ANNUAL REPORT 2016

Fiscal year ended March 31, 2016

MITSUBISHI GAS CHEMICAL COMPANY, INC.

Message from the Management

Toshikiyo Kurai
Representative Director, President

Kazuo Sakai
Representative Director, Chairman

During the 2015 fiscal year, the MGC Group reported consolidated revenue of ¥593,502 million, a year-on-year increase of 12.1%, and consolidated net income of ¥34,134 million, a decrease of 21.3%. Net income per share was ¥76.92.

In the consolidated fiscal year under review (fiscal 2015), the world economy as a whole suffered from continued uncertainty. While the U.S. economy was on-track toward recovery, China and other emerging economies suffered from economic slowdown and declining resource prices. Japan slowly headed for recovery overall, marked by improvements in corporate earnings and employment.

The MGC Group achieved an increase in revenue compared with the previous year. Negative contributions included lower sales volumes of general-purpose aromatic chemicals (due to the withdrawal from the purified terephthalic acid business) as well as declines in the market prices of methanol. These were more than offset by favorable developments such as the conversion of JSP and other companies into consolidated subsidiaries.

Group operating income achieved a year-on-year increase. Despite the lower sales volumes of electronic materials and polycarbonate sheets and films, there was an improvement in the profitability of products such as aromatic chemicals and engineering plastics due to the weaker yen and lower prices of raw materials and fuels. A further positive contribution came from the conversion of JSP and other companies into consolidated subsidiaries.

Net income attributable to owners of the parent declined as a result of a fall in equity in the earnings of affiliates and increases in tax expenses and net income attributable to non-controlling interests.

The year-end dividend payout for FY2015 was ¥8 per share, an increase of ¥1 per share. Since the interim dividend payout was ¥8, the annual dividend per share for FY2015 is ¥16 per share, an increase of ¥2 per share compared to the previous year.

MGC Group engages in a wide range of businesses extending from resources and energy to chemicals and raw materials such as methanol and polycarbonates, BT materials, and functional products such as the AGELESS oxygen absorber. Through our business, we provide value to society. We will continue to invest management resources in these core businesses and increase earnings capacity.

Changes to existing businesses caused by impacts from the external environment such as economic conditions cannot be avoided, and as a result, the continuity of the earnings capacity of those businesses cannot be guaranteed. If a determination is made that a business is no longer profitable, after investigating all possibilities, structural reforms will be implemented.

In addition, one of the fundamental policies of the Group's medium-term management plan is the creation and development of new business, and we constantly search for new sources of earnings including mergers and acquisitions.

The MGC Group places the improvement of corporate value through business expansion and growth as a challenge of the greatest importance, takes into consideration investment and lending plans, financial health, and future business trends in order to realize future business growth, and works to achieve an optimal allotment of retained earnings and returns to shareholders. Retained earnings are allotted to be used as investment and lending funds for business expansion and growth and to strengthen the corporate structure. Regarding dividends, the decision to continue steady dividends is made taking into account trends in business results, while regarding the purchase of treasury stock, in order to enhance returns to shareholders and improve capital efficiency, MGC's basic policy is to consider the market environment, etc. while conducting such purchases in a flexible manner.

June 2016

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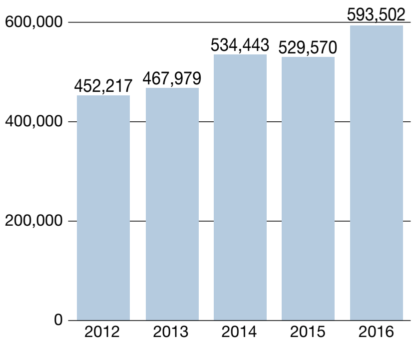
Financial Highlights

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

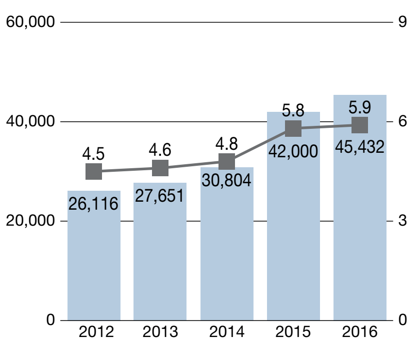
	Millions of yen					Thousands of U.S. dollars
	2012	2013	2014	2015	**2016**	**2016**
For the year:						
Net sales	¥452,217	¥467,979	¥534,443	¥529,570	**¥593,502**	**$5,267,146**
Natural Gas Chemicals	153,164	153,995	185,307	184,873	**165,497**	**1,468,734**
Aromatic Chemicals	125,301	128,222	139,476	121,126	**203,348**	**1,804,650**
Specialty Chemicals	121,047	131,611	153,377	164,684	**168,721**	**1,497,346**
Information & Advanced Materials	51,859	53,274	55,467	58,241	**55,251**	**490,335**
Other	844	875	813	642	**684**	**6,070**
Gross profit	66,486	67,967	74,149	77,210	**123,046**	**1,091,995**
Selling, general and administrative expenses	57,402	56,545	62,661	62,213	**89,028**	**790,096**
Operating income (loss)	9,083	11,421	11,488	14,996	**34,018**	**301,899**
EBITDA	55,229	35,417	44,296	72,228	**75,034**	**665,903**
Ordinary income	26,116	27,651	30,804	42,000	**45,432**	**403,195**
Net income attributable to owners of the parent	12,327	(7,793)	14,921	43,346	**34,134**	**302,929**
R&D costs	17,449	15,332	16,122	16,873	**18,936**	**168,051**
Capital expenditure	42,423	30,982	25,409	22,226	**30,512**	**270,785**
Depreciation and amortization	27,763	23,096	23,528	23,770	**26,705**	**236,999**
At year end:						
Total assets	¥595,250	¥613,908	¥657,838	¥790,784	**¥739,582**	**$6,563,561**
Current assets	254,037	261,397	287,642	372,166	**341,237**	**3,028,372**
Current liabilities	193,464	195,438	178,897	225,068	**214,676**	**1,905,183**
Working capital	60,572	65,958	108,745	147,097	**126,561**	**1,123,190**
Total net assets	292,111	294,895	323,858	422,851	**423,135**	**3,755,192**
Interset-bearing debt	185,185	182,644	204,489	215,614	**181,427**	**1,610,108**
Per share of common stock (Yen/U.S. dollars):						
Net income – basic	¥ 27.28	¥ (17.25)	¥ 33.03	¥ 95.97	**¥ 76.92**	**$ 0.68**
Net income – diluted	27.01	—	—	—	**—**	**—**
Net assets	623.46	628.40	691.26	836.13	**853.51**	**7.57**
Cash dividends	12.00	12.00	12.00	14.00	**16.00**	**0.14**
Ratios:						
Gross profit margin (%)	14.7	14.5	13.9	14.6	**20.7**	
Operating income margin (%)	2.0	2.4	2.1	2.8	**5.7**	
Return on sales (%)	2.7	(1.7)	2.8	8.2	**5.8**	
Return on assets (ROA) (%)	4.5	4.6	4.8	5.8	**5.9**	
Return on equity (ROE) (%)	4.4	(2.8)	5.0	12.6	**9.0**	
Current ratio (times)	1.31	1.34	1.61	1.65	**1.59**	
Net assets ratio (%)	47.3	46.2	47.5	47.8	**51.0**	
Number of employees	5,216	5,323	5,445	8,254	**8,176**	

Notes: 1. U.S. dollar amounts are translated from yen, for convenience only, at the approximate rate of ¥112.68 = US$1 prevailing on March 31, 2016.
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.

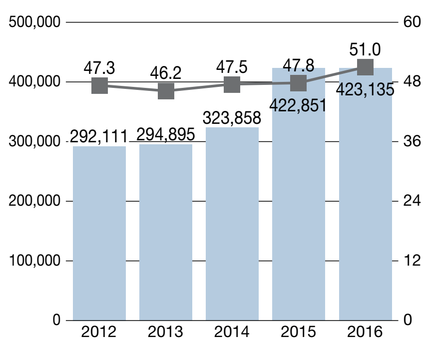
Net Sales
(Millions of yen)



Ordinary income and ROA
(Millions of yen, %)



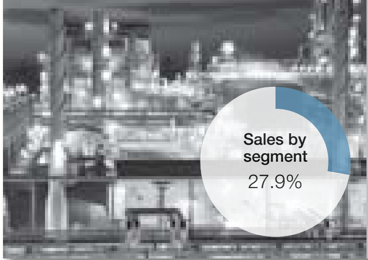
Net assets and Equity ratio
(Millions of yen, %)

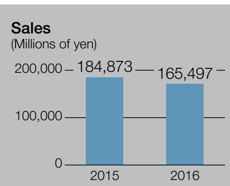


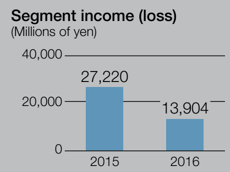
MGC at a Glance

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 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 technologies, and as a result,

NATURAL GAS CHEMICALS



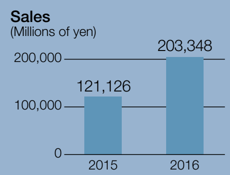


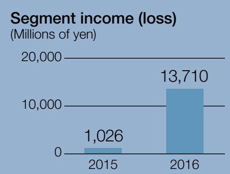


Outline

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.

AROMATIC CHEMICALS

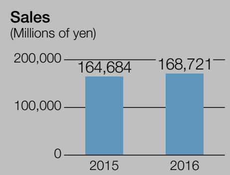


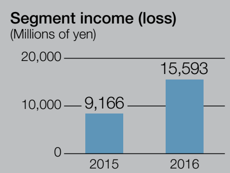


Outline

Develops unique aromatic products centered on the meta-xylene chain, including aromatic aldehydes, 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 meta-xylene that is used for PET bottles and food packaging because of its excellent gas barrier performance. The foamed plastics business operated by JSP, our consolidated subsidiary, and the products are used in a wide range of fields including automobiles, housing and food packaging.

SPECIALTY CHEMICALS





Outline

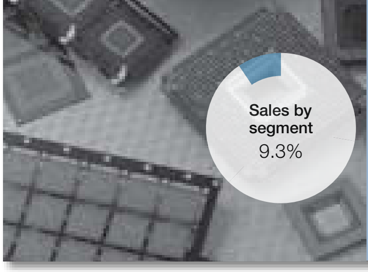
Inorganic Chemicals

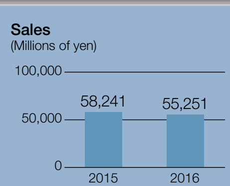
Develops a range of products from industrial-use hydrogen peroxide, to chemicals for use in the electronics industry and environmental agents. Also involved in the development of functional thermosetting resin, and has a product lineup that ranges from monomers for high refractive index plastic lenses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

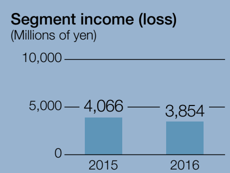
Engineering Plastics

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.

INFORMATION AND ADVANCED MATERIALS







Outline

Electronic Materials

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

Oxygen Absorbers

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

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 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)

Major Subsidiaries

- Japan Finechem Co., Inc.

Major Affiliates

- Japan Saudi Arabia Methanol Co., Inc.
- Metanol de Oriente, Metor, S.A.
- Brunei Methanol Company Sdn. Bhd.

Major Products

Metaxylene, Metaxylenediamine, Nylon-MXD6, Aromatic aldehydes, Aromatic polycarboxylic acids, Purified isophthalic acid, Plasticizers, Foamed Plastics

Major Subsidiaries

- JSP Corporation
- JSP International Group Ltd.

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

Major Subsidiaries

- Samyoung Pure Chemicals Co., Ltd.
- MGC Pure Chemicals America, Inc.
- MGC Pure Chemicals Taiwan, Inc.
- MGC Filsheet Co., Ltd.
- Thai Polyacetal Co., Ltd.
- Mitsubishi Gas Chemical Engineering Plastics (Shanghai) Co., Ltd.

