- Brunei Methanol Company Sdn. Bhd.
- Japan Acryace Corporation • Toho Earthtech, Inc.
- Te An Ling Tian (Nanjing) Fine Chemical Corporation

Major products

Metaxylene, Metaxylenediamine, Nylon-MXD6, Aromatic aldehydes, Aromatic polycarboxylic acids, Purified isophthalic acid, 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: 2 companies

- Mizushima Aroma Co., Ltd.
- 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: 12 companies

- Mitsubishi Gas Chemical Engineering Plastics (Shanghai) Co., Ltd.
- 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.
- Suzhou MGC Suhua Peroxide Co., Ltd.

Affiliates: 4 companies

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

Major products

Electronic Materials

Laminate materials for printed circuit boards (epoxy-related materials, BT-related materials), 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®, desiccant AGELESS DRY®

Subsidiaries: 4 companies

- MGC Electrotechno Co., Ltd.
- Yonezawa Dia Elecronics Co., Inc.
- Japan Circuit Industrial Co., Ltd.
- MGC Electrotechno (Thailand) Co., Ltd.

SUBSIDIARIES: 7 COMPANIES

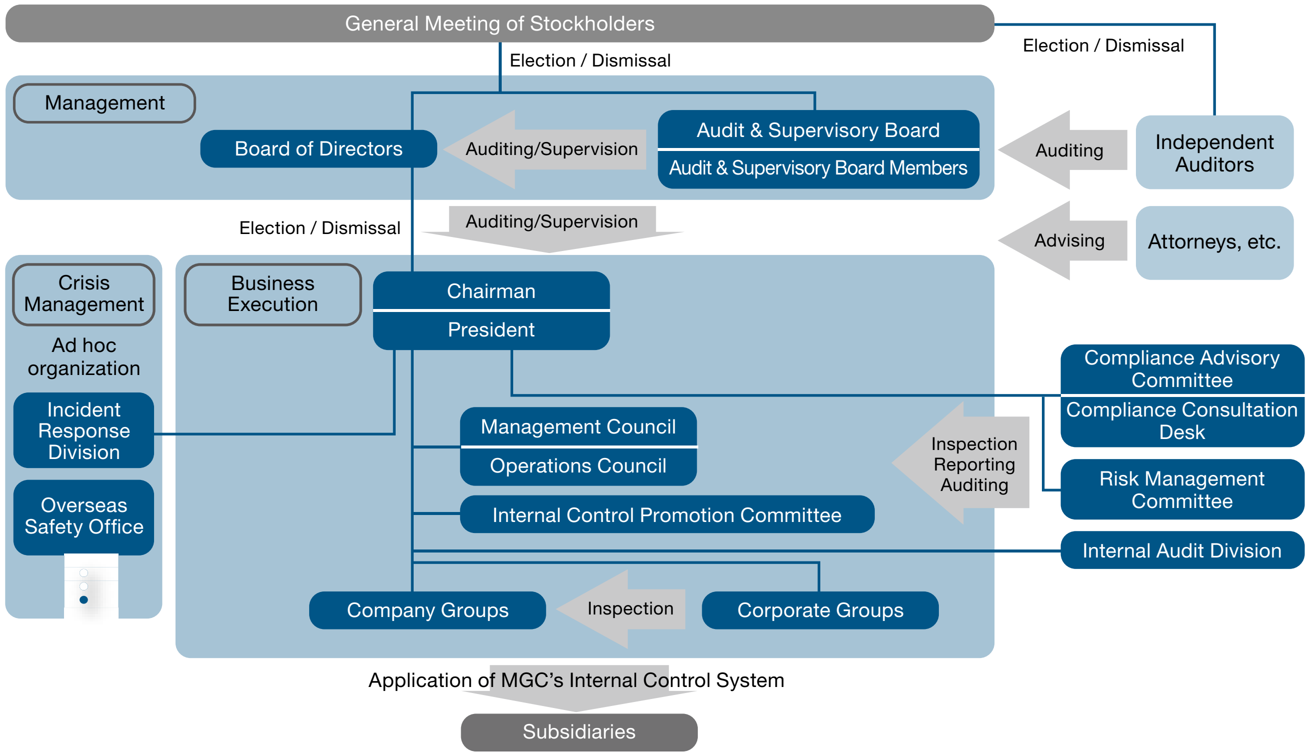
- Tokyo Shokai, Ltd.
- Ryoko Chemical Co., Ltd.
- Ryoyo Trading Co., Ltd.
- Mitsubishi Gas Chemical America, Inc.
- Mitsubishi Gas Chemical Singapore Pte. Ltd.
- Ryowa Enterprise Co., Ltd.
- MGC Finance Co., Ltd.

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 a corporate auditing 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, 2013 there are 11 members.

MGC's Audit & Supervisory Board is comprised of four members (three full-time) and of these, two are outside members. The outside members have no special interests in the company. Their tasks are to attend important meetings such as those held by the Board of Directors, to conduct audits of each division and surveys of subsidiaries, to strive to ascertain the process for important decision-making and the state of business execution, to ensure the rationality of the decisions and compliance with the law and corporate ethics, and in addition, to audit the execution of business. MGC has assigned full-time staff to aid all of its Audit & Supervisory Board Members 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 by MGC and its Group companies, MGC conducts internal audits based on an annual plan and evaluates the effectiveness of

Board of Directors, Audit & Supervisory Board Members and Executive Officers

Representative Director, Chairman
Kazuo Sakai

Representative Director, President
Toshikiyo Kurai

Representative Directors, Senior Managing Executive Officers
Masami Orisaku
Takayuki Watanabe

Directors, Managing Executive Officers
Yukio Sakai
Katsuhiko Sugita
Yoshihiro Yamane
Kunio Kawa
Katsushige Hayashi
Masahiro Johno

Outside Director
Yoshimasa Nihei

Audit & Supervisory Board Members
Kuniaki Kawakami
Kunio Oya

Outside Audit & Supervisory Board Members
Hiroshi Shibata
Yasuomi Matsuyama

Executive Officers
Osamu Kondo
Shuichi Murai
Kenji Inamasa
Takafumi Abe
Susumu Yoshida
Motoyoshi Onobori
Yasuhiro Sato
Tsuneaki Iwakiri
Masashi Fujii
Takuji Shitara
Chiharu Kubota
Masamichi Mizukami

Executive General Manager
Akira Ishiwada

its internal control system. 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 executive officer responsible for the Internal Audit Division. Pursuant to the Companies Act, the company has appointed BDO Toyo & Co. as its independent auditor, and delegates auditing responsibilities to it pursuant to the Financial Instruments and Exchange Law.

Decision Policies and Method for Officer Compensation

Director Compensation

Policies for deciding compensation and other benefits for directors are decided by the Board of Directors. Directors' compensation comprises basic compensation and a reserved retirement benefit and is decided in accordance with each director's position and in consideration of MGC's operational status and other companies' standards, etc. The basic compensation is a fixed amount of compensation corresponding to each director's position in MGC limited to the amount stipulated by the General Meeting of Stockholders, and it may be increased or decreased to reflect the company's performance or the performance of each Director.

The reserved retirement benefit is an aggregate amount to be paid out upon retirement and corresponds to a director's term of service, calculated in increments of one year, and reserved through a resolution by a General Meeting of Stockholders.

Separate from the above compensation, bonuses may be paid through a resolution by a General Meeting of Stockholders, the amount of which would appropriately correspond to MGC's performance and that of the individual director.

Auditor Compensation

Corporate auditors' compensation consists of a basic compensation amount only limited to the amount stipulated by the General Meeting of Stockholders and is determined in consultation with corporate auditors.

Compensation (For the Fiscal Year 2012)

Classification	Total amount of compensation (¥ million)	Total amount of compensation by type (¥ million)		Number of subject executives (persons)
		Basic compensation	Reserved retirement benefits	
Director	468	372	95	14
Audit & Supervisory Board Members (other than outside members)	51	51	—	2
Outside Director (Outside Audit & Supervisory Board Members)	41	41	—	3
Total	561	465	95	19

Note: In the above reserved retirement benefits for directors, provision has been made for the current fiscal year with respect to reserved retirement benefits for 14 directors. At the 86th Ordinary General Meeting of Stockholders held on June 25, 2013, it was resolved to provide a total amount of ¥94 million in reserved retirement benefits for payment to 10 directors at the time of their retirement with respect to the performance of their duties from June 26, 2012 to June 25, 2013.

Management's Discussion and Analysis

1. Results of Operations

1) Net Sales & Operating Income

Due to weak overseas demand and the strong yen, the MGC Group's methanol and ammonia derivatives and aromatic chemicals continued to face a difficult sales environment as in the previous year. However, methanol sales prices enjoyed favorable developments while electronics industry chemicals and polycarbonates achieved higher sales volumes. The MGC Group was thereby able to achieve an increase in revenue compared with the previous year.

Operating income achieved a year-on-year increase. Despite overall declines in the earnings of consolidated subsidiaries, the higher sales volume of electronics industry chemicals and a change in the depreciation method made positive contributions.

As a result, consolidated net sales increased ¥15,762 million, or 3.5%, to ¥467,979 million, and operating income increased ¥2,338 million, or 25.7%, to ¥11,421 million.

2) Non-Operating Revenue

Non-operating revenue decreased by ¥1,227 million, or 4.8%, to ¥24,123 million. The main cause of the decrease was a gain on equity in the earnings of affiliates.

Non-operating expenses increased by ¥16,855 million, or 188.3%, to ¥25,805 million. This was mainly due to appropriations made for business restructuring charges.

As a result of the above, income before income taxes and minority interests decreased by ¥15,745 million, or 61.8%, to ¥9,739 million. Due to the reversal of deferred tax assets, there was a net loss for the year of ¥7,793 million, a year-on-year worsening of ¥20,120 million.

3) Dividend

Year-end dividends of ¥6 per share were the same as the previous year. As the interim dividends were also ¥6 per share in the period, annual dividends were also the same as the previous year at ¥12 per share.

2. Segment Information

1) Natural Gas Chemicals Company

The methanol business achieved an increase in revenue thanks to favorable developments in sales prices.

Methanol and ammonia derivatives achieved an increase in earnings. Higher ammonia market prices and the change in the depreciation method contributed to this, despite declines in sales prices of MMA-based products and neopentylglycol, which was primarily due to declines in demand resulting from the slowdown of the Chinese economy.

The enzyme and coenzyme business recorded low levels of revenue and earnings due to a lower sales volume for coenzyme Q10.

Crude oil and other energy increased in both revenue and earnings due to favorable development of crude oil sales.

Consolidated net sales in the Natural Gas Chemicals Company for the year ended March 31, 2013 increased by ¥831 million, or 0.5%, to ¥153,995 million, and operating income increased by ¥1,401 million, or 365.9%, to ¥1,784 million. An equity in earnings of affiliates of ¥15,217 million, coming primarily from overseas methanol producing companies, was posted, resulting in segment income of ¥15,981 million, an increase of ¥764 million, or 5.0%.

2) Aromatic Chemicals Company

Specialty aromatic chemical products posted higher earnings compared with the previous year. Reductions in sales volumes for metaxylenediamine, Nylon-MXD6, and aromatic aldehydes were more than offset by the positive effects produced by such items as the change in the depreciation method.

General-purpose aromatic chemicals such as purified isophthalic acid posted higher earnings than the prior-year-level. They suffered declines in sales volume due, for example, to sluggish demand caused by the slowdown of the polyester market. On the other hand, positive effects were brought by factors such as the correction of the yen appreciation in the second half of the fiscal year and the change in the depreciation method.

Consolidated net sales in the Aromatic Chemicals Company increased by ¥2,920 million, or 2.3%, to ¥128,222 million, and operating income improved ¥1,784 million, to ¥757 million, and segment loss improved ¥1,269 million, to ¥890 million.

3) Specialty Chemicals Company

Industrial inorganic chemicals suffered declines in both revenue and earnings due to a reduction in the sales volume of hydrogen peroxide.

Electronics Chemicals achieved increases in both revenue and earnings. This positive trend was due to higher sales volumes of super-pure hydrogen peroxide and hybrid chemicals for semiconductors.

The earnings of the engineering plastics business were lower than its prior-year period. The sales volume of polycarbonates was higher than the prior-year number affected by the Great East Japan Earthquake, but the Shanghai subsidiary that started operation during the period under review suffered a substantial loss. The polyacetal business also suffered a decline in earnings due to reductions in sales prices.

Polycarbonate sheets and films suffered losses in both revenue and earnings. This is because of the prior-year level sales volume of films for use in flat panel displays and a lower sales volume of hard-coated sheets.

Consolidated net sales in the Specialty Chemicals Company increased by ¥10,564 million, or 8.7%, to ¥131,611 million, and operating income declined by ¥548 million, or 7.3%, to ¥6,965 million. After ¥2,097 million equity in earnings of affiliates was posted, segment income declined by ¥1,760 million, or 20.8%, to ¥6,707 million.

4) Information & Advanced Materials Company

Electronics materials achieved increases in both revenue and earnings. Sales of BT materials for semiconductor packaging, which represents MGC's core segment for electronics materials, were affected by weak demand for general-purpose products. This negative impact was offset by an increase in the sales volume of high-performance products such as smartphone-related applications.

Oxygen absorbers such as AGELESS® achieved higher earnings than in the previous year. Despite lower sales of non-food applications, this business enjoyed strong sales development overall, above all in the Japanese and overseas food markets.

Consolidated net sales in the Information & Advanced Materials Company increased by ¥1,414 million, or 2.7%, to ¥53,274 million, and operating income increased by ¥400 million, or 10.6%, to ¥4,185 million and segment income increased by ¥661 million, or 17.6%, to ¥4,417 million.

5) Other

Consolidated net sales in the other business segment increased by ¥31 million, or 3.7%, to ¥875 million. Operating income increased by ¥43 million, or 15.5%, to ¥326 million, and segment income declined by ¥64 million, or 4.0%, to ¥1,555 million.

3. Financial Position

As of March 31, 2013, total consolidated assets were ¥613,908 million, ¥18,658 million higher than at the end of the previous fiscal year.

Current assets increased by ¥7,359 million to ¥261,397 million, primarily due to a decline in short-term investments securities and increases in trade notes and accounts receivable as well as merchandise and finished goods.

Noncurrent assets increased by ¥11,299 million to ¥352,511 million. Major contributions came from an increase in property, plant and equipment due to capital expenditure, including machinery, equipment and vehicles, as well as an increase in investment securities. The latter came from the assessment of the market value of equity holdings, the posting of equity in earnings of affiliates, and exchange effects.

Total liabilities increased by ¥15,874 million to ¥319,013 million. Current liabilities rose by ¥1,973 million: Despite a reduction in short-term loans payable, other current liabilities increased due to higher trade notes and accounts payable and accrued expenses due to capital expenditure. Noncurrent liabilities increased by ¥13,900 million due to increases in long-term loans payable and deferred tax liabilities.

Net assets increased by ¥2,784 million to ¥294,895 million: Despite the net loss, positive contributions included increases in foreign currency translation adjustment and valuation difference on available-for-sale securities.

As of March 31, 2013, the shareholders' equity ratio was 46.2% (47.3% as of March 31, 2012). Net assets per share at the end of the fiscal year were ¥628.40, compared with ¥623.46 one year earlier.

4. Cash Flow

As of March 31, 2013, total cash and cash equivalents were ¥26,907 million, ¥8,794 million lower than at the end of the previous fiscal year.

1) Operating Activity Cash Flow

Net cash provided by operating activities fell by ¥6,179 million to ¥31,169 million. This was primarily due to a reduction in depreciation expenses.

2) Investing Activity Cash Flow

Net cash outflow from investing activities declined by ¥6,455 million to ¥30,818 million. This was primarily due to a decline in expenses caused by the acquisition of noncurrent assets.

3) Financing Activity Cash Flow

Net cash outflow from financing activity increased by ¥4,479 million to ¥14,356 million. This was primarily due to greater expenses for repaying short-term loans payable.

5. Capital Expenditure

The MGC Group (including MGC and consolidated subsidiaries) capital expenditures for the consolidated fiscal year were ¥30,982 million.

By segment, capital expenditure of ¥6,372 million, ¥5,777 million, ¥15,076 million, and ¥3,385 million were made in natural gas chemicals, aromatic chemicals, specialty chemicals, and information and advanced materials, respectively.

6. Research and Development

In 2012, the first fiscal year of the MGC Group's medium-term management plan, MGC Will2014, we set out to realize the Group Vision of seeking to "achieve sustainable growth as an outstanding chemicals company that is characterized by its proprietary technologies and tangible presence." To achieve this vision, we actively engaged in research and development in close collaboration with group companies and in line with the plan's key policies of "strengthening our 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 research and development system based on its research laboratories in Tokyo, Niigata, and Hiratsuka, the MGC Chemical Analysis Center, the Research and Development Division of corporate groups, the Next Generation Business Project Group, Planning and Development divisions of company groups, as well as the research divisions of individual plants. Furthermore, we aim to cultivate new products faster and more efficiently via research and development utilizing MGC's comprehensive strengths through joint-development with affiliates and outsourcing of research.

There are a total of 819 MGC Group research and development personnel, including those in affiliate research and development divisions, making up around 15% of the total workforce. Expenditures on research totaled ¥15,332 million. Research and development costs by segment were as follows:

Natural Gas Chemicals Company:	¥3,778 million
Aromatic Chemicals Company:	¥2,622 million
Specialty Chemicals Company:	¥5,245 million
Information and Advanced Materials Company:	¥3,685 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, 2013.

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.

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. 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 dividend 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) Exchange Rate Fluctuations

The Group's business results and financial situation have been affected by exchange rate fluctuations. With regards to the impact of exchange rate fluctuations on transactions in foreign currencies such as imports and exports, the MGC Group has, to a degree, hedged risk through forward exchange transactions. However, it is impossible to completely hedge the risk of medium- and long-term exchange rate changes. If the strong yen continues, there is the possibility of negative impact on the Group's business results and financial situation due to decreased sales, increased losses, and so on.

Financial balance data that is valued in local currencies for MGC Group overseas subsidiaries are translated into yen when creating the Group's consolidated balance sheet. Depending on the exchange rate at the time, the MGC Group's operating results and financial condition could be adversely affected.

6) Interest Rate Fluctuations

When procuring essential funds, the MGC Group considers their contents, financial situation, and financial environment, and determines factors such as the amounts to procure and the period and method of procurement. The Group combines fixed and variable interest rates when procuring funds in order to hedge against future interest rate changes. However, if interest rates rise, the amount of interest paid also rises, which may adversely affect the MGC Group's operating results and financial condition.

7) Marketable Security Market Price Fluctuations

The MGC Group's assets include market priced marketable securities. If the market prices of the Group's marketable securities were to fall sharply, it might adversely affect the Group's operating results and financial condition due to appraisal losses.

8) 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.

9) 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.

10) 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.

11) 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.

12) 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, Venezuela and Brunei. 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.

13) Intellectual Property

The MGC Group 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 through these patent rights and confidentiality agreements. However, failure of such protections could adversely effect the Group's operating results and financial condition.

14) Lawsuits

The MGC Group faces the risk of lawsuits and other legal risks in its domestic and overseas businesses. If a major lawsuit were to be filed against the Group in the future and if the verdict were unfavorable, it could have an adverse effect on the Group's operating results and financial condition.

Consolidated Balance Sheet

Mitsubishi Gas Chemical Company, Inc. and Consolidated Subsidiaries
March 31, 2013

Assets

	Millions of yen		Thousands of U.S. dollars (note 2)
	2013	2012	**2013**
Current assets:			
Cash (note 3)	**¥ 28,888**	¥ 27,438	**$ 307,156**
Trade notes and accounts receivable (note 19)	**127,843**	122,054	**1,359,309**
Short-term investments (note 4)	**140**	10,241	**1,489**
Inventories	**88,041**	76,087	**936,108**
Deferred income taxes (note 9)	**3,057**	3,952	**32,504**
Other current assets	**14,218**	15,042	**151,175**
Less allowance for doubtful receivables	**792**	779	**8,421**
Total current assets	**261,397**	254,037	**2,779,341**
Property, plant and equipment (note 6):			
Buildings and structures	**139,148**	131,088	**1,479,511**
Machinery, equipment and vehicles	**385,861**	360,297	**4,102,722**
Land	**23,962**	22,798	**254,779**
Leased assets	**26,566**	26,419	**282,467**
Construction in progress	**21,838**	31,148	**232,196**
Other	**32,824**	31,521	**349,006**
	630,203	603,273	**6,700,723**
Less accumulated depreciation	**434,749**	412,094	**4,622,531**
Net property, plant and equipment	**195,453**	191,178	**2,078,182**
Intangible assets, net:			
Goodwill	**—**	104	**—**
Leased assets	**11**	25	**117**
Software	**1,874**	2,037	**19,926**
Other	**1,488**	1,107	**15,821**
Net intangible assets	**3,374**	3,275	**35,875**
Investments and other assets:			
Investments in securities (notes 4, 5 and 6)	**146,762**	132,935	**1,560,468**
Long-term loans receivable	**1,451**	905	**15,428**
Deferred income taxes (note 9)	**1,788**	9,218	**19,011**
Other investments and other assets (note 5)	**3,941**	4,801	**41,903**
Less allowance for doubtful receivables	**260**	1,101	**2,764**
Total investments and other assets	**153,683**	146,758	**1,634,056**
Total assets	**¥613,908**	¥595,250	**$6,527,464**

See accompanying notes to consolidated financial statements.