Major Affiliates

- Mitsubishi Engineering-Plastics Corporation
- Korea Engineering Plastics Co., Ltd.
- 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

Major Subsidiaries

- MGC Electrotechno Co., Ltd.
- MGC Electrotechno (Thailand) Co., Ltd.

Major Affiliates

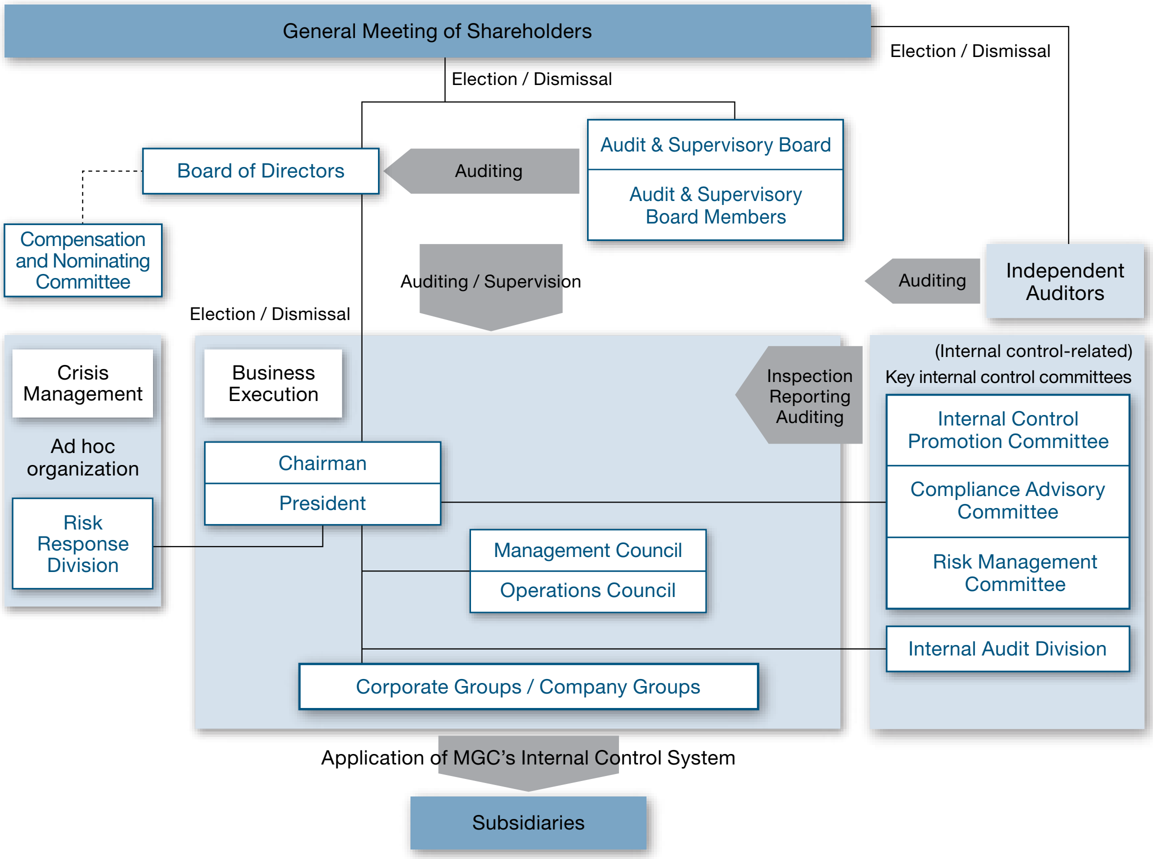
- Tokyo Shokai, Ltd.
- Ryoko Chemical Co., Ltd.
- Ryoyo Trading Co., Ltd.
- Mitsubishi Gas Chemical America, Inc.
- Mitsubishi Gas Chemical Singapore Pte. Ltd.
- MGC Montney Holdings Ltd.

Affiliate

- Japan U-Pica Co., Ltd.

Corporate Governance

Corporate Governance Framework



Corporate Governance Policy

Mitsubishi Gas Chemical Company, Inc. (MGC) strives to operate effective corporate governance systems and continuously reinforce and enhance those systems in order to meet the expectations of all stakeholders including shareholders.

The specifics of our basic policy on corporate governance are as follows.

1. Ensure the rights of and equality among shareholders.
2. Engage in appropriate collaboration with stakeholders other than shareholders.
3. Conduct appropriate information disclosures and maintain transparency.
4. Properly carry out the responsibilities of the Board of Directors and other bodies.
5. Engage in constructive dialogue with shareholders.

MGC has an Audit & Supervisory Board system, and with regard to the business execution has adopted an executive officer system and positioned the Board of Directors as the organization responsible for decision making on 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 enabled efficient 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.

To ensure transparency, objectivity, and appropriateness in the process of determining director and executive officer compensation and in nominating and appointing directors and corporate auditors prior to submission to the

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
Kunio Kawa
Kenji Inamasa

Directors, Managing Executive Officers
Katsushige Hayashi
Masahiro Johno
Yasuhiro Sato
Masashi Fujii
Susumu Yoshida
Masamichi Mizukami

Outside Directors
Yoshimasa Nihei
Kazuo Tanigawa

Audit & Supervisory Board Members
Takashi Kimura
Takayuki Watanabe
Katsuhiko Sugita
Yasuomi Matsuyama

Executive Officers
Tsuneaki Iwakiri
Takuji Shitara
Chiharu Kubota
Toshiya Takagi
Masato Inari
Eiji Tsukiji
Kinji Hiramoto
Hiroya Fujii
Kazuhide Horiguchi
Tomohiko Okubo
Takao Ota
Hiroyuki Otsuka
Nobuhisa Ariyoshi
Kenji Kato

Executive General Manager
Shinichi Mitsuda

Board of Directors, proposals concerning compensation and appointment of officers are referred to a Compensation and Nominating Committee. From fiscal 2015, this committee comprises the Chairman of the Board, the President, and the outside directors.

In MGC's Articles of Incorporation, the Board of Directors is stipulated to comprise 15 or fewer members and as of June 28, 2016 there are 12 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 fulltime staff to aid all of its Audit & Supervisory Board Members in the execution of their duties.

Decision Policies and Method for Officer Compensation

Director Compensation

Compensation to Directors (excluding Outside Directors) consists of monthly compensation which is the total of a basic compensation decided in accordance with each Director's position and duties and performance-based compensation reconsidered every fiscal year and reserved retirement benefit. Reserved retirement benefit consists of a reserved sum that reflects each Director's performance based on internal rules to be paid in full upon retirement.

In addition to these forms of compensation, a bonus amount that is considered appropriate may be paid upon resolution of a General Meeting of Shareholders.

Additionally, in order to create commonly-held values with shareholders and further motivate Directors to increase medium- to long-term corporate value, the minimum number of MGC shares to be held by Directors is stipulated, and a set amount of Director compensation is contributed to Director share ownership through the acquisition of MGC shares.

Furthermore, from the fiscal year under review, compensation proposals will be discussed in the Compensation and Nominating Committee, consisting of the Chairman, the President, and outside directors, prior to proposal at the Board of Directors.

Audit & Supervisory Board Members' Compensation

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

Compensation (For the Fiscal Year 2015)

Classification	Total amount of compensation (¥ million)	Total amount of compensation by type (¥ million)		Number of subject executives (persons)
		Basic compensation	Reserved retirement benefits	
Directors (other than outside directors)	465	369	96	12
Audit & Supervisory Board Members (other than outside members)	51	51	—	2
Outside Officers	50	50	—	4
Total	567	471	96	18

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 12 directors other than outside directors. At the 89th Ordinary General Meeting of Shareholders held on June 28, 2016, it was resolved to provide a total of ¥96 million in reserved retirement benefits for payment to 10 directors other than outside directors at the time of their retirement with respect to the performance of their duties from June 25, 2015 to June 28, 2016.

Management's Discussion and Analysis

1. Results of Operations

1) Net Sales & Operating Income

In fiscal 2015, the MGC Group reported consolidated revenue of ¥593,502 million, a year-on-year increase of 12.1%, and operating income of ¥34,018 million, an increase of 126.8%.

The MGC Group achieved an increase in revenue compared with the previous year. Negative contributions included lower sales volumes of general-purpose aromatic chemicals (due to the withdrawal from the purified terephthalic acid business) as well as declines in the market prices of methanol. These were more than offset by favorable developments such as the conversion of JSP and other companies into consolidated subsidiaries.

Group operating income achieved a year-on-year increase. Despite the lower sales volumes of electronic materials and polycarbonate sheets and films, there was an improvement in the profitability of products such as aromatic chemicals and engineering plastics due to the weaker yen and lower prices of raw materials and fuels. A further positive contribution came from the conversion of JSP and other companies into consolidated subsidiaries.

2) Non-Operating Revenue

The Group reported non-operating revenue of ¥26,059 million, a year-on-year decrease of 38.7%. The main factor contributing to the decrease was a reduction in equity in the earnings of affiliates.

Non-operating expenses were ¥14,244 million, an increase of 24.1%. The main cause of the increase was the reporting of foreign exchange losses.

As a result, net income before income taxes was ¥45,833, a decrease of 0.4%. Net income attributable to owners of the parent was ¥34,134, a decrease of 21.3%.

3) Dividend

The year-end dividend payout for FY2015 was ¥8 per share, an increase of ¥1 per share. Since the interim dividend payout was ¥8, the annual dividend per share for FY2015 was ¥16 per share, an increase of ¥2 per share compared to the previous year.

2. Segment Information

1) Natural Gas Chemicals

Net sales in the natural gas chemicals segment were ¥165,497 million, a year-on-year decrease of 10.5%, and segment income was ¥13,904 million, a decrease of 48.9%.

The methanol business reported lower revenues as a result of declining market conditions. Overseas methanol production companies also reported lower financial results, and consequently, equity in the earnings of affiliates fell.

Methanol and ammonia-based chemicals saw improved earnings. Reasons include improved profitability primarily of MMA-based products thanks to the weaker yen and lower raw material prices.

Crude oil and other energy sources declined in both revenue and earnings primarily due to lower crude oil prices.

2) Aromatic Chemicals

Aromatic chemicals posted net sales of ¥203,348 million, a year-on-year increase of 67.9%, and segment income of ¥13,710 million.

Specialty aromatic chemical products posted higher revenue and earnings compared with the prior-year period. Positive contributions came from higher sales volumes for meta-xylenediamine and Nylon-MXD6, as well as the weaker yen and lower prices of raw materials and fuels.

General-purpose aromatic chemical products suffered a year-on-year decline in revenue after quitting the purified terephthalic acid operations. However, earnings from this segment grew, primarily due to an improvement in the profitability in exports of meta-xylene and purified isophthalic acid.

Following the conversion of JSP and other companies into consolidated subsidiaries, financial results for foamed plastics and other operations are included here starting the period of the fiscal year under review.

3) Specialty Chemicals

Specialty chemicals reported net sales of ¥168,721 million, a year-on-year increase of 2.5% and segment income of ¥15,593 million, an increase of 70.1%.

Inorganic chemicals achieved prior year-level earnings. Despite lower sales volumes of hybrid chemicals for semiconductors and LCD applications, there were positive effects such as an increase in the sales volume of super-pure hydrogen peroxide at the U.S. and South Korean sites, corrected sales prices for hydrogen peroxide, and lower prices of raw materials and fuels.

The engineering plastics business saw an improvement in earnings. Major positive factors include an improvement in the profitability of the polycarbonate and polyacetal business due to lower raw material prices as well as an increase in the sales volume of special polycarbonates that are used primarily for camera lenses in mobile devices.

Polycarbonate sheets and films suffered a decline in both revenue and earnings. This was because of a lower sales volume of films for use in flat panel displays.

4) Information & Advanced Materials

The information & advanced materials segment reported net sales of ¥55,251 million, a year-on-year decrease of 5.1%. Segment income was ¥3,854 million, a decrease of 5.2%.