Liabilities and Net Assets

	Millions of yen		Thousands of U.S. dollars (note 2)
	2013	2012	**2013**
Current liabilities:			
Trade notes and accounts payable	**¥ 73,907**	¥ 69,427	**$ 785,827**
Short-term debt and current installments of long-term debt (note 6)	**86,331**	92,207	**917,927**
Accrued expenses	**13,486**	13,332	**143,392**
Accrued income taxes (note 9)	**1,358**	1,599	**14,439**
Accrued bonuses	**3,612**	3,618	**38,405**
Other current liabilities (note 9)	**16,743**	13,278	**178,022**
Total current liabilities	**195,438**	193,464	**2,078,022**
Non-current liabilities:			
Long-term debt (note 6)	**96,313**	92,978	**1,024,062**
Liabilities for retirement and severance benefits (note 8)	**7,979**	7,558	**84,838**
Deferred income taxes (note 9)	**10,042**	1,869	**106,773**
Other non-current liabilities (notes 7 and 8)	**9,239**	7,267	**98,235**
Total non-current liabilities	**123,574**	109,673	**1,313,918**
Total liabilities	**319,013**	303,138	**3,391,951**
Stockholders' equity:			
Common stock (note 10): Authorized 984,856,000 shares; issued 483,478,398 shares in 2013 and 2012	**41,970**	41,970	**446,252**
Additional paid-in capital (note 10)	**35,595**	35,593	**378,469**
Retained earnings (note 11)	**231,882**	245,083	**2,465,518**
Treasury stock, at cost; 31,769,134 shares in 2013 and 31,666,371 shares in 2012	**(8,094)**	(8,039)	**(86,061)**
Total stockholders' equity	**301,353**	314,607	**3,204,179**
Accumulated other comprehensive income (loss):			
Net unrealized gain on other securities (note 4)	**8,607**	3,468	**91,515**
Deferred losses on hedges	**—**	(177)	**—**
Surplus on revaluation of land	**206**	206	**2,190**
Foreign currency translation adjustments	**(26,311)**	(36,417)	**(279,755)**
Total accumulated other comprehensive loss	**(17,497)**	(32,920)	**(186,039)**
Minority interests	**11,039**	10,424	**117,374**
Total net assets	**294,895**	292,111	**3,135,513**
Commitments and contingencies (note 20)			
Total liabilities and net assets	**¥613,908**	¥595,250	**$6,527,464**

See accompanying notes to consolidated financial statements.

Consolidated Statement of Operations

Mitsubishi Gas Chemical Company, Inc. and Consolidated Subsidiaries
For the year ended March 31, 2013

	Millions of yen		Thousands of U.S. dollars (note 2)
	2013	2012	2013
Net sales (note 19)	¥467,979	¥452,217	$4,975,853
Cost of sales (note 13)	400,011	385,731	4,253,174
Gross profit	67,967	66,486	722,669
Selling, general and administrative expenses (notes 12 and 13)	56,545	57,402	601,223
Operating income	11,421	9,083	121,435
Other income (deductions):			
Interest income	173	136	1,839
Dividend income	1,344	1,471	14,290
Interest expenses	(2,581)	(1,981)	(27,443)
Equity in earnings of affiliates	19,045	20,532	202,499
Gain on sale of investments in securities (note 4)	—	125	—
Exchange loss	—	(387)	—
Personnel expenses for seconded employees	(1,443)	(1,443)	(15,343)
Loss on sale/disposal of property, plant and equipment	(839)	(608)	(8,921)
Impairment loss	(54)	(91)	(574)
Loss on devaluation of investments in securities (note 4)	(1,049)	—	(11,154)
Business structure improvement expenses (note 15)	(15,439)	—	(164,157)
Loss on disaster (note 14)	—	(572)	—
Other, net	(838)	(778)	(8,910)
	(1,682)	16,400	(17,884)
Income before income taxes and minority interests	9,739	25,484	103,551
Income taxes (note 9):			
Current	3,002	3,121	31,919
Deferred	14,074	8,772	149,644
	17,076	11,893	181,563
Income (loss) before minority interests	(7,336)	13,590	(78,001)
Minority interests	456	1,263	4,848
Net income (loss)	¥ (7,793)	¥ 12,327	$ (82,860)

See accompanying notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Mitsubishi Gas Chemical Company, Inc. and Consolidated Subsidiaries
For the year ended March 31, 2013

	Millions of yen		Thousands of U.S. dollars (note 2)
	2013	2012	2013
Income (loss) before minority interests	¥ (7,336)	¥13,590	$ (78,001)
Other comprehensive income (loss) arising during the year (note 16):			
Net unrealized gain (loss) on other securities	5,088	(793)	54,099
Deferred Income (losses) on hedges	197	(197)	2,095
Foreign currency translation adjustments	3,380	(1,159)	35,938
Other comprehensive income (loss) of affiliates accounted for by the equity method	7,483	(3,299)	79,564
Total other comprehensive income (loss) arising during the year	16,149	(5,449)	171,707
Comprehensive income	¥ 8,812	¥ 8,141	$ 93,695
Comprehensive income attributable to:			
Owners of the parent	¥ 7,526	¥ 7,199	$ 80,021
Minority interests	¥ 1,286	¥ 941	$ 13,674

See accompanying notes to consolidated financial statements.

Consolidated Statement of Changes in Net Assets

Mitsubishi Gas Chemical Company, Inc. and Consolidated Subsidiaries
For the year ended March 31, 2013

	Millions of yen											
	Stockholders' equity					Accumulated other comprehensive income (loss)						
	Common stock (note 10)	Additional paid-in capital (note 10)	Retained earnings (note 11)	Treasury stock	Total	Net unrealized gain (loss) on other securities (note 4)	Deferred losses on hedges	Surplus on revaluation of land	Foreign currency translation adjust-ments	Total	Minority interests	Total net assets
Balance at March 31, 2011	¥41,970	¥35,592	¥236,597	¥(7,920)	¥306,239	¥4,198	¥ —	¥192	¥(32,532)	¥(28,142)	¥10,161	¥288,258
Changes arising during year:												
Cash dividends			(4,518)		(4,518)							(4,518)
Net income			12,327		12,327							12,327
Change in the scope of affiliates accounted for by the equity method			678		678							678
Purchase of treasury stock				(121)	(121)							(121)
Disposition of treasury stock		1		1	3							3
Net changes other than stockholders' equity						(728)	(177)	14	(3,886)	(4,778)	263	(4,514)
Total changes during the year	—	1	8,486	(119)	8,368	(728)	(177)	14	(3,886)	(4,778)	263	3,853
Balance at March 31, 2012	¥41,970	¥35,593	¥245,083	¥(8,039)	¥314,607	¥3,468	¥(177)	¥206	¥(36,417)	¥(32,920)	¥10,424	¥292,111
Changes arising during year:												
Cash dividends			**(5,421)**		**(5,421)**							**(5,421)**
Net loss			**(7,793)**		**(7,793)**							**(7,793)**
Change in the scope of consolidation			**13**		**13**							**13**
Purchase of treasury stock				**(56)**	**(56)**							**(56)**
Disposition of treasury stock		**1**		**1**	**3**							**3**
Net changes other than stockholders' equity						**5,138**	**177**	**—**	**10,106**	**15,422**	**615**	**16,038**
Total changes during the year	**—**	**1**	**(13,200)**	**(54)**	**(13,254)**	**5,138**	**177**	**—**	**10,106**	**15,422**	**615**	**2,784**
Balance at March 31, 2013	**¥41,970**	**¥35,595**	**¥231,882**	**¥(8,094)**	**¥301,353**	**¥8,607**	**¥ —**	**¥206**	**¥(26,311)**	**¥(17,497)**	**¥11,039**	**¥294,895**

	Thousands of U.S. dollars (note 2)											
	Stockholders' equity					Accumulated other comprehensive income (loss)						
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total	Net unrealized gain (loss) on other securities	Deferred losses on hedges	Surplus on revaluation of land	Foreign currency translation adjust-ments	Total	Minority interests	Total net assets
Balance at March 31, 2012	$446,252	$378,448	$2,605,880	$(85,476)	$3,345,104	$36,874	$(1,882)	$2,190	$(387,209)	$(350,027)	$110,835	$3,105,912
Changes arising during year:												
Cash dividends			**(57,640)**		**(57,640)**							**(57,640)**
Net loss			**(82,860)**		**(82,860)**							**(82,860)**
Change in the scope of consolidation			**138**		**138**							**138**
Purchase of treasury stock				**(595)**	**(595)**							**(595)**
Disposition of treasury stock		**11**		**11**	**32**							**32**
Net changes other than stockholders' equity						**54,631**	**1,882**	**—**	**107,453**	**163,977**	**6,539**	**170,526**
Total changes during the year	**—**	**11**	**(140,351)**	**(574)**	**(140,925)**	**54,631**	**1,882**	**—**	**107,453**	**163,977**	**6,539**	**29,601**
Balance at March 31, 2013	**$446,252**	**$378,469**	**$2,465,518**	**$(86,061)**	**$3,204,179**	**$91,515**	**$ —**	**$2,190**	**$(279,755)**	**$(186,039)**	**$117,374**	**$3,135,513**

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Mitsubishi Gas Chemical Company, Inc. and Consolidated Subsidiaries
For the year ended March 31, 2013

	Millions of yen		Thousands of U.S. dollars (note 2)
	2013	2012	**2013**
Cash flows from operating activities:			
Income before income taxes and minority interests	**¥ 9,739**	¥25,484	**$103,551**
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	**23,023**	27,660	**244,795**
Loss on sale/disposal of property, plant and equipment	**672**	601	**7,145**
Restructuring charges	**15,439**	—	**164,157**
Impairment loss	**54**	91	**574**
Loss on disaster	**—**	572	**—**
Equity in earnings of affiliates	**(19,045)**	(20,532)	**(202,499)**
Allowance for doubtful receivables	**(833)**	642	**(8,857)**
Increase in liabilities for retirement and severance benefits	**406**	1,888	**4,317**
Interest and dividend income	**(1,518)**	(1,608)	**(16,140)**
Interest expenses	**2,581**	1,981	**27,443**
Gain on sale of short-term investments and investments in securities	**(7)**	(99)	**(74)**
Loss on devaluation of short-term investments and investments in securities	**1,056**	29	**11,228**
Increase in trade notes and accounts receivable	**(2,012)**	(11,154)	**(21,393)**
Increase in inventories	**(11,322)**	(8,332)	**(120,383)**
Increase in trade notes and accounts payable	**1,739**	10,164	**18,490**
Other, net	**(2,283)**	(823)	**(24,274)**
Sub total	**17,687**	26,567	**188,060**
Interest and dividend received	**1,440**	1,609	**15,311**
Dividend received from affiliates accounted for by the equity method	**17,945**	18,242	**190,803**
Interest paid	**(2,498)**	(1,863)	**(26,560)**
Income taxes paid	**(4,313)**	(5,375)	**(45,859)**
Other, net	**907**	(1,831)	**9,644**
Net cash provided by operating activities	**31,169**	37,348	**331,409**
Cash flows from investing activities:			
Purchase of short-term investments	**(10)**	(118)	**(106)**
Proceeds from sale of short-term investments	**124**	488	**1,318**
Capital expenditures	**(30,105)**	(34,625)	**(320,096)**
Proceeds from sale of property, plant and equipment	**448**	337	**4,763**
Purchase of investments in securities	**(870)**	(3,083)	**(9,250)**
Proceeds from sale of investments in securities and subsidiaries	**3**	193	**32**
Increase in long-term loans receivable	**(457)**	(352)	**(4,859)**
Other, net	**49**	(112)	**521**
Net cash used in investing activities	**(30,818)**	(37,274)	**(327,677)**
Cash flows from financing activities:			
Increase (decrease) in short-term debt	**(7,935)**	2,883	**(84,370)**
Proceeds from long-term debt	**24,601**	18,063	**261,574**
Payments on long-term debt	**(23,181)**	(24,300)	**(246,475)**
Purchase of treasury stock	**(56)**	(121)	**(595)**
Dividends paid to stockholders	**(5,421)**	(4,518)	**(57,640)**
Dividends paid to minority stockholders of subsidiaries	**(635)**	(684)	**(6,752)**
Other, net	**(1,727)**	(1,202)	**(18,363)**
Net cash used in financing activities	**(14,356)**	(9,876)	**(152,642)**
Effect of exchange rate changes on cash and cash equivalents	**3,605**	(1,264)	**38,331**
Decrease in cash and cash equivalents	**(10,399)**	(11,066)	**(110,569)**
Cash and cash equivalents at beginning of year	**35,701**	46,768	**379,596**
Increase in cash and cash equivalents resulting from change in the scope of consolidation	**1,605**	—	**17,065**
Cash and cash equivalents at end of year (note 3)	**¥26,907**	¥35,701	**$286,093**

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Mitsubishi Gas Chemical Company, Inc. and Consolidated Subsidiaries
For the year ended March 31, 2013

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.

"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) and "Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for by the Equity Method" (ASBJ Practical Issues Task Force (PITF) No. 24, March 10, 2008) require 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 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 41 subsidiaries. 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, is being amortized over 5 years. Negative goodwill which occurred before March 31, 2010 is being amortized over 5 years.

(c) Cash and Cash Equivalents

For the purpose of the statement 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 statement of operations. 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.

(f) Property, Plant and Equipment

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

The estimated useful lives are as follows:

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

Effective April 1, 2012, the Company has changed its depreciation method of property, plant and equipment, except for buildings and leased assets, from the declining-balance method to the straight-line method.

As a result of survey on the situation of utilization of property, plant and equipment, which is a precondition of Mid-term Management Plan, a production amount and an operation rate are expected to be stable for a long time. Therefore, the Company judges that the straight line method is more appropriate for its actual usage of property, plant and equipment.

The effect of this change was to increase operating income of ¥4,644 million ($49,378 thousand) and income before income taxes and minority interests of ¥4,654 million ($49,484 thousand), respectively.

In accordance with the amendment of the Corporation Tax Act, effective from the year ended March 31, 2013, certain domestic consolidated subsidiaries have changed their depreciation method for property plant and equipment acquired on or after April 1, 2012. As a result of this change, operating income and income before income taxes and minority interests was increased by ¥194 million ($2,063 thousand).

(g) Intangible Assets

Intangible assets are carried at cost less accumulated 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 sheet.

(i) Allowance for Doubtful Receivables

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

(j) Retirement and Severance Benefits

MGC have retirement benefit plans covering substantially all employees.

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

The Company and certain subsidiaries have unfunded defined benefit pension plans for directors, corporate auditors and executive officers. The provision for the plans has been made in the accompanying consolidated financial statements for the vested benefits to which directors, corporate auditors and executive officers are entitled if they were to retire or sever immediately at the balance sheet dates. (See note 8)

(k) Leases

All finance lease transactions are capitalized. 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.

(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) 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.

(o) Asset Retirement Obligations

The Company recognized an asset retirement obligation which is statutory or similar obligation with regard to the removal of assets as a liability. An asset retirement obligation is recognized as a liability at the time that the asset is incurred by its acquisition, construction, development or ordinary use. When an asset retirement obligation is recognized as a liability, the asset retirement cost corresponding to it is included in the cost of the relevant asset by the same amount.

(p) Accrued Business Structure Improvement Expenses

The Company provided a reasonably estimated amount of structural reform costs for unprofitable business.

(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, 2013.

(r) New accounting pronouncements not yet adopted

On May 17, 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25 "Guidance on Accounting Standard for Retirement Benefits," which replaced the "Accounting Standard for Retirement Benefits" that had been issued by the Business Accounting Council in 1998.

Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss is to be recognized within equity (accumulated other comprehensive income), after adjusting for tax effects. The revised accounting standards allow the choice of the method of attributing expected benefit to periods between the straight-line basis and the benefit formula basis, and amend the discount rate estimation.

The Company expects to apply the revised accounting standards from the year ending March 31, 2014. However, the method of attributing expected benefit to periods is to be applied from the year beginning on April 1, 2014. Because the revised accounting standards are allowed to be applied in stages, the standards are not to be applied retrospectively to the financial statements in prior periods.

The Company is in the process of measuring the effects of applying the revised accounting standards.

2. Financial Statement Translation

The translations of the yen amounts into U.S. dollars are included solely for the convenience of the reader, using the prevailing exchange rate at March 29, 2013, which was ¥94.05 to U.S. $1. 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 sheet and "Cash and cash equivalents" in the consolidated statement of cash flows at March 31, 2013 and 2012 is follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Cash	**¥ 28,888**	¥ 27,438	**$307,156**
Time deposits with maturities of over three months	**(2,111)**	(1,866)	**(22,446)**
Short-term investments	**130**	10,130	**1,382**
Cash and cash equivalents	**¥ 26,907**	¥ 35,701	**$286,093**

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, 2013 and 2012 are summarized as follows:

	Millions of yen			
	Balance sheet amount	Gross unrealized gain	Gross unrealized loss	Fair value
March 31, 2013				
Government bond securities	**¥ 6**	**¥ 0**	**¥ –**	**¥ 6**
Certificates of deposit	**130**	**–**	**–**	**130**
Other	**9**	**0**	**–**	**9**
	¥ 146	**¥ 0**	**¥ –**	**¥ 146**
March 31, 2012				
Government bond securities	¥ 6	¥ 0	¥ –	¥ 6
Certificates of deposit	10,231	–	–	10,231
Other	9	0	–	9
	¥ 10,247	¥ 0	¥ –	¥ 10,247

	Thousands of U.S. dollars			
	Balance sheet amount	Gross unrealized gain	Gross unrealized loss	Fair value
March 31, 2013				
Government bond securities	**$ 64**	**$ 0**	**$ –**	**$ 64**
Certificates of deposit	**1,382**	**–**	**–**	**1,382**
Other	**96**	**0**	**–**	**96**
	$ 1,552	**$ 0**	**$ –**	**$ 1,552**

Balance sheet amount, acquisition cost, and gross unrealized gain and loss of other securities with fair value as of March 31, 2013 and 2012 are summarized as follows:

	Millions of yen			
	Balance sheet amount	Gross unrealized gain	Gross unrealized loss	Acquisition cost
March 31, 2013				
Equity securities	¥ 41,672	¥ 13,788	¥ (871)	¥ 28,755
Other securities	32	0	—	32
	¥ 41,705	¥ 13,788	¥ (871)	¥ 28,788
March 31, 2012				
Equity securities	¥ 34,678	¥ 7,524	¥ (2,082)	¥ 29,236
Other securities	32	0	—	32
	¥ 34,711	¥ 7,524	¥ (2,082)	¥ 29,269

	Thousands of U.S. dollars			
	Balance sheet amount	Gross unrealized gain	Gross unrealized loss	Acquisition cost
March 31, 2013				
Equity securities	$443,083	$146,603	$ (9,261)	$305,742
Other securities	340	0	—	340
	$443,434	$146,603	$ (9,261)	$306,093

Securities classified as other securities for which fair value is not available are unlisted equity securities amounting to ¥3,674 million ($39,064 thousand) and ¥3,657 million at March 31, 2013 and 2012, respectively.

For the years ended March 31, 2013 and 2012, proceeds from the sale of other securities are ¥10 million ($106 thousand) and ¥193 million, respectively. Gross realized gains are ¥7 million ($74 thousand) and ¥125 million for the years ended March 31, 2013 and 2012, respectively.

The Company recognized impairment losses on securities of ¥1,056 million ($11,228 thousand) and ¥29 million for the years ended March 31, 2013 and 2012, respectively. The Company recognizes impairment losses on securities with market value when the market value declines by more than 50 percent. 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, 2013 and 2012 are ¥101,453 million ($1,078,713 thousand) and ¥94,642 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 is 0.5% at both March 31, 2013 and 2012.

Long-term debt as of March 31, 2013 and 2012 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Loans, principally from banks, maturing in installments through 2028 with weighted average interest of 1.3% at March 31, 2013, partially secured by mortgage of property, plant and equipment and securities	**¥ 86,076**	¥ —	**$ 915,215**
Loans, principally from banks, maturing in installments through 2028 with weighted average interest of 1.2% at March 31, 2012, partially secured by mortgage of property, plant and equipment and securities	**—**	78,576	**—**
Lease liabilities maturing in installments through 2027 with weighted average interest of 3.3% at March 31, 2013	**21,833**	—	**232,142**
Lease liabilities maturing in installments through 2027 with weighted average interest of 3.3% at March 31, 2012	**—**	23,396	**—**
Unsecured bonds, due 2016 with interest of 0.67%	**15,000**	15,000	**159,490**
	122,910	116,972	**1,306,858**
Less current installments:			
Loans	**24,893**	22,298	**264,678**
Lease liabilities	**1,703**	1,695	**18,107**
	¥ 96,313	¥ 92,978	**$1,024,062**

The aggregate annual maturities of loans after March 31, 2014, are as follows:

	Millions of yen	Thousands of U.S. dollars
Year ending March 31		
2015	¥ 6,863	$ 72,972
2016	18,503	196,736
2017	12,362	131,441
2018	4,642	49,357

The aggregate annual maturities of lease liabilities after March 31, 2014, are as follows:

	Millions of yen	Thousands of U.S. dollars
Year ending March 31		
2015	¥ 1,660	$ 17,650
2016	1,638	17,416
2017	1,629	17,321
2018	1,832	19,479

The aggregate annual maturities of bonds after March 31, 2014, are as follows:

	Millions of yen	Thousands of U.S. dollars
Year ending March 31		
2015	¥ —	$ —
2016	—	—
2017	15,000	159,490
2018	—	—

Property, plant and equipment and securities with a book value at March 31, 2013 of ¥18,786 million ($199,745 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. Asset Retirement Obligations

(a) Asset retirement obligations recognized on the consolidated balance sheet

The Company is obliged to restore its natural gas mining facilities except for mentioned below (b) according to law and land lease contracts. The asset retirement obligations are based on estimated future cash flows for the restorations. The obligations are calculated by using the estimated mine lives of 12 to 76 years and discounted rate of 1.579% to 2.385%.

Asbestos are used in part of fixed assets held by the Company and certain consolidated subsidiaries. The Company is obliged to conduct a special treatment when asbestos are removed. The asset retirement obligations are based on estimated future cash flows for the treatment. The obligations are calculated by using the estimated useful lives of the fixed assets mainly of 8 years and discounted rate of 1.035%.

The Company and certain consolidated subsidiaries are obliged to restore their head offices and plant premises according to leasehold contracts. The asset retirement obligations are based on estimated future cash flows for the restorations. The obligations are calculated by using the estimated lease terms of 31 to 50 years and discounted rate mainly of 2.295%.

The following table provides a total asset retirement obligation for the years ended March 31, 2013 and 2012:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Balance, beginning of year	¥ 3,512	¥ 3,472	$ 37,342
Accretion expenses	66	64	702
Other	629	(25)	6,688
Balance, end of year	¥ 4,207	¥ 3,512	$ 44,732

(b) Asset retirement obligations not recognized on the consolidated balance sheet

The Company is obliged to restore its natural gas mining facilities according to law and land lease contracts, and the Company plan to use part of the facilities as storage facilities after mining continuingly. The Company and certain subsidiaries are obliged to restore their piers and pipelines according to law and lease contracts, and the piers and pipelines can be used for a substantial long-term with appropriate repair. Asset retirement obligations relating to these assets are not recognized because it is extremely difficult to estimate the time of fulfilling the obligations reasonably.