Electronic materials posted a drop in both revenue and earnings. Despite the improved profitability of the printed circuit board producing subsidiary, the sales volume of BT materials for semiconductor packaging, which represent this segment's core product category, fell due to inventory adjustments necessitated by low demand for semiconductors.

Oxygen absorbers such as AGELESS achieved an increase in both revenue and earnings. This was due not only to higher sales volumes of products for domestic food applications, but also to higher exports.

5) Other

Net sales in the other business segment were ¥684 million, a year-on-year increase of 6.4%. Segment income was ¥283 million, a decrease of 79.9%.

3. Financial Position

As of March 31, 2016, total consolidated assets were ¥739,582 million, ¥51,201 million lower than at the end of the previous fiscal year.

Current assets decreased by ¥30,928 million to ¥341,237 million. The main cause was a fall in trade notes receivable and accounts receivable.

Noncurrent assets fell by ¥20,273 million to ¥398,344 million, primarily due to decreases in property, plant, and equipment as well as in investment securities.

Total liabilities decreased by ¥51,485 million to ¥316,447 million. Current liabilities fell by ¥10,392 million, primarily due to decreases in notes payable and accounts payable. Noncurrent liabilities fell by ¥41,092 million, primarily as a result of reductions in corporate bonds and long-term loans payable.

Net assets increased by ¥283 million to ¥423,135 million. The main causes were reporting of net income attributable to owners of the parent, while valuation differences on available-for-sale securities and foreign currency translation adjustments decreased.

As a result, as of March 31, 2016, the shareholders' equity ratio was 51.0% (compared to 47.8% on March 31, 2015). Net assets per share at the end of the fiscal year were ¥853.51, compared with ¥836.13 one year earlier.

4. Cash Flow

As of March 31, 2016, total cash and cash equivalents were ¥75,828 million, ¥3,149 million higher than at the end of the previous fiscal year.

1) Operating Activity Cash Flow

Net cash provided by operating activities increased by ¥7,688 million from the previous year to ¥84,671 million. This was primarily due to an increase in equity in the earnings of affiliates.

2) Investing Activity Cash Flow

Net cash outflow from investing activities was ¥31,922 million, up ¥8,391 million from the previous year. This was primarily due to higher expenditures for the acquisition of noncurrent assets.

3) Financing Activity Cash Flow

Net cash outflow from financing activity was ¥47,335 million, an increase of ¥22,329 million from the previous year. This was primarily due to outflows from the repayment of loans and an increase in expenditures due to acquisition of the treasury stock.

5. Capital Expenditure

MGC Group (including MGC and consolidated subsidiaries) capital expenditures for the consolidated fiscal year were ¥30,512 million.

By segment, capital expenditure of ¥5,306 million, ¥10,630 million, ¥9,904 million, ¥3,885 million, and ¥785 million were made in natural gas chemicals, aromatic chemicals, specialty chemicals, information and advanced materials, and other business segments and company-wide assets, respectively.

6. Research and Development

In fiscal 2015, the initial year of the MGC Advance2017 medium-term management plan, we worked in close collaboration with group companies and conducted active research and development in line with our fundamental policy of accelerating the creation and development of new business in order to achieve the Group vision: Creating values to share with society.

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 870 MGC Group research and development personnel, including those in affiliate research and development divisions, making up around 11% of the total workforce. Expenditures on research totaled ¥18,936 million.

Research and development costs by segment were as follows:

Natural Gas Chemicals Company:	¥3,312 million
Aromatic Chemicals Company:	¥5,001 million
Specialty Chemicals Company:	¥5,416 million
Information and Advanced Materials Company:	¥5,205 million

7. Risk Factors

The following are the main foreseeable risks that have the potential to affect 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 MGC Group as of May 10, 2016.

1) Economic Conditions

The business revenues of 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 MGC Group's operating results and financial condition. In addition, rapid increases in raw material prices could also have an adverse effect on MGC Group's operating results and financial condition.

2) Overseas Business

MGC Group has established subsidiaries and conducts manufacturing and sales in Asia, North America, South America, the Middle East and other regions. 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 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

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 MGC Group have risks such as those described below.

For example, 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 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 MGC Group include some products that are sold only to specific customers. 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.

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

6) Interest Rate Fluctuations

When procuring essential funds, 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 MGC Group's operating results and financial condition.

7) Marketable Security Market Price Fluctuations

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

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 MGC Group's business activities.

Penalties, social sanctions, remediation costs and other consequences of the failure of 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

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 MGC Group's operating results and financial condition.

10) Accidents and Disasters

MGC Group routinely handles hazardous chemical substances including poisonous and deleterious substances, hazardous materials and high-pressure gas as part of its business. Although 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. MGC Group takes out fire insurance, profit insurance, oil pollution insurance, liability insurance and other insurance against these risks. However, 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 MGC Group is ultimately liable.

11) Research and Development

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 MGC Group does not continue to develop new products that are accepted in the market, or if the markets for products newly developed by 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

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 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 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 MGC Group's operating results and financial condition.

13) Intellectual Property

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. 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

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, 2016

Assets

	Millions of yen		Thousands of U.S. dollars (note 2)
	2016	2015	2016
Current assets:			
Cash (note 3)	¥ 84,097	¥ 62,327	$ 746,335
Trade notes and accounts receivable (note 20)	136,401	152,711	1,210,517
Short-term investments (note 4)	121	18,137	1,074
Inventories	100,113	110,356	888,472
Deferred income taxes (note 9)	4,585	5,038	40,690
Other current assets	16,962	27,573	150,532
Less allowance for doubtful receivables	1,043	3,978	9,256
Total current assets	341,237	372,166	3,028,372
Property, plant and equipment (note 6):			
Buildings and structures	191,841	190,511	1,702,529
Machinery, equipment and vehicles	452,024	466,373	4,011,573
Land	38,188	38,316	338,907
Leased assets	23,917	23,651	212,256
Construction in progress	16,672	12,303	147,959
Other	45,794	44,992	406,408
	768,439	776,148	6,819,657
Less accumulated depreciation	537,914	540,224	4,773,820
Net property, plant and equipment	230,525	235,923	2,045,838
Intangible assets, net:			
Goodwill	4,543	4,836	40,318
Leased assets	5	5	44
Software	1,651	1,543	14,652
Other	2,540	2,828	22,542
Net intangible assets	8,740	9,214	77,565
Investments and other assets:			
Investments in securities (notes 4, 5 and 6)	150,431	164,654	1,335,028
Long-term loans receivable	1,538	1,723	13,649
Deferred income taxes (note 9)	2,418	3,125	21,459
Other investments and other assets (note 5)	5,131	4,087	45,536
Less allowance for doubtful receivables	441	110	3,914
Total investments and other assets	159,079	173,481	1,411,777
Total assets	¥739,582	¥790,784	$6,563,561

See accompanying notes to consolidated financial statements.

Liabilities and Net Assets

	Millions of yen		Thousands of U.S. dollars (note 2)
	2016	2015	2016
Current liabilities:			
Trade notes and accounts payable	¥ 60,819	¥ 79,323	$ 539,750
Short-term debt and current installments of long-term debt (note 6)	110,450	105,629	980,209
Accrued expenses	14,772	14,676	131,097
Accrued income taxes (note 9)	3,365	2,148	29,863
Accrued bonuses	5,345	4,809	47,435
Other current liabilities (note 9)	19,923	18,480	176,810
Total current liabilities	214,676	225,068	1,905,183
Non-current liabilities:			
Long-term debt (note 6)	70,977	109,985	629,899
Net defined benefit liability (note 8)	9,078	5,586	80,564
Provision for directors' retirement benefits (note 8)	554	512	4,917
Deferred income taxes (note 9)	12,426	18,284	110,277
Other non-current liabilities (note 7)	8,734	8,494	77,512
Total non-current liabilities	101,771	142,864	903,186
Total liabilities	316,447	367,932	2,808,369
Stockholders' equity:			
Common stock (note 10): Authorized 984,856,000 shares; issued 483,478,398 shares in 2016 and 2015	41,970	41,970	372,471
Additional paid-in capital (note 10)	35,603	35,595	315,966
Retained earnings (note 11)	311,250	279,540	2,762,247
Treasury stock, at cost; 41,835,711 shares in 2016 and 31,819,177 shares in 2015	(15,566)	(8,131)	(138,143)
Total stockholders' equity	373,258	348,974	3,312,549
Accumulated other comprehensive income:			
Net unrealized gain on other securities (note 4)	9,816	20,612	87,114
Deferred losses on hedges	(3)	—	(27)
Surplus on revaluation of land	222	217	1,970
Foreign currency translation adjustments	(4,613)	4,950	(40,939)
Remeasurements of defined benefit plans (note 8)	(1,736)	2,888	(15,406)
Total accumulated other comprehensive income	3,686	28,669	32,712
Non-controlling interests	46,190	45,207	409,922
Total net assets	423,135	422,851	3,755,192
Commitments and contingencies (note 21)			
Total liabilities and net assets	¥739,582	¥790,784	$6,563,561

See accompanying notes to consolidated financial statements.

Consolidated Statement of Income

Mitsubishi Gas Chemical Company, Inc. and Consolidated Subsidiaries
For the year ended March 31, 2016

	Millions of yen		Thousands of U.S. dollars (note 2)
	2016	2015	2016
Net sales (note 20)	¥593,502	¥529,570	$5,267,146
Cost of sales (note 13)	470,455	452,360	4,175,142
Gross profit	123,046	77,210	1,091,995
Selling, general and administrative expenses (notes 12 and 13)	89,028	62,213	790,096
Operating income	34,018	14,996	301,899
Other income (deductions):			
Interest income	512	226	4,544
Dividend income	2,223	2,018	19,728
Interest expenses	(2,494)	(2,440)	(22,133)
Equity in earnings of affiliates	16,683	27,895	148,056
Gain on sale of investments in securities (note 4)	3,444	2,851	30,564
Loss on liquidation of subsidiaries and affiliates (note 15)	(1,101)	—	(9,771)
Personnel expenses for seconded employees	(1,240)	(1,312)	(11,005)
Loss on sale/disposal of property, plant and equipment	(918)	(918)	(8,147)
Impairment loss (note 14)	(1,529)	(1,123)	(13,569)
Business structure improvement expenses (note 16)	(541)	(1,003)	(4,801)
Gain on step acquisitions	—	2,087	—
Gain on negative goodwill	—	198	—
Amortization of goodwill	—	(476)	—
Other, net	(3,222)	3,017	(28,594)
	11,815	31,021	104,854
Profit before income taxes	45,833	46,017	406,754
Income taxes (note 9)**:**			
Current	6,793	3,160	60,286
Deferred	291	(1,548)	2,583
	7,084	1,611	62,868
Profit	¥ 38,748	¥ 44,406	$ 343,876
Profit attributable to non-controlling interests	4,614	1,059	40,948
Profit attributable to owners of parent	¥ 34,134	¥ 43,346	$ 302,929

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, 2016

	Millions of yen		Thousands of U.S. dollars (note 2)
	2016	2015	2016
Profit	¥38,748	¥44,406	$343,876
Other comprehensive income (loss) arising during the year (note 17)**:**			
Net unrealized gain (loss) on other securities	(10,746)	9,302	(95,367)
Deferred losses on hedges	(3)	—	(27)
Foreign currency translation adjustments	(6,928)	4,426	(61,484)
Remeasurements of defined benefit plans	(3,795)	4,066	(33,679)
Shares of other comprehensive income of affiliates accounted for by the equity method	(6,057)	9,001	(53,754)
Total other comprehensive income (loss) arising during the year	(27,530)	26,796	(244,320)
Comprehensive income	¥11,217	¥71,203	$ 99,547
Comprehensive income attributable to:			
Owners of the parent	¥ 9,151	¥69,147	$ 81,212
Non-controlling interests	2,066	2,055	18,335