8. 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 defined contribution pension plans.

The funded status of the pension plans at March 31, 2013 and 2012 is outlined as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Projected benefit obligation	¥ (37,248)	¥ (35,818)	$ (396,045)
Plan assets at fair value	14,309	13,183	152,142
Assets contributed to the trust	11,863	10,703	126,135
Funded status	(11,075)	(11,931)	(117,757)
Unrecognized actuarial loss	3,070	4,279	32,642
Unrecognized prior service cost	455	556	4,838
Net amount recognized in the consolidated balance sheet	(7,549)	(7,095)	(80,266)
Accrued retirement and severance benefits	¥ (7,549)	¥ (7,095)	$ (80,266)

Net periodic pension cost for the years ended March 31, 2013 and 2012 consists of the following components:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Service cost	¥ 1,578	¥ 1,624	$ 16,778
Interest cost	643	662	6,837
Expected return on plan assets	(280)	(265)	(2,977)
Amortization of actuarial loss	893	1,088	9,495
Amortization of prior service cost	101	101	1,074
Net periodic pension cost	2,935	3,210	31,207
Contribution to the defined contribution pension plan	334	329	3,551
	¥ 3,270	¥ 3,540	$ 34,769

Significant assumptions of pension plans used to determine these amounts in fiscal 2013 and 2012 are as follows:

	2013	2012
Periodic allocation method for projected benefit	Straight-line	Straight-line
Discount rate	Mainly 1.4%	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 10 years
Period for amortization of unrecognized actuarial loss / gain	Mainly 10 years	Mainly 10 years

Directors, corporate auditors and executive officers are not covered by the plans described above. For such persons, the Company and certain subsidiaries 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, 2013 and 2012, the liabilities for retirement and severance benefits related to the plans were ¥429 million ($4,561 thousand) and ¥462 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 for corporate auditors has been made and the balance at the date of the abolishment will be reversed when they leave the Company.

9. 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 38.0% and 40.5% in 2013 and 2012, respectively.

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, 2013 and 2012 is as follows:

	2013	2012
Statutory tax rate	**38.0%**	40.5%
Equity in earnings of affiliates	**(74.3)**	(32.6)
Dividend income eliminated in consolidation	**79.2**	33.9
Valuation allowance	**205.3**	31.4
Income not credited for tax purposes	**(81.1)**	(34.5)
Foreign taxes	**3.5**	1.3
Adjustments of deferred tax assets due to change in statutory tax rate	**—**	6.5
Other	**4.7**	0.2
Effective tax rate	**175.3%**	46.7%

Significant components of deferred tax assets and liabilities at March 31, 2013 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Deferred tax assets:			
Tax loss carryforward	**¥ 19,701**	¥ 19,643	**$209,474**
Liabilities for retirement and severance benefits	**7,505**	7,544	**79,798**
Devaluation loss on investments in securities	**1,287**	926	**13,684**
Accrued bonuses	**1,337**	1,361	**14,216**
Intercompany profits	**551**	548	**5,859**
Depreciation	**1,208**	1,147	**12,844**
Impairment loss	**4,737**	981	**50,367**
Asset retirement obligations	**1,566**	1,294	**16,651**
Other	**7,180**	5,240	**76,342**
	45,076	38,689	**479,277**
Valuation allowance	**(38,652)**	(18,653)	**(410,973)**
	6,423	20,036	**68,293**
Deferred tax liabilities:			
Net unrealized gain on other securities	**(4,433)**	(2,052)	**(47,135)**
Gain by contributing the assets to the trust	**(1,794)**	(1,794)	**(19,075)**
Tax purpose reserves etc. regulated by Japanese tax law	**(2,762)**	(2,809)	**(29,367)**
Asset retirement cost	**(410)**	(426)	**(4,359)**
Other	**(2,445)**	(1,852)	**(25,997)**
	(11,845)	(8,936)	**(125,944)**
Net deferred tax assets (liabilities)	**¥ (5,422)**	¥ 11,099	**$ (57,650)**

Net deferred tax assets and liabilities as of March 31, 2013 and 2012 are reflected in the accompanying consolidated balance sheet under the following captions:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Current assets - Deferred income taxes	**¥ 3,057**	¥ 3,952	**$ 32,504**
Investments and other assets - Deferred income taxes	**1,788**	9,218	**19,011**
Current liabilities - Other current liabilities	**(226)**	(201)	**(2,403)**
Non-current liabilities - Deferred income taxes	**(10,042)**	(1,869)	**(106,773)**

10. Common Stock

Under the Companies Act, 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.

11. Retained Earnings and Dividends

The Companies Act 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 Companies Act 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 sheet.

Cash dividends charged to retained earnings for the years ended March 31, 2013 and 2012 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 Companies Act.

(a) Dividends paid during the year ended March 31, 2012

The following was approved by the Board of Directors held on May 24, 2011.

(a) Total dividends	¥1,808 million
(b) Cash dividends per common share	¥4
(c) Record date	March 31, 2011
(d) Effective date	June 9, 2011

The following was approved by the Board of Directors held on November 2, 2011.

(a) Total dividends	¥2,710 million
(b) Cash dividends per common share	¥6
(c) Record date	September 30, 2011
(d) Effective date	December 5, 2011

(b) Dividends paid during the year ended March 31, 2013

The following was approved by the Board of Directors held on May 24, 2012.

(a) Total dividends	¥2,710 million ($28,814 thousand)
(b) Cash dividends per common share	¥6 ($0.06)
(c) Record date	March 31, 2012
(d) Effective date	June 7, 2012

The following was approved by the Board of Directors held on November 2, 2012.

(a) Total dividends	¥2,710 million ($28,814 thousand)
(b) Cash dividends per common share	¥6 ($0.06)
(c) Record date	September 30, 2012
(d) Effective date	December 5, 2012

(c) Dividends to be paid after the balance sheet date but the record date for the payment belongs to the year ended March 31, 2013

The following was approved by the Board of Directors held on May 24, 2013.

(a) Total dividends	¥2,710 million ($28,814 thousand)
(b) Dividend source	Retained earnings
(c) Cash dividends per common share	¥6 ($0.06)
(d) Record date	March 31, 2013
(e) Effective date	June 6, 2013

12. Selling, General and Administrative Expenses

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

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Freight	**¥ 11,900**	¥ 11,256	**$126,528**
Stevedoring and warehouse fee	**3,103**	2,891	**32,993**
Salaries	**10,103**	9,366	**107,422**
Employees' bonuses	**3,290**	3,365	**34,981**
Pension cost	**1,533**	1,658	**16,300**
Welfare	**2,981**	2,961	**31,696**
Transportation	**1,800**	1,818	**19,139**
Depreciation	**3,645**	5,186	**38,756**

13. Research and Development Costs

Research and development costs charged to income for the years ended March 31, 2013 and 2012 are ¥15,332 million ($163,020 thousand) and ¥17,449 million, respectively.

14. Loss on Disasters

Loss on disasters for the year ended March 31, 2012 was depreciation of inactive property, plant and equipment (PPE) while operations were shutdown and payments required to restore PPE due to the Great East Earthquake.

15. Business Structure Improvement Expenses

The Group provided an estimated amount of structural reform costs for unprofitable business in aromatic chemicals business segment and natural gas chemicals business segment.

Components of business structure improvement expenses for the year ended March 31, 2013 are as follows:

	Millions of yen	Thousands of U.S. dollars
Impairment loss	¥ 12,469	$132,578
Accrual of business structure improvement expenses	1,651	17,554
Inventories disposal costs	782	8,315
Immediate amortization of goodwill	363	3,860
Other	171	1,818

Details of significant impairment loss included in business structure improvement expenses for the year ended March 31, 2013 are as follows:

Location	Usage	Classification	Millions of yen	Thousands of U.S. dollars
Kurashiki City, Okayama Prefecture	Aromatic chemicals manufacturing facilities	Machinery and equipment, etc.	¥ 4,967	$ 52,812
Matsuyama City, Ehime Prefecture	Aromatic chemicals manufacturing facilities	Machinery and equipment, etc.	4,521	48,070
—	Ships	Vehicles, etc.	2,669	28,379

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

Aromatic chemicals manufacturing facilities are written down to a recoverable amount because the Company's management decided to reduce the production capability, and ships are written down to a recoverable amount because of their profitability decline.

The recoverable amount is measured at its value in use. The future cash flow is used for calculation of the value in use of ships and is discounted by 2.7%.

16. Other Comprehensive Income (Loss)

The reclassification adjustment and the related income tax effects allocated to each component of other comprehensive income (loss) for the years ended March 31, 2013 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Net unrealized gain (loss) on other securities:			
Arising during the year	**¥ 6,431**	¥ (1,734)	**$ 68,379**
Reclassification adjustment	**1,042**	24	**11,079**
Before tax amount	**7,473**	(1,709)	**79,458**
Tax benefit (expense)	**(2,385)**	916	**(25,359)**
Net-of-tax amount	**5,088**	(793)	**54,099**
Deferred loss on hedges:			
Arising during the year	**(5)**	(254)	**(53)**
Reclassification adjustment	**203**	56	**2,158**
Before tax amount	**197**	(197)	**2,095**
Tax benefit (expense)	**—**	—	**—**
Net-of-tax amount	**197**	(197)	**2,095**
Foreign currency translation adjustments:			
Arising during the year	**3,380**	(1,159)	**35,938**
Share of other comprehensive loss of affiliates accounted for by equity method:			
Arising during the year	**7,476**	(3,303)	**79,490**
Reclassification adjustment	**7**	4	**74**
Before tax amount	**7,483**	(3,299)	**79,564**
Tax benefit (expense)	**—**	—	**—**
Net-of-tax amount	**7,483**	(3,299)	**79,564**
Total other comprehensive income (loss)	**¥ 16,149**	¥ (5,449)	**$ 171,707**

17. Per Share Information

(a) Net Income (Loss) per Share

Basic and diluted net income (loss) 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, 2013 and 2012 are as follows:

	Yen		U.S. dollars
	2013	2012	**2013**
Basic net income (loss) per share	**¥ (17.25)**	¥ 27.28	**$ (0.18)**
Diluted net income per share	**—**	27.01	**—**

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Net income (loss)	**¥ (7,793)**	¥ 12,327	**$ (82,860)**
Net income (loss) not applicable to common stockholders	**—**	—	**—**
Net income (loss) applicable to common stockholders	**¥ (7,793)**	¥ 12,327	**$ (82,860)**

	Number of shares	
	2013	2012
Weighted average number of shares outstanding on which basic net income (loss) per share is calculated	**451,727,688**	451,885,958
Effect of dilutive convertible bonds	**—**	4,462,394
Number of shares outstanding on which diluted net income per share is calculated	**—**	456,348,352

The diluted net income per share for the year ended March 31, 2013 is not presented because net loss per share was recorded and there are no dilutive potential shares at the year end.

(b) Net Assets per Share

Net assets per share at March 31, 2013 and 2012 are as follows:

	Yen		U.S. dollars
	2013	2012	**2013**
Net assets per share	**¥ 628.40**	¥ 623.46	**$ 6.68**

18. Leases

(a) Finance Lease

A summary of assumed amounts of acquisition cost which includes interest portion, accumulated depreciation and impairment loss and net book value at March 31, 2013 and 2012 are as follows, which would have been reflected in the consolidated balance sheet 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, 2013			
Acquisition cost	**¥ 2,555**	**¥ 53**	**¥ 2,609**
Accumulated depreciation	**1,482**	**43**	**1,526**
Accumulated impairment loss	**69**	**—**	**69**
Net book value	**¥ 1,002**	**¥ 10**	**¥ 1,013**
March 31, 2012			
Acquisition cost	¥ 2,607	¥ 546	¥ 3,153
Accumulated depreciation	1,295	432	1,728
Net book value	¥ 1,312	¥ 113	¥ 1,425

	Thousands of U.S. dollars		
	Machinery, equipment and vehicles	Other tangible assets	Total
March 31, 2013			
Acquisition cost	**$ 27,166**	**$ 564**	**$ 27,741**
Accumulated depreciation	**15,758**	**457**	**16,225**
Accumulated impairment loss	**734**	**—**	**734**
Net book value	**$ 10,654**	**$ 106**	**$ 10,771**

Future minimum payments which include interest portion required under finance leases at March 31, 2013 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Within one year	**¥ 176**	¥ 354	**$ 1,871**
Over one year	**938**	1,115	**9,973**
	¥ 1,115	¥ 1,469	**$ 11,855**
Impairment loss on leased assets	**¥ 69**	—	**$ 734**

Lease payments for the years ended March 31, 2013 and 2012 amounted to ¥354 million ($3,764 thousand) and ¥474 million, respectively.

(b) Operating Lease

Future minimum lease payments required under noncancellable operating leases as of March 31, 2013 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Within one year	**¥ 879**	¥ 933	**$ 9,346**
Over one year	**3,254**	3,663	**34,599**
	¥ 4,133	¥ 4,597	**$ 43,945**

19. Balances and Transactions with Related Party

The Company has a 50% equity ownership in Mitsubishi Engineering-Plastics Corp. at March 31, 2013 and 2012.

Balances with the company at March 31, 2013 and 2012, and related transactions for the years then ended are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Balances:			
Trade accounts receivable	**¥ 9,613**	¥ 8,569	**$102,212**
Transactions:			
Sales	**28,027**	23,361	**298,001**

The Company has a 50% equity ownership in Mizushima Aroma Co., Ltd. at March 31, 2013 and 2012.

Balances with the company at March 31, 2013 and 2012 and related transactions for the years then ended are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Balances:			
Trade accounts receivable	**¥ 9,458**	¥ 7,664	**$100,564**
Transactions:			
Sales	**23,925**	22,934	**254,386**

The Company has a 50% equity ownership in BRUNEI METHANOL COMPANY SDN. BHD. at March 31, 2013 and 2012.

At March 31, 2013 and 2012, the Company has guaranteed ¥12,365 million ($131,473 thousand) and ¥12,423 million of the company's loans to financial institutions, respectively.

The condensed financial information of all of 14 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
	2013	2012	**2013**
Total current assets	**¥185,696**	¥176,386	**$1,974,439**
Total non-current assets	**252,929**	233,789	**2,689,304**
Total current liabilities	**139,930**	134,702	**1,487,826**
Total non-current liabilities	**69,995**	68,505	**744,232**
Total net assets	**228,701**	206,968	**2,431,696**
Sales	**349,089**	344,318	**3,711,738**
Income before income taxes	**51,959**	56,950	**552,461**
Net income	**44,938**	49,103	**477,810**

20. Commitments and Contingencies

At March 31, 2013, MGC was contingently liable with respect to recourse obligations related to trade accounts receivable transferred in the amounts of ¥785 million ($8,347 thousand). At March 31, 2012, MGC was contingently liable with respect to recourse obligations related to trade notes receivable transferred in the amounts of ¥50 million.

The Company guarantees certain obligations of its associated companies and employees, etc. At March 31, 2013 and 2012, guarantees for affiliates and employees, etc. loans amounted to ¥4,332 million ($46,061 thousand) and ¥4,383 million, respectively, and guarantees for lease obligations of associated companies amounted to ¥1,577 million ($16,768 thousand) and ¥1,777 million, respectively.

21. Financial Instruments

Conditions of Financial instruments

(1) Management policy

MGC raises necessary funds through bank borrowings and issue of bonds in accordance with a funds management plan. 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 investments and investments 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 speculative purposes.

(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. Held-to-maturity securities are debt securities readily convertible into cash which are invested in accordance with investment of surplus funds rules.

Maximum risk at March 31, 2013 and 2012 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 for which a 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, 2013 and 2012 are as follows.

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

	Millions of yen			Thousands of U.S. dollars		
March 31, 2013	Balance sheet amount	Fair value	Differences	Balance sheet amount	Fair value	Differences
Assets:						
(1) Cash	**¥ 28,888**	**¥ 28,888**	**¥ —**	**$ 307,156**	**$ 307,156**	**$ —**
(2) Trade notes and accounts receivable	**127,843**	**127,843**	**—**	**1,359,309**	**1,359,309**	**—**
(3) Short-term investments and Investments in securities	**66,499**	**61,724**	**(4,775)**	**707,060**	**656,289**	**(50,771)**
Total assets	**¥ 223,231**	**¥ 218,456**	**¥ (4,775)**	**$2,373,535**	**$2,322,764**	**$ (50,771)**
Liabilities:						
(1) Trade notes and accounts payable	¥ 73,907	¥ 73,907	¥ —	$ 785,827	$ 785,827	$ —
(2) Short-term borrowings	84,627	84,627	—	899,809	899,809	—
(3) Accrued expenses	13,486	13,486	—	143,392	143,392	—
(4) Lease obligations (current)	1,703	1,703	—	18,107	18,107	—
(5) Bonds	15,000	15,165	165	159,490	161,244	1,754
(6) Long-term borrowings	61,183	62,079	896	650,537	660,064	9,527
(7) Lease obligations (non-current)	20,130	20,443	313	214,035	217,363	3,328
Total liabilities	¥ 270,038	¥ 271,413	¥ 1,375	$2,871,217	$2,885,837	$ 14,620
Derivative transactions:						
Hedge accounting not applied	¥ (583)	¥ (583)	¥ —	$ (6,199)	$ (6,199)	$ —
Hedge accounting applied	(141)	(329)	(188)	(1,499)	(3,498)	(1,999)
Total derivatives	¥ (724)	¥ (913)	¥ (188)	$ (7,698)	$ (9,708)	$ (1,999)

March 31, 2012	Millions of yen Balance sheet amount	Fair value	Differences
Assets:			
(1) Cash	¥ 27,438	¥ 27,438	¥ —
(2) Trade notes and accounts receivable	122,054	122,054	—
(3) Short-term investments and Investments in securities:	67,405	62,812	(4,593)
Total assets	¥216,898	¥212,305	¥ (4,593)
Liabilities:			
(1) Trade notes and accounts payable	¥ 69,427	¥ 69,427	¥ —
(2) Short-term borrowings	90,511	90,511	—
(3) Accrued expenses	13,332	13,332	—
(4) Lease obligations (current)	1,695	1,695	—
(5) Bonds	15,000	15,053	53
(6) Long-term borrowings	56,277	57,122	844
(7) Lease obligations (non-current)	21,700	21,566	(134)
Total liabilities	¥267,946	¥268,710	¥ 764
Derivative transactions:			
Hedge accounting not applied	¥ (19)	¥ (19)	¥ —
Hedge accounting applied	(212)	(531)	(319)
Total derivatives	¥ (231)	¥ (550)	¥ (319)

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

<1> Fair value measurement of financial instruments

Assets:

- Cash, Trade notes and accounts receivable
  The carrying amount approximates fair value because of the short maturity of these instruments.
- 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. Please see note 4 Short-term Investments and Investments in Securities for information by category.

Liabilities:

- Trade notes and accounts payable, Short-term borrowings, Accrued expenses and Lease obligations (current)
  The carrying amount approximates fair value because of the short maturity of these instruments.
- Bonds
  The fair value of bonds issued by the Company is calculated by market price.
- Long-term borrowings and Lease obligations (non-current)
  Fair value of long-term borrowings and lease obligations (non-current) is based on the present value of future cash flows discounted using the current borrowing rate for similar debt or lease of a comparable maturity.

Derivative Transactions:
Please see note 22 Derivative Financial Instruments.

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

	Millions of yen 2013	2012	Thousands of U.S. dollars 2013
Unlisted equity securities	¥ 80,403	¥ 75,771	$854,896

*It is extremely difficult to measure the fair value, and thus above are not included in "Assets (3) Short-term investments and Investments in securities."

<3> Projected future redemption of monetary claim and securities with maturities at March 31, 2013

	Millions of yen Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
(1) Cash	¥ 28,888	¥ —	¥ —	¥ —
(2) Trade notes and accounts receivable	127,843	—	—	—
(3) Short-term investments and investments in securities:				
Held-to-maturity securities:				
Government bonds	0	5	0	—
Certificates of deposit	130	—	—	—
Other	10	—	—	—
Other securities with maturities				
Interest-bearing bond of the Shoko Chukin Bank	—	22	—	—
Total	¥156,872	¥ 28	¥ 0	¥ —

	Thousands of U.S. dollars Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
(1) Cash	$ 307,156	$ —	$ —	$ —
(2) Trade notes and accounts receivable	1,359,309	—	—	—
(3) Short-term investments and investments in securities:				
Held-to-maturity securities:				
Government bonds	0	53	0	—
Certificates of deposit	1,382	—	—	—
Other	106	—	—	—
Other securities with maturities				
Interest-bearing bond of the Shoko Chukin Bank	—	234	—	—
Total	$1,667,964	$ 298	$ 0	$ —

<4> The annual maturities of the bonds, long-term borrowings and lease obligations at March 31, 2013

	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	¥ —	¥ —	¥ —	¥ 15,000	¥ —	¥ —
Long-term borrowings	24,893	6,863	18,503	12,362	4,642	18,812
Lease obligations	1,703	1,660	1,638	1,629	1,832	13,368

	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	$ —	$ —	$ —	$159,490	$ —	$ —
Long-term borrowings	264,678	72,972	196,736	131,441	49,357	200,021
Lease obligations	18,107	17,650	17,416	17,321	19,479	142,137

22. Derivative Financial Instruments

The contract or notional amounts and fair value of derivative financial instruments held as of March 31, 2013 and 2012 are summarized as follows:

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

(a) Forward exchange contracts

	Millions of yen		
	Contract or notional amounts	Fair value	Valuation gain (loss)
March 31, 2013			
Forward exchange contracts:			
To sell foreign currency:			
U.S. dollar	¥ 18,016	¥ (4)	¥ (4)
Euro	724	(0)	(0)
Chinese Yuan	2,119	(348)	(348)
New Taiwan dollar	587	(52)	(52)
		¥ (405)	¥ (405)
March 31, 2012			
Forward exchange contracts:			
To sell foreign currency:			
U.S. dollar	¥ 13,487	¥ (20)	¥ (20)
Euro	28	0	0
New Taiwan dollar	418	1	1
		¥ (19)	¥ (19)

	Thousands of U.S. dollars		
	Contract or notional amounts	Fair value	Valuation gain (loss)
March 31, 2013			
Forward exchange contracts:			
To sell foreign currency:			
U.S. dollar	$191,558	$ (43)	$ (43)
Euro	7,698	(0)	(0)
Chinese Yuan	22,531	(3,700)	(3,700)
New Taiwan dollar	6,241	(553)	(553)
		$ (4,306)	$ (4,306)

The fair value of forward exchange contracts is estimated based on quotes from counterparties.