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, 2016

	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 on other securities (note 4)	Deferred losses on hedges	Surplus on revaluation of land	Foreign currency translation adjustments	Remea-surements of defined benefit plans (note 8)	Total	Non-controlling interests	Total net assets
Balance as of March 31, 2014	¥41,970	¥35,595	¥239,831	¥(8,119)	¥309,277	¥11,384	¥—	¥206	¥(7,305)	¥(1,337)	¥2,949	¥11,632	¥323,858
Cumulative effects of changes in accounting policies			1,611		1,611				63	17	80		1,692
Restated balance as of April 1, 2014	¥41,970	¥35,595	¥241,443	¥(8,119)	¥310,889	¥11,384	¥—	¥206	¥(7,241)	¥(1,319)	¥3,029	¥11,632	¥325,551
Changes arising during year:													
Cash dividends			(5,871)		(5,871)								(5,871)
Profit attributable to owners of parent			43,346		43,346								43,346
Increase due to change in the fiscal period of consolidated subsidiaries			160		160								160
Increase due to change in the fiscal period of affiliates accounted for by the equity method			546		546								546
Change in the scope of consolidation			(79)		(79)								(79)
Change in the scope of the equity method			(6)		(6)								(6)
Purchase of treasury stock				(12)	(12)								(12)
Disposition of treasury stock		0		0	0								0
Net changes other than stockholders' equity						9,227		10	12,192	4,208	25,639	33,575	59,215
Total changes during the year	—	0	38,096	(12)	38,085	9,227	—	10	12,192	4,208	25,639	33,575	97,300
Balance as of March 31, 2015	¥41,970	¥35,595	¥279,540	¥(8,131)	¥348,974	¥20,612	¥—	¥217	¥4,950	¥2,888	¥28,669	¥45,207	¥422,851
Changes arising during year:													
Cash dividends			**(6,694)**		**(6,694)**								**(6,694)**
Profit attributable to owners of parent			**34,134**		**34,134**								**34,134**
Increase due to change in the fiscal period of affiliates accounted for by the equity method			**4,277**		**4,277**								**4,277**
Change in the scope of consolidation			**(6)**		**(6)**								**(6)**
Purchase of treasury stock				**(7,435)**	**(7,435)**								**(7,435)**
Disposition of treasury stock		**0**		**0**	**0**								**0**
Change in treasury stock of parent arising from transactions with non-controlling shareholders		**7**			**7**								**7**
Net changes other than stockholders' equity					**—**	**(10,795)**	**(3)**	**5**	**(9,564)**	**(4,625)**	**(24,982)**	**982**	**(23,999)**
Total changes during the year	**—**	**8**	**31,710**	**(7,434)**	**24,283**	**(10,795)**	**(3)**	**5**	**(9,564)**	**(4,625)**	**(24,982)**	**982**	**283**
Balance as of March 31, 2016	**¥41,970**	**¥35,603**	**¥311,250**	**¥(15,566)**	**¥373,258**	**¥9,816**	**(3)**	**¥222**	**¥(4,613)**	**¥(1,736)**	**¥3,686**	**¥46,190**	**¥423,135**

	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 on other securities	Deferred losses on hedges	Surplus on revaluation of land	Foreign currency translation adjustments	Remeasure-ments of defined benefit plans	Total	Non-controlling interests	Total net assets
Balance as of March 31, 2015	$372,471	$315,895	$2,480,831	$(72,160)	$3,097,036	$182,925	$—	$1,926	$43,930	$25,630	$254,428	$401,198	$3,752,671
Changes arising during year:													
Cash dividends			**(59,407)**		**(59,407)**								**(59,407)**
Profit attributable to owners of parent			**302,929**		**302,929**								**302,929**
Increase due to change in the fiscal period of affiliates accounted for by the equity method			**37,957**		**37,957**								**37,957**
Change in the scope of consolidation			**(53)**		**(53)**								**(53)**
Purchase of treasury stock				**(65,983)**	**(65,983)**								**(65,983)**
Disposition of treasury stock		**0**		**0**	**0**								**0**
Change in treasury stock of parent arising from transactions with non-controlling shareholders		**62**			**62**								**62**
Net changes other than stockholders' equity					**—**	**(95,802)**	**(27)**	**44**	**(84,878)**	**(41,045)**	**(221,707)**	**8,715**	**(212,984)**
Total changes during the year	**—**	**71**	**281,416**	**(65,974)**	**215,504**	**(95,802)**	**(27)**	**44**	**(84,878)**	**(41,045)**	**(221,707)**	**8,715**	**2,512**
Balance as of March 31, 2016	**$372,471**	**$315,966**	**$2,762,247**	**$(138,143)**	**$3,312,549**	**$87,114**	**$(27)**	**$1,970**	**$(40,939)**	**$ (15,406)**	**$32,712**	**$409,922**	**$3,755,192**

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, 2016

	Millions of yen		Thousands of U.S. dollars (note 2)
	2016	2015	**2016**
Cash flows from operating activities:			
Profit before income taxes	**¥45,833**	¥46,017	**$406,754**
Adjustments to reconcile profit before income taxes to net cash provided by operating activities:			
Depreciation and amortization	**26,705**	23,770	**236,999**
Gain on negative goodwill	**—**	(198)	**—**
Loss on sale/disposal of property, plant and equipment	**903**	792	**8,014**
Business structure improvement expenses	**541**	1,003	**4,801**
Impairment loss	**1,529**	1,123	**13,569**
Loss on liquidation of subsidiaries and affiliates	**1,101**	—	**9,771**
Equity in earnings of affiliates	**(16,683)**	(27,895)	**(148,056)**
Gain on step acquisitions	**—**	(2,087)	**—**
Increase (decrease) in allowance for doubtful receivables	**(111)**	24	**(985)**
Increase (decrease) in net defined benefit liability	**(33)**	258	**(293)**
Increase in provision for directors' retirement benefits	**79**	48	**701**
Interest and dividend income	**(2,735)**	(2,245)	**(24,272)**
Interest expenses	**2,494**	2,440	**22,133**
Gain on sale of short-term investments and investments in securities	**(3,444)**	(3,009)	**(30,564)**
Loss on devaluation of short-term investments and investments in securities	**19**	—	**169**
Decrease in trade notes and accounts receivable	**12,900**	10,162	**114,483**
Decrease in inventories	**7,790**	5,365	**69,134**
Decrease in trade notes and accounts payable	**(15,215)**	(8,326)	**(135,028)**
Other, net	**2,881**	1,041	**25,568**
Sub total	**64,557**	48,286	**572,923**
Interest and dividend received	**2,689**	2,192	**23,864**
Dividend received from affiliates accounted for by the equity method	**18,692**	34,773	**165,886**
Interest paid	**(2,506)**	(2,520)	**(22,240)**
Income taxes paid	**(874)**	(5,756)	**(7,756)**
Proceeds from subsidy income	**1,909**	—	**16,942**
Other, net	**203**	7	**1,802**
Net cash provided by operating activities	**84,671**	76,982	**751,429**
Cash flows from investing activities:			
Proceeds from sale of short-term investments	**—**	114	**—**
Capital expenditures	**(29,072)**	(24,486)	**(258,005)**
Proceeds from sale of property, plant and equipment	**457**	2,657	**4,056**
Purchase of investments in securities and subsidiaries	**(7,338)**	(10,364)	**(65,122)**
Proceeds from sale of investments in securities	**4,257**	6,228	**37,780**
Decrease (increase) in long-term loans receivable	**416**	(2,431)	**3,692**
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	**—**	1,301	**—**
Other, net	**(643)**	3,448	**(5,706)**
Net cash used in investing activities	**(31,922)**	(23,531)	**(283,298)**
Cash flows from financing activities:			
Decrease in short-term debt	**(12,639)**	(4,705)	**(112,167)**
Proceeds from long-term debt	**7,136**	4,214	**63,330**
Payments on long-term debt	**(25,092)**	(14,351)	**(222,684)**
Purchase of treasury stock	**(7,437)**	(12)	**(66,001)**
Dividends paid to stockholders	**(6,694)**	(5,871)	**(59,407)**
Dividends paid to non-controlling stockholders of subsidiaries	**(1,238)**	(590)	**(10,987)**
Other, net	**(1,368)**	(3,687)	**(12,141)**
Net cash used in financing activities	**(47,335)**	(25,005)	**(420,083)**
Effect of exchange rate changes on cash and cash equivalents	**(2,255)**	6,549	**(20,012)**
Increase in cash and cash equivalents	**3,157**	34,995	**28,017**
Cash and cash equivalents at beginning of year	**72,678**	37,310	**644,995**
Increase in cash and cash equivalents resulting from change in the fiscal period of consolidated subsidiaries	**—**	373	**—**
Decrease in cash and cash equivalents resulting from change of scope of consolidation	**(7)**	—	**(62)**
Cash and cash equivalents at end of year (note 3)	**¥75,828**	¥72,678	**$672,950**

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, 2015

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 profit (loss) 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 Act 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 77 subsidiaries (76 in 2015). The Company and its consolidated subsidiaries are collectively referred to as "MGC."

All significant intercompany accounts and transactions have been eliminated in consolidation.

Japan Acryace Corporation was excluded from the scope of consolidation due to decrease in significance during the year ended March 31, 2016. JSP Foam Products (Thailand) Co., Ltd. and JSP Plastics (Wuhan) Co., Ltd. were included in the scope of consolidation due to their establishment during the year ended March 31, 2016.

Investments in an unconsolidated subsidiary and 12 affiliates are accounted for by the equity method for the years ended March 31, 2016 and 2015.

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 using the straight-line method over an expected benefit period by each investment within 20 years.

The fiscal year-ends of 35 consolidated subsidiaries (33 in 2015) are December 31. For consolidation purposes, the Company uses their financial statements as of December 31 with necessary consolidation adjustments made to reflect any significant transactions which occurred between January 1 and March 31.

(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 income. Securities classified as "held-to-maturity securities" are stated at amortized cost. Securities classified as "other securities" with fair value are stated at fair value and unrealized gains or losses, net of related taxes, are excluded from earnings and reported as accumulated other comprehensive income in the consolidated balance sheet. 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. Securities held by the Company are classified as held-to-maturity securities, investments in affiliates 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 is carried substantially at cost. Depreciation of the property, plant and equipment 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

(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 Benefits

In calculating retirement benefit obligation, the benefit formula basis is used for the method of attributing expected retirement benefits to the periods up to the end of the current fiscal year.

Past service costs are amortized by the straight-line method over a certain period within the average remaining years of service of the eligible employees (ten years) when such past service costs occur.

Actuarial gains and losses are amortized by the declining-balance method over a certain period within the average remaining years of service of the eligible employees (ten years) from the year following the year in which the gains or losses occur.

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.

(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 “Non-controlling 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 Environmental Storage & Safety Corporation. The Act 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 provides a reasonably estimated amount of structural reform costs for unprofitable business.

(q) Provision for loss on liquidation of subsidiaries and affiliates

The Company provides a reasonably estimated amount for loss to be incurred in association with liquidation of subsidiaries and affiliates.

(r) 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, 2016.

(s) Changes in Accounting Policies

Effective from the year ended March 31, 2016, the Company has adopted the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, September 13, 2013), "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, September 13, 2013), the "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, September 13, 2013) and other standards and implementation guidance. Consequently, differences arising from changes in the Company' ownership interests in its subsidiaries over which it retains control are recognized in capital surplus, and acquisition-related costs are expensed as incurred. For business combinations executed on or after the beginning of the fiscal year ended March 31, 2016, the provisional amounts recognized at the acquisition date for the items for which the accounting was incomplete is retrospectively adjusted in the consolidated financial statements for the reporting period in which the business combination occurred. In addition, the Company changed the presentation of net income, and also changed the reference to "minority interests" to "non-controlling interests." The consolidated financial statements for the fiscal year ended March 31, 2015 have been reclassified in order to reflect these changes in the presentation.

The Company applies these accounting standards prospectively from the beginning of the fiscal year ended March 31, 2016 in accordance with the transitional provisions prescribed in item (4), paragraph 58-2 of the Accounting Standard for Business Combinations, item (4), paragraph 44-5 of the Accounting Standard for Consolidated Financial Statements, and item (4), paragraph 57-4 of the Accounting Standard for Business Divestitures.

In the consolidated statement of cash flows for the fiscal year ended March 31, 2016, cash flows related to acquisition and sales of shares of subsidiaries not resulting in the change in the scope of consolidation are included in cash flows from financing activities, and cash flows related to expenses arising in association with acquisition and sales of shares of subsidiaries not resulting in the change in the scope of consolidation are included in cash flows from operating activities.

The effects on the consolidated financial statements were immaterial.

Effective from the year ended March 31, 2016, certain domestic consolidated subsidiaries have changed their depreciation method for property, plant and equipment (with certain exceptions) from the declining-balance method to the straight-line method.

In formulating the medium-term management plan, they expected the production level and utilization ratio would be stable for a long-term as a result of a review of the use of property, plant and equipment, and concluded that the use of the straight-line method would reflect actual utilization of the facilities more appropriately.

Furthermore, useful lives of property, plant and equipment were reviewed along with the depreciation method, and certain domestic consolidated subsidiaries changed the useful lives based on the estimated economic useful lives which suited to actual condition.

As a result of this change, operating income and profit before income taxes for the year ended March 31, 2016 increased by ¥1,406 million ($12,478 thousand) and ¥1,414 million ($12,549 thousand), respectively, compared to the respective amounts determined by using the previous method.

(t) Additional Information

Conventionally, the Company had applied the equity method to the financial statements of METANOL DE ORIENTE, METOR, S. A., an overseas affiliate of the Company, prepared in accordance with U.S.GAAP. From the fiscal year ended March 31, 2016, the Company applies the equity method to the financial statements of the affiliate prepared in accordance with IFRS.

This change has been applied retrospectively, and the prior year consolidated financial statements have been restated.

As a result of this change, profit before income taxes for the year ended March 31, 2015 decreased by ¥1,034 million ($9,176 thousand) compared to the amount previously determined before retrospective application of this change. Also, retained earnings as of April 1, 2014 increased by ¥1,664 million ($14,767 thousand) as a result of reflecting the cumulative effects of this changes.

(u) Accounting Pronouncements Not Yet Adopted

– "Revised Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, March 28, 2016)

At the transfer of the accounting and auditing practical guidance on tax effect accounting (the section relating to accounting treatment) from the Japanese Institute of Certified Public Accountants (JICPA) to ASBJ, ASBJ reviewed and revised, as necessary, certain criteria for entity categories and treatments of the recorded amounts of deferred tax assets. ASBJ focused mainly on the guidance on recoverability of deferred tax assets prescribed in the "Auditing Treatment on Determining the Recoverability of Deferred Tax Assets" (JICPA Auditing Committee Report No. 66), and basically continues to apply the framework in which entities are classified into five categories and deferred tax assets are estimated in accordance with the classification. The revised guidance provides guidelines for the application of the Accounting Standards for Tax Effect Accounting (Business Accounting Council) in assessing the recoverability of deferred tax assets.

Revised criteria for entity categories and treatment of recorded amounts of deferred tax assets

– Treatments of entities not satisfying any of the criteria for [Category 1] to [Category 5]
– Criteria of [Category 2] and [Category 3]
– Treatments of unscheduled deductible temporary differences for entities falling under [Category 2]
– Treatments for reasonably estimated period for taxable income before adjustment for temporary differences for entities falling under [Category 3]
– Treatments in the case that entities satisfying the criteria for [Category 4] also fall under [Category 2] or [Category 3]

The revised guidance will be applied from the beginning of the fiscal year beginning on or after April 1, 2016.

The Company is currently assessing the effects of applying the revised guidance on the consolidated financial statements.

2. Financial Statement Translation

The translations of the yen amounts into U.S. dollars are included solely for the convenience of the readers, using the prevailing exchange rate as of March 31, 2016, which was ¥112.68 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

(a) Reconciliation between "Cash" in the consolidated balance sheet and "Cash and cash equivalents" in the consolidated statement of cash flows as of March 31, 2016 and 2015 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Cash	**¥ 84,097**	¥ 62,327	**$746,335**
Time deposits with maturities of over three months	**(8,390)**	(7,786)	**(74,459)**
Short-term investments	**121**	18,137	**1,074**
Cash and cash equivalents	**¥ 75,828**	¥ 72,678	**$672,950**

(b) Details of the assets and liabilities of the newly consolidated subsidiaries by share acquisition as of March 31, 2015

JSP Corporation and other 35 companies

	Millions of yen
	2015
Current assets	**¥ 64,106**
Non-current assets	**49,630**
Total assets	**¥ 113,736**
Current liabilities	**¥ 33,401**
Non-current liabilities	**14,669**
Total liabilities	**¥ 48,070**

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, 2016 and 2015 are summarized as follows:

	Millions of yen			
	Balance sheet amount	Gross unrealized gain	Gross unrealized loss	Fair value
March 31, 2016				
Government bond securities	**¥ 0**	**¥ 0**	**¥ –**	**¥ 0**
Certificates of deposit	**–**	**–**	**–**	**–**
	¥ 0	**¥ 0**	**¥ –**	**¥ 0**
March 31, 2015				
Government bond securities	¥ 1	¥ 0	¥ –	¥ 1
Certificates of deposit	18,130	–	–	18,130
	¥ 18,131	¥ 0	¥ –	¥ 18,131

	Thousands of U.S. dollars			
	Balance sheet amount	Gross unrealized gain	Gross unrealized loss	Fair value
March 31, 2016				
Government bond securities	**$ 0**	**$ 0**	**$ –**	**$ 0**
Certificates of deposit	**–**	**–**	**–**	**–**
	$ 0	**$ 0**	**$ –**	**$ 0**

Balance sheet amount, acquisition cost, and gross unrealized gain and loss of other securities with fair value as of March 31, 2016 and 2015 are summarized as follows:

	Millions of yen			
	Balance sheet amount	Gross unrealized gain	Gross unrealized loss	Acquisition cost
March 31, 2016				
Equity securities	**¥ 42,008**	**¥ 16,015**	**¥ (1,715)**	**¥ 27,707**
Other securities	**10**	**0**	**–**	**10**
	¥ 42,018	**¥ 16,015**	**¥ (1,715)**	**¥ 27,717**
March 31, 2015				
Equity securities	¥ 57,146	¥ 30,061	¥ (135)	¥ 27,221
Other securities	10	0	–	10
	¥ 57,156	¥ 30,061	¥ (135)	¥ 27,231

	Thousands of U.S. dollars			
	Balance sheet amount	Gross unrealized gain	Gross unrealized loss	Acquisition cost
March 31, 2016				
Equity securities	**$372,808**	**$142,128**	**$ (15,220)**	**$245,891**
Other securities	**89**	**0**	**–**	**89**
	$372,897	**$142,128**	**$ (15,220)**	**$245,980**

Securities classified as other securities for which fair value is not available are unlisted equity securities amounting to ¥11,219 million ($99,565 thousand) and ¥12,596 million as of March 31, 2016 and 2015, respectively.

For the years ended March 31, 2016 and 2015, proceeds from the sale of other securities are ¥9,347 million ($82,952 thousand) and ¥6,035 million, respectively. Gross realized gains are ¥3,444 million ($30,564 thousand) and ¥2,898 million for the years ended March 31, 2016 and 2015, respectively.

The Company recognized impairment losses on securities of ¥19 million ($169 thousand) for the year ended March 31, 2016. The Company recognized no impairment losses on securities for the year ended March 31, 2015.

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, 2016 and 2015 are ¥97,390 million ($864,306 thousand) and ¥95,148 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% as of March 31, 2016 and 2015, respectively.

Long-term debt as of March 31, 2016 and 2015 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Loans, principally from banks, maturing in installments through 2025 with weighted average interest of 1.16% as of March 31, 2016, partially secured by mortgage of property, plant and equipment and securities	**¥ 75,159**	¥ —	**$ 667,013**
Loans, principally from banks, maturing in installments through 2025 with weighted average interest of 1.0% as of March 31, 2015, partially secured by mortgage of property, plant and equipment and securities	**—**	105,134	**—**
Lease liabilities maturing in installments through 2024 with weighted average interest of 3.2% as of March 31, 2016	**15,567**	—	**138,152**
Lease liabilities maturing in installments through 2027 with weighted average interest of 3.1% as of March 31, 2015	**—**	16,526	**—**
Unsecured bonds, due 2016 with interest of 0.670%	**15,000**	15,000	**133,120**
Unsecured bonds, due 2021 with interest of 0.572%	**10,000**	10,000	**88,747**
	115,727	146,661	**1,027,041**
Less current installments:			
Loans	**28,211**	35,201	**250,364**
Lease liabilities	**1,538**	1,474	**13,649**
Unsecured bonds	**15,000**	—	**133,120**
	¥ 70,977	¥ 109,985	**$ 629,899**

The aggregate annual maturities of loans after March 31, 2017, are as follows:

	Millions of yen	Thousands of U.S. dollars
Year ending March 31,		
2018	¥ 13,854	$ 122,950
2019	16,459	146,069
2020	11,970	106,230
2021	1,044	9,265

The aggregate annual maturities of lease liabilities after March 31, 2017, are as follows:

	Millions of yen	Thousands of U.S. dollars
Year ending March 31,		
2018	¥ 1,922	$ 17,057
2019	1,618	14,359
2020	3,158	28,026
2021	3,729	33,094

The aggregate annual maturities of bonds after March 31, 2017, are as follows:

	Millions of yen	Thousands of U.S. dollars
Year ending March 31,		
2018	¥ —	$ —
2019	—	—
2020	—	—
2021	10,000	88,747

Property, plant and equipment and securities with a book value as of March 31, 2016 of ¥23,331 million ($207,055 thousand) were 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 mainly 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, 2016 and 2015:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Balance at beginning of year	¥ 3,685	¥ 3,849	$ 32,703
Liabilities incurred due to the acquisition	126	3	1,118
Accretion expenses	100	69	887
Liabilities settled	–	(267)	–
Other	–	31	–
Balance at end of year	¥ 3,912	¥ 3,685	$ 34,718

(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 plans to use part of the facilities as storage facilities after mining continuingly. The Company and certain consolidated 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 Benefits

MGC has defined retirement benefit plans such as lump-sum retirement benefit plans and defined benefit corporate pension plans, besides defined contribution pension plans.

In addition, the Company has also set up retirement benefit trusts.

Certain consolidated subsidiaries apply the simplified method in computing net defined benefit liability and retirement benefit expenses for their defined benefit corporate pension plans and lump-sum retirement benefit plans.