(b) Interest rate swap agreements

	Millions of yen		
	Contract or notional amounts	Fair value	Valuation gain (loss)
March 31, 2013			
Interest rate swap agreements:			
Variable rate received for fixed rate	¥ 4,259	¥ (249)	¥ (249)

	Thousands of U.S. dollars		
	Contract or notional amounts	Fair value	Valuation gain (loss)
March 31, 2013			
Interest rate swap agreements:			
Variable rate received for fixed rate	$45,284	$ (2,648)	$ (2,648)

The fair value of interest rate swap agreements is estimated based on quotes from counterparties.

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

(a) Forward exchange contracts

	Millions of yen		
	Hedged items	Contract or notional amounts	Fair value
March 31, 2013			
Forward exchange contracts:			
To sell foreign currency:	**Accounts receivables**		
U.S. dollar		¥ 578	¥ 0
Euro		280	(2)
To buy foreign currency:	**Accounts payables**		
U.S. dollar		649	(139)
			¥ (141)
March 31, 2012			
Forward exchange contracts:	Accounts receivables		
To sell foreign currency:			
U.S. dollar		¥ 805	¥ (13)
Euro		95	(0)
			(14)

	Hedged items	Contract or notional amounts (Thousands of U.S. dollars)	Fair value (Thousands of U.S. dollars)
March 31, 2013			
Forward exchange contracts:			
To sell foreign currency:	**Accounts receivables**		
U.S. dollar		**$ 6,146**	**$ 0**
Euro		**2,977**	**(21)**
To buy foreign currency:	**Accounts payables**		
U.S. dollar		**6,901**	**(1,478)**
			$ (1,499)

The fair value of forward exchange contracts is estimated based on quotes from counterparties.

(b) Interest rate swap agreements

	Hedged items	Contract or notional amounts (Millions of yen)	Fair value (Millions of yen)
March 31, 2013			
Interest rate swap agreements:			
Variable rate received for fixed rate *2	**Long-term borrowings**	**¥ 21,865**	**¥ (188)**
March 31, 2012			
Interest rate swap agreements:			
Variable rate received for fixed rate *1	Long-term borrowings	¥ 3,824	¥ (197)
Variable rate received for fixed rate *2	Long-term borrowings	27,965	(320)
		¥ 31,789	¥ (517)

	Hedged items	Contract or notional amounts (Thousands of U.S. dollars)	Fair value (Thousands of U.S. dollars)
March 31, 2013			
Interest rate swap agreements:			
Variable rate received for fixed rate *2	**Long-term borrowings**	**$232,483**	**$ (1,999)**

The fair value of interest rate swap agreements is estimated based on quotes from counterparties.

*1 Deferral hedge accounting is applied and deferred gains and losses on interest rate swaps are carried as a separate component of net assets.

*2 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.

23. Investment and Rental Property

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

The amounts recognized in the consolidated balance sheet and fair values related to the rental property for the years ended March 31, 2013 and 2012 are as follows.

	Millions of yen 2013	Millions of yen 2012	Thousands of U.S. dollars 2013
Consolidated balance sheet amount:			
Balance at beginning of the year	**¥ 3,655**	¥ 3,965	**$ 38,862**
Increase/(decrease)	**373**	(309)	**3,966**
Balance at end of the year	**¥ 4,029**	¥ 3,655	**$ 42,839**
Fair value	**¥ 8,354**	¥ 7,677	**$ 88,825**

1. Consolidated balance sheet amount is its cost minus accumulated depreciation.
2. Increase for the year ended March 31, 2013 is mainly due to new rent of the Company's land of ¥468 million ($4,976 thousand) and decrease for the year ended March 31, 2012 was mainly due to sale of the Company's land of ¥(242) million.
3. Fair value is based on roadside value, etc.

Income from the rental property is ¥332 million ($3,530 thousand) and ¥275 million for the years ended March 31, 2013 and 2012, respectively.

24. Segment Information

"The Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No.17, March 27, 2009) and "the Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No.20, March 21, 2008) adopt the management approach. Disclosures about segments of an enterprise and related information should provide proper information on the nature of various business activities in which it engages and the economic environments in which it operates.

The Company introduced company-based organization for clarifying management's responsibility in operation and for managing efficiently. Each company develops a business strategy for their products and services and conducts business.

The reported segments of the Company are the business units for which the Company is able to obtain respective financial information separately in order for the Board of Directors to conduct periodic investigation to determine distribution of management resources and evaluate their business results. "Natural gas chemicals business," "Aromatic chemicals business," "Specialty chemicals business" and "Information and advanced materials business" are the Company's reported segments.

Natural gas chemicals business mainly produces and sells methanol, ammonia, amines, methacrylates, polyols, enzymes and crude oil.

Aromatic chemicals business mainly produces and sells xylene isomers and xylene derivatives.

Specialty chemicals business mainly produces and sells hydrogen peroxide and other industrial inorganic chemicals, electronic chemicals and engineering plastics.

Information and advanced materials business mainly produces and sells printed circuit board materials, printed circuit boards and oxygen absorber (AGELESS®).

Segment sales, income, assets, liabilities and others are calculated by accounting methods similar to those employed to prepare the accompanying consolidated financial statements. Segment income are calculated based on “Keijo-soneki” disclosed in the consolidated statement of operations under accounting principles generally accepted in Japan (See note 25). Intersegment revenue and transfer are based on arm’s-length transactions.

From the year ended March 31, 2013, the Company has changed the depreciation method of property, plant and equipment, except for buildings and leased assets, from the declining-balance method to the straight-line method.

As a result of this change, segment income increased / loss decreased as follows:

	Millions of yen	Thousands of U.S. dollars
Natural gas chemicals	¥ 1,334	$ 14,184
Aromatic chemicals	1,301	13,833
Specialty chemicals	1,594	16,948
Information and advanced materials	379	4,030

In accordance with the amendment of the Corporation Tax Act, effective from the year ended March 31, 2013, certain domestic consolidated subsidiaries have changed their depreciation method for property plant and equipment acquired on or after April 1, 2012.

As a result of this change, segment income increased / loss decreased as follows:

	Millions of yen	Thousands of U.S. dollars
Natural gas chemicals	¥ 2	$ 21
Aromatic chemicals	0	0
Specialty chemicals	149	1,584
Information and advanced materials	43	457

The reported segment information for the Company and its consolidated subsidiaries for the years ended March 31, 2013 and 2012 is summarized as follows:

	Millions of yen						
	2013						
	Natural gas chemicals	Aromatic chemicals	Specialty chemicals	Information and advanced materials	Other	Adjustments	Consolidated
Sales:							
Sales to third parties	¥ 153,995	¥ 128,222	¥ 131,611	¥ 53,274	¥ 875	¥ —	¥ 467,979
Inter-segment sales	7,807	1,958	966	4	69	(10,806)	—
	¥ 161,803	¥ 130,180	¥ 132,577	¥ 53,279	¥ 944	¥ (10,806)	¥ 467,979
Segment income (loss)	¥ 15,981	¥ (890)	¥ 6,707	¥ 4,417	¥ 1,555	¥ (119)	¥ 27,651
Segment assets	¥ 194,371	¥ 109,362	¥ 187,509	¥ 61,150	¥ 44,882	¥ 16,632	¥ 613,908
Others:							
Depreciation and amortization	¥ 6,295	¥ 5,860	¥ 7,790	¥ 2,799	¥ 10	¥ 339	¥ 23,096
Amortization of goodwill	44	94	0	1	—	(141)	—
Amortization of negative goodwill	(14)	(22)	(177)	—	—	141	(73)
Interest income	80	27	126	23	4	(90)	173
Interest expenses	1,374	947	819	121	4	(685)	2,581
Equity in earnings of affiliates	15,217	27	2,097	—	1,703	—	19,045
Investments in affiliates accounted for by the equity method	54,675	1,539	11,030	—	25,096	(241)	92,100
Capital expenditures	6,372	5,777	15,076	3,385	0	370	30,982

	Thousands of U.S. dollars						
	2013						
	Natural gas chemicals	Aromatic chemicals	Specialty chemicals	Information and advanced materials	Other	Adjustments	Consolidated
Sales:							
Sales to third parties	$1,637,374	$1,363,339	$1,399,373	$ 566,443	$ 9,304	$ —	$4,975,853
Inter-segment sales	83,009	20,819	10,271	43	734	(114,896)	—
	$1,720,393	$1,384,157	$1,409,644	$ 566,497	$ 10,037	$ (114,896)	$4,975,853
Segment income (loss)	$ 169,920	$ (9,463)	$ 71,313	$ 46,964	$ 16,534	$ (1,265)	$ 294,003
Segment assets	$2,066,677	$1,162,807	$1,993,716	$ 650,186	$ 477,214	$ 176,842	$6,527,464
Others:							
Depreciation and amortization	$ 66,932	$ 62,307	$ 82,828	$ 29,761	$ 106	$ 3,604	$ 245,572
Amortization of goodwill	468	999	0	11	—	(1,499)	—
Amortization of negative goodwill	(149)	(234)	(1,882)	—	—	1,499	(776)
Interest income	851	287	1,340	245	43	(957)	1,839
Interest expenses	14,609	10,069	8,708	1,287	43	(7,283)	27,443
Equity in earnings of affiliates	161,797	287	22,297	—	18,107	—	202,499
Investments in affiliates accounted for by the equity method	581,340	16,364	117,278	—	266,837	(2,562)	979,266
Capital expenditures	67,751	61,425	160,298	35,991	0	3,934	329,421

	Millions of yen						
	2012						
	Natural gas chemicals	Aromatic chemicals	Specialty chemicals	Information and advanced materials	Other	Adjustments	Consolidated
Sales:							
Sales to third parties	¥ 153,164	¥ 125,301	¥ 121,047	¥ 51,859	¥ 844	¥ —	¥ 452,217
Inter-segment sales	6,802	1,883	1,063	0	82	(9,831)	—
	¥ 159,966	¥ 127,184	¥ 122,110	¥ 51,860	¥ 926	¥ (9,831)	¥ 452,217
Segment income (loss)	¥ 15,216	¥ (2,160)	¥ 8,467	¥ 3,756	¥ 1,620	¥ (783)	¥ 26,116
Segment assets	¥ 185,577	¥ 113,407	¥ 159,425	¥ 56,847	¥ 42,966	¥ 37,025	¥ 595,250
Others:							
Depreciation and amortization	¥ 7,725	¥ 7,738	¥ 8,420	¥ 3,525	¥ 11	¥ 342	¥ 27,763
Amortization of goodwill	44	94	0	1	—	(141)	—
Amortization of negative goodwill	(14)	(22)	(205)	(1)	—	141	(102)
Interest income	47	36	91	48	0	(88)	136
Interest expenses	1,084	818	509	139	9	(579)	1,981
Equity in earnings of affiliates	16,368	141	2,188	—	1,834	—	20,532
Investments in affiliates accounted for by the equity method	49,662	1,493	9,954	—	22,666	(246)	83,530
Capital expenditures	13,942	4,736	21,661	1,887	10	185	42,423

1. Other includes listed affiliates and real estate business which are not included in reported segments.
2. Adjustments in the above table are made for the followings:
   (1) Adjustments in segment income are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Elimination of intersegment transactions	**¥ (117)**	¥ (124)	**$ (1,244)**
Unallocated company-wide expenses	**(2)**	(659)	**(21)**
	¥ (119)	¥ (783)	**$ (1,265)**

*Company-wide expenses are administrative expenses, financial income and expenses and other income and expenses which are not allocated to reported segments.