Defined benefit plans

(a) Reconciliation between retirement benefit obligations at beginning of year and end of year (excluding plans applying the simplified method):

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Retirement benefit obligation at beginning of year	¥ 42,529	¥ 34,311	$377,432
Cumulative effects of changes in accounting policies	–	255	–
Restated balance at beginning of year	42,529	34,567	377,432
Increase due to addition of consolidated subsidiaries	–	8,019	–
Service costs	2,411	1,686	21,397
Interest costs	380	296	3,372
Actuarial gains and losses arising during year	(76)	69	(674)
Retirement benefits paid	(2,781)	(2,109)	(24,681)
Other	(30)	–	(266)
Retirement benefit obligation at end of year	¥ 42,432	¥ 42,529	$376,571

(b) Reconciliation between plan assets at beginning of year and end of year (excluding plans applying the simplified method):

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Plan assets at beginning of year	¥ 38,512	¥ 26,409	$341,782
Increase due to addition of consolidated subsidiaries	–	8,166	–
Expected return on plan assets	482	315	4,278
Actuarial gains and losses arising during year	(3,436)	3,827	(30,493)
Contribution from employer	1,296	1,119	11,502
Retirement benefits paid	(1,892)	(1,325)	(16,791)
Other	(20)	–	(177)
Plan assets at end of year	¥ 34,943	¥ 38,512	$310,108

(c) Reconciliation between net defined benefit liabilities of plans applying the simplified method at beginning of year and end of year:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Net defined benefit liability at beginning of year	¥ 1,569	¥ 1,330	$ 13,924
Increase due to addition of consolidated subsidiaries	–	364	–
Decrease due to exclusion of consolidated subsidiaries	–	(99)	–
Retirement benefit expenses	268	196	2,378
Retirement benefits paid	(114)	(118)	(1,012)
Contribution to plans	(115)	(102)	(1,021)
Other	(19)	–	(169)
Net defined benefit liability at end of year	¥ 1,589	¥ 1,569	$ 14,102

(d) Reconciliation between retirement benefit obligations and plan assets at end of year and net defined benefit liability on the consolidated balance sheet:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Funded retirement benefit obligation	**¥ 42,217**	¥ 42,200	**$374,663**
Plan assets	**(36,433)**	(39,936)	**(323,332)**
	¥ 5,783	¥ 2,263	**$ 51,322**
Unfunded retirement benefit obligation	**3,295**	3,322	**29,242**
Net balance of liability and asset recorded on the consolidated balance sheet	**¥ 9,078**	¥ 5,586	**$ 80,564**
Net defined benefit liability	**¥ 9,078**	¥ 5,586	**$ 80,564**
Net balance of liability and asset recorded on the consolidated balance sheet	**¥ 9,078**	¥ 5,586	**$ 80,564**

(e) Retirement benefit expenses and components thereof:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Service costs	**¥ 2,411**	¥ 1,686	**$ 21,397**
Interest costs	**380**	296	**3,372**
Expected return on plan assets	**(482)**	(315)	**(4,278)**
Amortization of actuarial gains and losses	**(521)**	264	**(4,624)**
Amortization of past service costs	**126**	101	**1,118**
Retirement benefit expenses applying the simplified method	**268**	196	**2,378**
Retirement benefit expenses under defined benefit plans	**¥ 2,183**	¥ 2,228	**$ 19,373**

(f) Components of items recorded in remeasurements of defined benefit plans in other comprehensive income, before tax, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Past service costs	**¥ 113**	¥ 134	**$ 1,003**
Actuarial gains and losses	**(4,820)**	4,186	**(42,776)**
Total	**¥ (4,707)**	¥ 4,320	**$ (41,773)**

(g) Components of items recorded in remeasurements of defined benefit plans in accumulated other comprehensive income, before tax, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Unrecognized past service costs	**¥ 176**	¥ 263	**$ 1,562**
Unrecognized actuarial gains and losses	**1,348**	(3,123)	**11,963**
Total	**¥ 1,525**	¥ (2,859)	**$ 13,534**

(h) Plan assets

(i) Components of plan assets

Percentages to total plan assets by major category are as follows:

	2016	2015
Debt securities	**32%**	21%
Equity securities	**45**	55
Cash	**6**	15
Other	**17**	9
Total	**100%**	100%

(Note) Total plan assets include retirement benefit trusts of 31% and 36% as of March 31, 2016 and 2015, respectively, that are set up for corporate pension plans.

(ii) Determination of expected long-term rate of return on plan assets

The expected long-term rate of return on plan assets is determined considering current and expected allocation of plan assets and current and expected long-term rate of return derived from various components of plan assets.

(i) Actuarial assumptions

	2016	2015
Discount rate	**Mainly 0.8%**	Mainly 0.8%
Expected long-term rate of return on plan assets	**Mainly 2.5%**	Mainly 2.5%

As described in Note 1 (t), effective from the year ended March 31, 2016, an overseas affiliate of the Company has adopted IFRS. The prior year amounts have been restated reflecting the retrospective application of IFRS.

Defined contribution plans

The required contribution of MGC to the defined contribution plans amounted to ¥537 million ($4,766 thousand) and ¥148 million as of March 31, 2016 and 2015, respectively.

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, 2016 and 2015, the liabilities for retirement and severance benefits related to the plans were ¥554 million ($4,917 thousand) and ¥512 million, respectively.

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 33.1% in 2016 and 35.6% in 2015.

A reconciliation of the statutory tax rate and the effective tax rate as a percentage of profit before income taxes for the years ended March 31, 2016 and 2015 is as follows:

	2016	2015
Statutory tax rate	**33.1%**	35.6%
Equity in earnings of affiliates	**(14.2)**	(21.6)
Dividend income eliminated in consolidation	**18.7**	28.9
Valuation allowance	**2.3**	(17.7)
Income not credited for tax purposes	**(19.0)**	(29.3)
Succession of operating loss carryforward associated with liquidation of subsidiaries	**(9.0)**	—
Foreign taxes	**1.5**	1.2
Adjustments of deferred tax assets due to change in statutory tax rate	**0.4**	0.2
Other	**4.5**	6.2
Effective tax rate	**18.3%**	3.5%

As described in Note 1 (t), effective from the year ended March 31, 2016, an overseas affiliate of the Company has adopted IFRS. The prior year amounts have been restated reflecting the retrospective application of IFRS.

Significant components of deferred tax assets and liabilities as of March 31, 2016 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Deferred tax assets:			
Tax loss carryforward	**¥ 17,105**	¥ 15,624	**$151,802**
Net defined benefit liability	**6,624**	7,147	**58,786**
Devaluation loss on investments in securities	**1,261**	1,022	**11,191**
Accrued bonuses	**1,579**	1,513	**14,013**
Intercompany profits	**1,573**	1,575	**13,960**
Depreciation	**893**	1,013	**7,925**
Impairment loss	**3,782**	4,665	**33,564**
Asset retirement obligations	**1,188**	1,220	**10,543**
Other	**7,375**	7,470	**65,451**
	41,384	41,254	**367,270**
Valuation allowance	**(32,246)**	(31,489)	**(286,173)**
	9,137	9,764	**81,088**
Deferred tax liabilities:			
Net unrealized gain on other securities	**(4,275)**	(9,155)	**(37,939)**
Gain by contributing the assets to the trust	**(1,402)**	(1,481)	**(12,442)**
Tax purpose reserves etc. regulated by Japanese tax law	**(2,019)**	(1,998)	**(17,918)**
Asset retirement cost	**(340)**	(376)	**(3,017)**
Retained earnings of overseas consolidated subsidiaries and others	**(4,578)**	(4,639)	**(40,628)**
Other	**(2,155)**	(2,468)	**(19,125)**
	(14,772)	(20,120)	**(131,097)**
Net deferred tax liabilities	**¥ (5,634)**	¥ (10,355)	**$ (50,000)**

Net deferred tax assets and liabilities as of March 31, 2016 and 2015 are reflected in the accompanying consolidated balance sheet under the following captions:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Current assets - Deferred income taxes	**¥ 4,585**	¥ 5,038	**$ 40,690**
Investments and other assets - Deferred income taxes	**2,418**	3,125	**21,459**
Current liabilities - Other current liabilities	**(212)**	(233)	**(1,881)**
Non-current liabilities - Deferred income taxes	**(12,426)**	(18,284)	**(110,277)**

The "Act on Partial Revision of the Income Tax Act" (Act No. 15 of 2016) and the "Act on Partial Revision of the Local Tax Act" (Act No. 13 of 2016) were enacted in the Diet on March 29, 2016. As a result, the income tax rates will be reduced from the fiscal years beginning on or after April 1, 2016. Accordingly, the statutory tax rate used to calculate deferred tax assets and deferred tax liabilities is changed from 32.3% to 30.9% for temporary differences expected to be reversed in the fiscal years beginning on April 1, 2016 and 2017, and to 30.6% for temporary differences expected to be reversed in the fiscal year beginning on April 1, 2018 and thereafter.

As a result of this change, as of and for the year ended March 31, 2016, deferred tax liabilities, net of deferred tax assets, income taxes-deferred, deferred losses on hedges, remeasurements of defined benefit plans decreased by ¥393 million ($3,488 thousand), ¥145 million ($1,287 thousand), ¥0 million ($0 thousand) and ¥0 million ($0 thousand), respectively, and net unrealized gain on other securities increased by ¥244 million ($2,165 thousand).

In addition, the tax loss carry forward rules have been revised. The deductible amount is limited to 60% of the taxable income before deducting losses carried forward from the fiscal years beginning on and after April 1, 2016, to 55% from the fiscal years beginning on or after April 1, 2017, and to 50% from the fiscal years beginning on or after April 1, 2018. As a result of this change, as of and for the year ended March 31, 2016, deferred tax assets decreased by ¥99 million ($879 thousand) and income taxes-deferred increased by ¥99 million ($879 thousand).

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, 2016 and 2015 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, 2015

The following was approved by the Board of Directors held on May 26, 2014.

(i) Total dividends	¥2,710 million
(ii) Cash dividends per common share	¥6
(iii) Record date	March 31, 2014
(iv) Effective date	June 6, 2014

The following was approved by the Board of Directors held on November 5, 2014.

(i) Total dividends	¥3,161 million
(ii) Cash dividends per common share	¥7
(iii) Record date	September 30, 2014
(iv) Effective date	December 5, 2014

(b) Dividends paid during the year ended March 31, 2016

The following was approved by the Board of Directors held on May 26, 2015.

(i) Total dividends	¥3,161 million ($28,053 thousand)
(ii) Cash dividends per common share	¥7 ($0.06)
(iii) Record date	March 31, 2015
(iv) Effective date	June 8, 2015

The following was approved by the Board of Directors held on November 5, 2015.

(i) Total dividends	¥3,533 million ($31,354 thousand)
(ii) Cash dividends per common share	¥8 ($0.07)
(iii) Record date	September 30, 2015
(iv) Effective date	December 4, 2015

(c) Dividends to be paid after the balance sheet date but the record date for the payment belongs to the year ended March 31, 2016

The following was approved by the Board of Directors held on May 26, 2016.

(i) Total dividends	¥3,533 million ($31,354 thousand)
(ii) Dividend source	Retained earnings
(iii) Cash dividends per common share	¥8 ($0.07)
(iv) Record date	March 31, 2016
(v) Effective date	June 9, 2016

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
	2016	2015	**2016**
Freight	**¥ 20,235**	¥ 13,517	**$179,579**
Stevedoring and warehouse fee	**4,430**	3,796	**39,315**
Salaries	**16,545**	10,565	**146,832**
Employees' bonuses	**5,570**	3,666	**49,432**
Pension cost	**1,015**	1,182	**9,008**
Welfare	**3,907**	3,375	**34,673**
Transportation	**2,670**	1,935	**23,695**
Depreciation	**4,210**	3,555	**37,362**

13. Research and Development Costs

Research and development costs charged to income for the years ended March 31, 2016 and 2015 are ¥18,936 million ($168,051 thousand) and ¥16,873 million, respectively.

14. Long-Lived Assets

Year ended March 31, 2016

MGC reviewed its long-lived assets for impairment and, as a result, recognized an impairment loss in the amount of ¥1,529 million ($13,569 thousand) for the significant asset groups which are as follows:

Location	Usage	Classification	Millions of yen	Thousands of U.S. dollars
Tokorozawa City, Saitama prefecture, etc.	Synthetic resin manufacturing facilities	Buildings, Machinery and equipment, etc.	¥ 615	$ 5,458
Toyonaka City, Osaka	Synthetic resin manufacturing facilities	Buildings, Machinery and equipment, etc.	719	6,381

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.

Synthetic resin manufacturing facilities owned by a consolidated subsidiary of the Company are written down to a recoverable amount because of their profitability decline.

The recoverable amount is measured at the net selling value, which is principally calculated based on the assessment value of the assets for property tax purpose.

Impairment loss on the asset groups consisted of the following:

	Millions of yen	Thousands of U.S. dollars
	2016	**2016**
Buildings and structures	**¥ 837**	**$ 7,428**
Machinery, equipment and vehicles	**462**	**4,100**
Other	**35**	**311**
Total	**¥ 1,334**	**$ 11,839**

Impairment loss on long-lived assets other than the above facilities was immaterial for the year ended March 31, 2016.

The relevant disclosure is, therefore, omitted.

Year ended March 31, 2015

MGC reviewed its long-lived assets for impairment and, as a result, recognized an impairment loss in the amount of ¥1,123 million for the significant asset group which is as follows:

Location	Usage	Classification	Millions of yen
Toyota City, Aichi prefecture	Electronic material manufacturing facilities	Machinery and equipment, etc.	¥ 519

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.

Electronic material manufacturing facilities owned by a consolidated subsidiary of the Company are written down to a recoverable amount because of their profitability decline.

The recoverable amount is measured at the net selling value, which is principally calculated based on the appraised land price of the assets.

Impairment loss on this asset group consisted of the following:

	Millions of yen
	2015
Buildings and structures	**¥ 231**
Machinery, equipment and vehicles	**287**
Total	**¥ 519**

Impairment loss on long-lived assets other than the above facilities was immaterial for the year ended March 31, 2015. The relevant disclosure is, therefore, omitted.

15. Loss on Liquidation of Subsidiaries and Affiliates

Year ended March 31, 2016

MGC recorded a loss on liquidation of subsidiaries and affiliates in the amount of ¥1,101 million ($9,771 thousand) associated with the liquidation of a consolidated subsidiary.

Components of loss on liquidation of subsidiaries and affiliates for the year ended March 31, 2016 are as follows:

	Millions of yen	Thousands of U.S. dollars
Impairment loss	¥ 528	$ 4,686
Provision for loss on liquidation of subsidiaries and affiliates	517	4,588

Significant impairment loss included in loss on liquidation of subsidiaries and affiliates is as follows:

Location	Usage	Classification	Millions of yen	Thousands of U.S. dollars
Toyota City, Aichi prefecture	Electronic material manufacturing facilities	Buildings, Machinery and equipment, etc.	¥ 528	$ 4,686

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.

Electronic material manufacturing facilities owned by a consolidated subsidiary of the Company were written down to a recoverable amount as liquidation of the subsidiary was determined. The reduced amount was included in loss on liquidation of subsidiaries and affiliates.

The recoverable amount is measured at the net selling value, which is principally calculated by the estimated selling price.

Impairment loss on this asset group consisted of the following:

	Millions of yen	Thousands of U.S. dollars
	2016	**2016**
Buildings and structures	**¥ 305**	**$ 2,707**
Machinery, equipment and vehicles	**113**	**1,003**
Other	**108**	**958**
Total	**¥ 528**	**$ 4,686**

16. Business Structure Improvement Expenses

Year ended March 31, 2016

Business structure improvement expenses amounted to ¥541 million ($4,801 thousand) for the year ended March 31, 2016, which were losses incurred related to improvement of business structures for consolidated subsidiaries.

Major components of business structure improvement expenses for the year ended March 31, 2016 are as follows:

	Millions of yen	Thousands of U.S. dollars
Accrual of business structure improvement expenses	¥ 307	$ 2,725
Impairment loss	120	1,065

Year ended March 31, 2015

MGC provided an estimated amount of structural reform costs in the amount of ¥1,003 million as of March 31, 2015 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, 2015 are as follows:

	Millions of yen
Accrual of business structure improvement expenses	¥ 446
Impairment loss	414
Other	141

Details of significant impairment loss included in business structure improvement expenses for the year ended March 31, 2015 are as follows:

Location	Usage	Classification	Millions of yen
Niigata City, Niigata Prefecture	Natural gas chemicals manufacturing facilities	Machinery and equipment, etc.	¥ 402

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.

Certain natural gas chemicals manufacturing facilities are written down to a recoverable amount because the Company's management decided to stop the operation of the facilities.

Impairment loss on this asset group consisted of the following:

	Millions of yen
	2015
Machinery, equipment and vehicles	¥ 374
Other	28
Total	¥ 402

The recoverable amount is measured at its value in use. The future cash flow used for calculation of the value in use is not discounted because the remaining usage period is approximately within one year and the impact of discount is not material for calculation of the recoverable amount.

The relevant disclosure is omitted because impairment loss included in business structure improvement expenses other than the above facilities was immaterial for the year ended March 31, 2015.

17. 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, 2016 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Net unrealized gain (loss) on other securities:			
Arising during the year	**¥ (12,194)**	¥ 15,384	**$(108,218)**
Reclassification adjustment	**(3,433)**	(3,167)	**(30,467)**
Before tax amount	**(15,627)**	12,217	**(138,685)**
Tax benefit (expense)	**4,881**	(2,914)	**43,317**
Net-of-tax amount	**(10,746)**	9,302	**(95,367)**
Deferred losses on hedges:			
Arising during the year	**(5)**	—	**(44)**
Reclassification adjustment	**—**	—	**—**
Before tax amount	**(5)**	—	**(44)**
Tax benefit (expense)	**1**	—	**9**
Net-of-tax amount	**(3)**	—	**(27)**
Foreign currency translation adjustments:			
Arising during the year	**(6,928)**	4,426	**(61,484)**
Remeasurements of defined benefit plans:			
Arising during the year	**(3,525)**	3,782	**(31,283)**
Reclassification adjustment	**(395)**	365	**(3,506)**
Before tax amount	**(3,920)**	4,148	**(34,789)**
Tax benefit (expense)	**124**	(82)	**1,100**
Net-of-tax amount	**(3,795)**	4,066	**(33,679)**
Share of other comprehensive income of affiliates accounted for by equity method:			
Arising during the year	**(6,057)**	10,583	**(53,754)**
Reclassification adjustment	**—**	(1,582)	**—**
Net-of-tax amount	**(6,057)**	9,001	**(53,754)**
Total other comprehensive income (loss)	**¥ (27,530)**	¥ 26,796	**$(244,320)**

18. Per Share Information

(a) Earnings per share

Earnings per share, and reconciliation of the numbers and the amounts used in the earnings per share computations for the years ended March 31, 2016 and 2015 are as follows:

	Yen		U.S. dollars
	2016	2015	**2016**
Earnings per share	**¥ 76.92**	¥ 95.97	**$ 0.68**

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Profit attributable to owners of parent	**¥ 34,134**	¥ 43,346	**$302,929**
Profit not applicable to common stockholders	**—**	—	**—**
Profit attributable to common stockholders of parent	**¥ 34,134**	¥ 43,346	**$302,929**

	Number of shares	
	2016	2015
Weighted average number of shares outstanding on which earnings per share per share is calculated	**443,733,638**	451,670,027

The diluted earnings per share for the years ended March 31, 2016 and 2015 are not presented because there are no dilutive potential shares as of March 31, 2016 and 2015.

(b) Net assets per share

Net assets per share as of March 31, 2016 and 2015 are as follows:

	Yen		U.S. dollars
	2016	2015	**2016**
Net assets per share	**¥ 853.51**	¥ 836.13	**$ 7.57**

As described in Note 1 (t), effective from the year ended March 31, 2016, an overseas affiliate of the Company has adopted IFRS. The prior year amounts have been restated reflecting retrospective application of IFRS. As a result of this change, as of and for the year ended March 31, 2015, net assets per share increased by 0.90 yen ($0.01) and earnings per share decreased by ¥2.29 ($0.02) compared to the respective amounts before retrospective application of IFRS.

19. Leases

(a) Finance lease

A summary of assumed amounts of acquisition cost which includes interest portion, accumulated depreciation and net book value as of March 31, 2016 and 2015 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 and equipment		Other tangible assets		Total	
March 31, 2016						
Acquisition cost	¥	—	¥	—	¥	—
Accumulated depreciation		—		—		—
Net book value	¥	—	¥	—	¥	—
March 31, 2015						
Acquisition cost	¥	789	¥	45	¥	835
Accumulated depreciation		601		45		646
Net book value	¥	188	¥	—	¥	188

	Thousands of U.S. dollars					
	Machinery and equipment		Other tangible assets		Total	
March 31, 2016						
Acquisition cost	$	—	$	—	$	—
Accumulated depreciation		—		—		—
Net book value	$	—	$	—	$	—

Future minimum payments which include interest portion as of March 31, 2016 and 2015 are as follows:

	Millions of yen				Thousands of U.S. dollars	
	2016		2015		**2016**	
Within one year	¥	—	¥	80	$	—
Over one year		—		107		—
	¥	—	¥	188	$	—

There were no lease payments for the year ended March 31, 2016. Lease payments for the year ended March 31, 2015 amounted to ¥90 million.

(b) Operating lease

Future minimum lease payments required under non-cancellable operating leases as of March 31, 2016 and 2015 are as follows:

	Millions of yen				Thousands of U.S. dollars	
	2016		2015		**2016**	
Within one year	¥	**1,405**	¥	1,355	$	**12,469**
Over one year		**3,590**		2,985		**31,860**
	¥	**4,995**	¥	4,340	$	**44,329**

20. Balances and Transactions with Related Party

The Company has a 50% equity ownership in Mitsubishi Engineering-Plastics Corporation as of March 31, 2016 and 2015.

Balances with the company as of March 31, 2016 and 2015 and related transactions for the years then ended are summarized as follows:

	Millions of yen				Thousands of U.S. dollars	
	2016		2015		**2016**	
Balances:						
Trade accounts receivable	¥	**6,387**	¥	5,881	$	**56,683**
Transactions:						
Sales		**27,278**		29,960		**242,084**

The Company has a 50% equity ownership in BRUNEI METHANOL COMPANY SDN. BHD. as of March 31, 2016 and 2015.

As of March 31, 2016 and 2015, the Company has guaranteed ¥10,630 million ($94,338 thousand) and ¥12,771 million of the company's loans to financial institutions, respectively.

The condensed financial information of all of 13 affiliates (13 in 2015) accounted for by equity method, including the significant affiliates, Japan Saudi Arabia Methanol Company, Ltd. and METANOL DE ORIENTE, METOR S.A. are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Total current assets	**¥156,464**	¥170,739	**$1,388,569**
Total non-current assets	**209,912**	251,402	**1,862,904**
Total current liabilities	**94,522**	130,169	**838,853**
Total non-current liabilities	**60,667**	72,776	**538,401**
Total net assets	**211,187**	219,197	**1,874,219**
Sales	**299,783**	337,207	**2,660,481**
Profit before income taxes	**55,552**	88,461	**493,007**
Profit	**47,922**	68,753	**425,293**

As described in Note 1 (t), effective from the year ended March 31, 2016, an overseas affiliate of the Company has adopted IFRS. The prior year amounts have been restated reflecting retrospective application of IFRS.

21. Commitments and Contingencies

As of March 31, 2016 and 2015, MGC was contingently liable with respect to recourse obligations related to trade notes receivable transferred in the amount of ¥46 million ($408 thousand) and ¥12 million, respectively.

The Company guarantees certain obligations of its associated companies and employees, etc. As of March 31, 2016 and 2015, guarantees for affiliates and employees, etc. loans amounted to ¥10,239 million ($90,868 thousand) and ¥3,074 million, respectively.

22. Financial Instruments

Conditions of financial instruments

(a) 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.

(b) 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 is denominated in foreign currency and is 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 mainly 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 operating receivables and payables and forecasted transactions denominated in foreign currencies, 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 applies the deferral hedge accounting method for hedge accounting. MGC has entered into forward exchange contracts for receivables and payables and forecasted transactions denominated in foreign currencies, and interest rate swap agreements to manage interest rate exposures on certain borrowings. Hedges for fluctuation risk of foreign exchange rates that meet certain criteria are accounted for using the allocation method. 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. The hedge effectiveness is assessed based on the fluctuation ratio of hedged items and hedging instruments by comparing the cumulative market fluctuations or cash flow fluctuations of hedged items and those of related hedging instruments. The Company omits to assess hedge effectiveness of interest rate swaps which qualify for hedge accounting and meet certain criteria.

(c) Financial instruments risk management

(i) Credit risk

To mitigate and quickly capture the collectability issues, sales administration divisions regularly monitor major customers' credit status, and perform 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 as of March 31, 2016 and 2015 is represented by the carrying amount of financial assets exposed to credit risk.