(2) Adjustments in segment assets

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Elimination of intersegment balances	**¥ (45,074)**	¥ (39,228)	**$(479,256)**
Unallocated company-wide assets	**61,706**	76,254	**656,098**
	¥ 16,632	¥ 37,025	**$ 176,842**

*Company-wide assets are cash, investments in securities and deferred taxes assets which are not allocated to reported segments.

(3) "Adjustments in depreciation and amortization" of ¥339 million ($3,604 thousand) and ¥342 million are depreciation and amortization of company-wide assets which are not allocated to reported segments for the years ended March 31, 2013 and 2012, respectively.

(4) "Adjustments in amortization of goodwill" of ¥(141) million ($(1,499) thousand) and ¥(141) million and "Adjustments in amortization of negative goodwill" of ¥141 million ($1,499 thousand) and ¥141 million are the amount of their offset for the years ended March 31, 2013 and 2012, respectively.

(5) "Adjustments in interest income" of ¥(90) million ($(957) thousand) and ¥(88) million are mainly elimination of intersegment transactions for the years ended March 31, 2013 and 2012, respectively.

(6) "Adjustments in interest expenses" of ¥(685) million ($(7,283) thousand) and ¥(579) million are mainly elimination of intersegment transactions for the years ended March 31, 2013 and 2012, respectively.

(7) "Adjustments in investments in affiliates accounted for by the equity method" of ¥(241) million ($(2,562) thousand) and ¥(246) million are mainly elimination of intersegment transactions for the years ended March 31, 2013 and 2012, respectively.

(8) "Adjustments in capital expenditures" of ¥370 million ($3,934 thousand) and ¥185 million are related to company-wide assets which are not allocated to reported segments for the years ended March 31, 2013 and 2012, respectively.

3. Segment income is adjusted with "Keijo-soneki" disclosed in the consolidated statement of operations under accounting principles generally accepted in Japan (See note 25).

Related information

1. Information by products and services
   Disclosures are omitted because the classification of products and services are same as the classification of the reported segments.
2. Geographical information
   (1) Sales

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Japan	**¥ 265,007**	¥ 265,474	**$2,817,725**
Asia	**149,943**	133,725	**1,594,290**
Other	**53,028**	53,017	**563,828**
Total	**¥ 467,979**	¥ 452,217	**$4,975,853**

Geographical sales are classified by customer's location.

(2) Property, plant and equipment

	Millions of yen 2013	Millions of yen 2012	Thousands of U.S. dollars 2013
Japan	¥ 151,977	¥ 160,528	$1,615,917
Asia	38,927	27,220	413,897
Other	4,548	3,429	48,357
Total	¥ 195,453	¥ 191,178	$2,078,182

3. Information by major customers

Disclosures are omitted because no particular customer whose sales are over 10% of sales in the consolidated statement of operations exists.

Information of impairment loss on fixed assets by reported segments

Millions of yen, 2013

	Natural gas chemicals	Aromatic chemicals	Specialty chemicals	Information and advanced materials	Other	Adjustments	Consolidated
Impairment loss	¥ 3,032	¥ 9,489	¥ 0	¥ —	¥ —	¥ —	¥ 12,523

Thousands of U.S. dollars, 2013

	Natural gas chemicals	Aromatic chemicals	Specialty chemicals	Information and advanced materials	Other	Adjustments	Consolidated
Impairment loss	$ 32,238	$ 100,893	$ 0	$ —	$ —	$ —	$ 133,153

Millions of yen, 2012

	Natural gas chemicals	Aromatic chemicals	Specialty chemicals	Information and advanced materials	Other	Adjustments	Consolidated
Impairment loss	¥ 32	¥ 59	¥ —	¥ —	¥ —	¥ —	¥ 91

Information of balance of goodwill and negative goodwill by reported segments

Millions of yen, 2013

	Natural gas chemicals	Aromatic chemicals	Specialty chemicals	Information and advanced materials	Other	Adjustments	Consolidated
Goodwill	¥ —	¥ —	¥ 30	¥ 1	¥ —	¥ (32)	¥ —
Negative goodwill	(3)	(11)	(169)	—	—	32	(152)

Thousands of U.S. dollars, 2013

	Natural gas chemicals	Aromatic chemicals	Specialty chemicals	Information and advanced materials	Other	Adjustments	Consolidated
Goodwill	$ —	$ —	$ 319	$ 11	$ —	$ (340)	$ —
Negative goodwill	(32)	(117)	(1,797)	—	—	340	(1,616)

Millions of yen, 2012

	Natural gas chemicals	Aromatic chemicals	Specialty chemicals	Information and advanced materials	Other	Adjustments	Consolidated
Goodwill	¥ 132	¥ 284	¥ 81	¥ 3	¥ —	¥ (398)	¥ 104
Negative goodwill	(18)	(33)	(346)	—	—	398	—

Negative goodwill incurred by reported segments

No negative goodwill is incurred for the years ended March 31, 2013 and 2012.

25. The Statement of Operations 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 statement of operations. 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 statement of operations under accounting principles generally accepted in Japan.

	Millions of yen 2013	Millions of yen 2012	Thousands of U.S. dollars 2013
Sales	¥467,979	¥452,217	$4,975,853
Gross profit	67,967	66,486	722,669
Operating income	11,421	9,083	121,435
Ordinary income	27,651	26,116	294,003
Income before income taxes and minority interests	9,739	25,484	103,551
Net income (loss)	(7,793)	12,327	(82,860)

Independent Auditors' Report

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

We have audited the accompanying consolidated financial statements of Mitsubishi Gas Chemical Company, Inc., which comprise the consolidated balance sheet as of March 31, 2013, and the consolidated statement of operations, comprehensive income, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Mitsubishi Gas Chemical Company, Inc. as of March 31, 2013, and of its financial performance and its cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

As more fully described in Note 1(f) to the consolidated financial statements, effective April 1, 2012, the Company has changed its method of depreciation for property, plant and equipment, except for buildings and leased assets, from declining-balance method to straight-line method.

Convenience Translation

Our audits also comprehended the translation of Japanese yen amounts into United States dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 2 to the consolidated financial statements. Such United States dollar amounts are presented solely for the convenience of readers outside Japan.

BDO Toyo & Co.

BDO Toyo & Co.
Tokyo, Japan
June 25, 2013

Corporate Data / Investor Information

As of March 31, 2013

Mitsubishi Gas Chemical Company, Inc.

Establishment
April 21, 1951

Paid-in Capital
¥41.97 billion

Outstanding Shares
483,478,398

Number of Stockholders
26,292

Listing (Ticker Code)
Tokyo (4182)

Stock Transaction Units
1,000 - shares

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

Independent Auditor
BDO Toyo & Co.

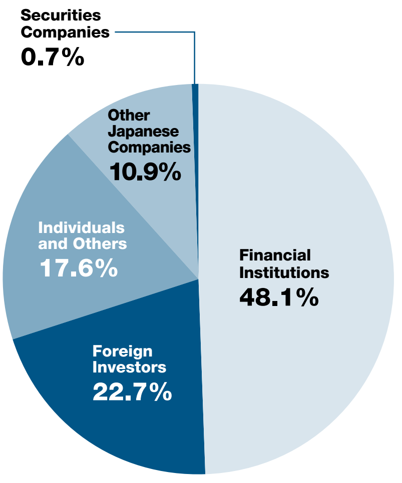
Transfer Agent and Registrar
Mitsubishi UFJ Trust and Banking Corp.

Major Stockholders

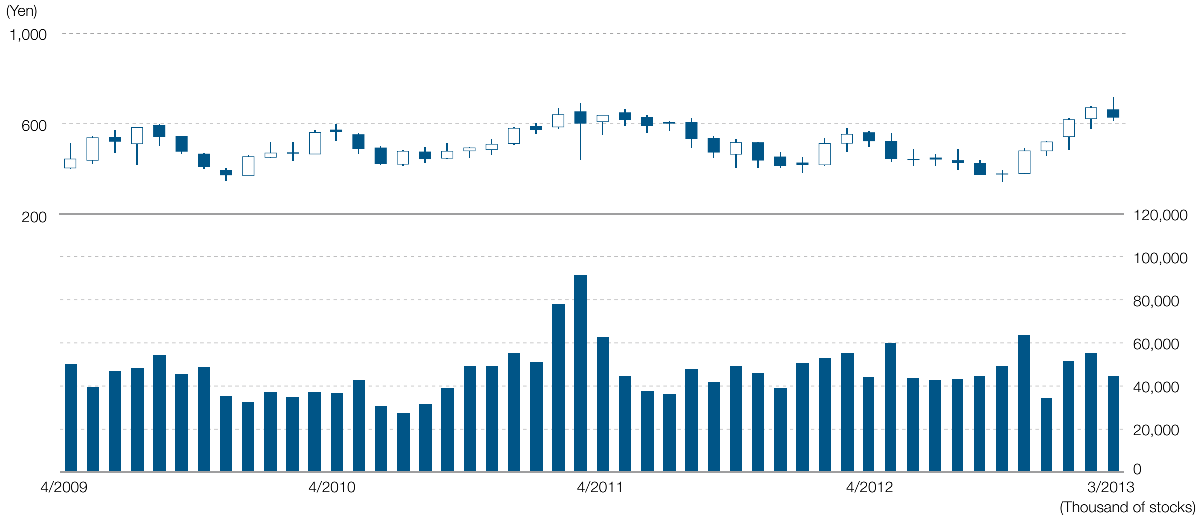
Name	Number of Shares Held (Thousands)	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	30,319	6.7
Japan Trustee Services Bank, Ltd. (Trust Account)	23,856	5.3
Nippon Life Insurance Company	21,452	4.7
Meiji Yasuda Life Insurance Company	16,795	3.7
National Mutual Insurance Federation of Agricultural Cooperatives	14,069	3.1
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	13,611	3.0
Mitsubishi UFJ Trust and Banking Corporation	10,128	2.2
The Norinchukin Bank	10,053	2.2
Asahi Glass Co., Ltd.	9,671	2.1
Japan Trustee Services Bank, Ltd. (Trust Account 9)	8,291	1.8

Notes: 1. MGC holds 31,769 thousand shares of treasury stock, which is not included in the above list of major stockholders.
2. Percentage to Total Shares Outstanding does not include treasury stock.

Composition of Stockholders



Monthly Stock Price Range and Trading Volume



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