(ii) 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 forecasted transactions denominated in foreign currencies and surplus funds. 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.

(iii) 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.

(d) 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, 2016 and 2015 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.”)

March 31, 2016	Millions of yen			Thousands of U.S. dollars		
	Balance sheet amount	Fair value	Differences	Balance sheet amount	Fair value	Differences
Assets:						
(1) Cash	**¥ 84,097**	**¥ 84,097**	**¥ —**	**$ 746,335**	**$ 746,335**	**$ —**
(2) Trade notes and accounts receivable	**136,401**	**136,401**	**—**	**1,210,517**	**1,210,517**	**—**
(3) Short-term investments and investments in securities	**45,155**	**43,309**	**(1,846)**	**400,737**	**384,354**	**(16,383)**
Total assets	**¥ 265,654**	**¥ 263,808**	**¥ (1,846)**	**$2,357,597**	**$2,341,214**	**$ (16,383)**
Liabilities:						
(1) Trade notes and accounts payable	¥ 60,819	¥ 60,819	¥ —	$ 539,750	$ 539,750	$ —
(2) Short-term borrowings	93,911	93,911	—	833,431	833,431	—
(3) Current installments of bonds	15,000	15,000	—	133,120	133,120	—
(4) Accrued expenses	14,772	14,772	—	131,097	131,097	—
(5) Lease obligations (current)	1,538	1,538	—	13,649	13,649	—
(6) Bonds	10,000	9,810	(189)	88,747	87,061	(1,677)
(7) Long-term borrowings	46,947	46,678	(268)	416,640	414,253	(2,378)
(8) Lease obligations (non-current)	14,029	15,929	1,900	124,503	141,365	16,862
Total liabilities	¥ 257,018	¥ 258,460	¥ 1,442	$2,280,955	$2,293,752	$ 12,797
Derivative transactions (*):						
Hedge accounting not applied	¥ (134)	¥ (134)	¥ —	$ (1,189)	$ (1,189)	$ —
Hedge accounting applied	—	(61)	(61)	—	(541)	(541)
Total derivative transactions	¥ (134)	¥ (195)	¥ (61)	$ (1,189)	$ (1,731)	$ (541)

March 31, 2015	Millions of yen		
	Balance sheet amount	Fair value	Differences
Assets:			
(1) Cash	**¥ 62,327**	**¥ 62,327**	**¥ —**
(2) Trade notes and accounts receivable	**152,711**	**152,711**	**—**
(3) Short-term investments and investments in securities	**78,527**	**76,655**	**(1,872)**
Total assets	**¥ 293,567**	**¥ 291,695**	**¥ (1,872)**
Liabilities:			
(1) Trade notes and accounts payable	¥ 79,323	¥ 79,323	¥ —
(2) Short-term borrowings	104,155	104,155	—
(3) Current installments of bonds	—	—	—
(4) Accrued expenses	14,676	14,676	—
(5) Lease obligations (current)	1,474	1,474	—
(6) Bonds	25,000	24,991	(8)
(7) Long-term borrowings	69,932	70,875	942
(8) Lease obligations (non-current)	15,052	15,078	26
Total liabilities	¥ 309,615	¥ 310,574	¥ 959
Derivative transactions (*):			
Hedge accounting not applied	¥ (245)	¥ (245)	¥ —
Hedge accounting applied	—	(49)	(49)
Total derivative transactions	¥ (245)	¥ (294)	¥ (49)

*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 and 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, Current installments of bonds, 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 23 Derivative Financial Instruments.

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

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Unlisted equity securities	**¥ 105,398**	¥ 103,860	**$ 935,375**

*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 as of March 31, 2016

	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	¥ 84,097	¥ —	¥ —	¥ —
(2) Trade notes and accounts receivable	136,401	—	—	—
(3) Short-term investments and investments in securities:				
Held-to-maturity securities:				
Government bonds	—	0	—	—
Total	¥ 220,499	¥ 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	$ 746,335	$ —	$ —	$ —
(2) Trade notes and accounts receivable	1,210,517	—	—	—
(3) Short-term investments and investments in securities:				
Held-to-maturity securities:				
Government bonds	—	0	—	—
Total	$ 1,956,860	$ 0	$ —	$ —

<4> The annual maturities of the bonds, long-term borrowings and lease obligations as of March 31, 2016

	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	¥ —	¥ —	¥ —	¥ 10,000	¥ —
Long-term borrowings	28,211	13,854	16,459	11,970	1,044	3,616
Lease obligations	1,538	1,922	1,618	3,158	3,729	3,601

	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	$ 133,120	$ —	$ —	$ —	$ 88,747	$ —
Long-term borrowings	250,364	122,950	146,069	106,230	9,265	32,091
Lease obligations	13,649	17,057	14,359	28,026	33,094	31,958

23. Derivative Financial Instruments

The contract or notional amounts and fair value of derivative financial instruments held as of March 31, 2016 and 2015 are summarized as follows:

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

(a) Forward exchange contracts and currency swap agreements

	Millions of yen		
	Contract or notional amounts	Fair value	Valuation gain (loss)
March 31, 2016			
Forward exchange contracts:			
To sell foreign currency:			
U.S. dollar	**¥ 16,801**	**¥ 100**	**¥ 100**
Euro	**1,235**	**(6)**	**(6)**
South Korean Won	**—**	**—**	**—**
New Taiwan dollar	**787**	**13**	**13**
To buy foreign currency:			
U.S. dollar	**2,916**	**(128)**	**(128)**
Currency swap agreements:			
Receive/U.S. dollar, Pay/Japanese Yen	**363**	**(26)**	**(26)**
Receive/U.S. dollar, Pay/Thai Baht	**482**	**10**	**10**
	¥ 22,586	**¥ (37)**	**¥ (37)**
March 31, 2015			
Forward exchange contracts:			
To sell foreign currency:			
U.S. dollar	¥ 24,357	¥ 0	¥ 0
Euro	1,490	6	6
South Korean Won	58	(0)	(0)
New Taiwan dollar	979	(39)	(39)
To buy foreign currency:			
U.S. dollar	35,918	(20)	(20)
	¥ 62,803	¥ (53)	¥ (53)

	Thousands of U.S. dollars		
	Contract or notional amounts	Fair value	Valuation gain (loss)
March 31, 2016			
Forward exchange contracts:			
To sell foreign currency:			
U.S. dollar	**$149,104**	**$ 887**	**$ 887**
Euro	**10,960**	**(53)**	**(53)**
South Korean Won	**—**	**—**	**—**
New Taiwan dollar	**6,984**	**115**	**115**
To buy foreign currency:			
U.S. dollar	**25,879**	**(1,136)**	**(1,136)**
Currency swap agreements:			
Receive/U.S. dollar, Pay/Japanese Yen	**3,222**	**(231)**	**(231)**
Receive/U.S. dollar, Pay/Thai Baht	**4,278**	**89**	**89**
	$200,444	**$ (328)**	**$ (328)**

*The fair value of forward exchange contracts and currency swap agreements 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, 2016			
Interest rate swap agreements:			
Receive/floating and pay/fixed	**¥ 7,031**	**¥ (97)**	**¥ (97)**
March 31, 2015			
Interest rate swap agreements:			
Receive/floating and pay/fixed	¥ 12,581	¥ (191)	¥ (191)

	Thousands of U.S. dollars		
	Contract or notional amounts	Fair value	Valuation gain (loss)
March 31, 2016			
Interest rate swap agreements:			
Receive/floating and pay/fixed	**$ 62,398**	**$ (861)**	**$ (861)**

*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, 2016			
Forward exchange contracts:			
To sell foreign currency:	**Accounts receivable**		
U.S. dollar		**¥ 4,438**	**¥ 168**
Euro		**27**	**(0)**
To buy foreign currency:	**Accounts payable**		
U.S. dollar		**2,120**	**(40)**
Euro		**29**	**0**
To sell foreign currency:	**Forecasted transactions**		
U.S. dollar		**173**	**(0)**
To buy foreign currency:	**Forecasted transactions**		
U.S. dollar		**241**	**(4)**
		¥ 7,029	**¥ 123**
March 31, 2015			
Forward exchange contracts:			
To sell foreign currency:	Accounts receivable		
U.S. dollar		¥ 292	¥ (2)
Euro		17	0
To buy foreign currency:	Accounts payable		
U.S. dollar		303	1
Euro		15	(0)
		¥ 628	¥ (1)

	Hedged items	Thousands of U.S. dollars Contract or notional amounts	Fair value
March 31, 2016			
Forward exchange contracts:			
To sell foreign currency:	**Accounts receivable**		
U.S. dollar		**$ 39,386**	**$ 1,491**
Euro		**240**	**(0)**
To buy foreign currency:	**Accounts payable**		
U.S. dollar		**18,814**	**(355)**
Euro		**257**	**0**
To sell foreign currency:	**Forecasted transactions**		
U.S. dollar		**1,535**	**(0)**
To buy foreign currency:	**Forecasted transactions**		
U.S. dollar		**2,139**	**(35)**
		$ 62,380	**$ 1,092**

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

(b) Interest rate swap agreements

	Hedged items	Millions of yen Contract or notional amounts	Fair value
March 31, 2016			
Interest rate swap agreements:			
Receive/floating and pay/fixed	**Long-term borrowings**	**¥ 11,205**	**¥ (56)**
March 31, 2015			
Interest rate swap agreements:			
Receive/floating and pay/fixed	Long-term borrowings	¥ 20,905	¥ (47)

	Hedged items	Thousands of U.S. dollars Contract or notional amounts	Fair value
March 31, 2016			
Interest rate swap agreements:			
Receive/floating and pay/fixed	**Long-term borrowings**	**$ 99,441**	**$ (497)**

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

24. 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, 2016 and 2015 are as follows:

	Millions of yen 2016	2015	Thousands of U.S. dollars 2016
Consolidated balance sheet amount:			
Balance at beginning of the year	**¥ 5,675**	¥ 3,238	**$ 50,364**
Increase/(decrease)	**279**	2,437	**2,476**
Balance at end of the year	**¥ 5,955**	¥ 5,675	**$ 52,849**
Fair value	**¥ 9,789**	¥ 9,073	**$ 86,874**

Notes:

1. Consolidated balance sheet amount is its cost minus accumulated depreciation and accumulated impairment loss.
2. Increase for the year ended March 31, 2016 was mainly due to new rents executed by consolidated subsidiaries of ¥267 million ($2,370 thousand). Increase for the year ended March 31, 2015 was mainly due to increase in rental properties of ¥1,945 million as a result of the inclusion of JSP Corporation in the scope of consolidation owing to acquisition of additional shares of JSP Corporation.
3. Fair value is based on roadside value, etc.

Income from the rental property is ¥389 million ($3,452 thousand) and ¥335 million for the years ended March 31, 2016 and 2015, respectively.

25. Subsequent Events

Change in the number of shares constituting one trading unit and reverse split of stocks

At the Board of Directors held on February 3, 2016, the Company resolved to change the number of shares constituting one trading unit and partially amend the Articles of Incorporation of the Company. In relation to this change, a reverse split of stocks was proposed and approved at the 89th Ordinary General Meeting of Stockholders held on June 28, 2016 (the "General Meeting of Stockholders").

1. Change in the number of shares constituting one trading unit
   (a) Reason for the change
   The Company follows the decision made by all Japanese stock exchanges including the Tokyo Stock Exchange to unify the trading unit of all listed Japanese companies at 100 shares by October 1, 2018.
   (b) Detail of the change
   The Company changes the number of shares constituting one trading unit from 1,000 shares to 100 shares.
   (c) Scheduled defective date
   October 1, 2016

2. Reverse Split of Stocks
   (a) Purpose of the reverse split of stocks
   As the number of shares constituting one trading unit will be changed from 1,000 shares to 100 shares as stated above, the Company proposed a reverse stock split (share consolidation on a 2:1 basis) at the General Meeting of Stockholders to adjust the investment unit to an appropriate level. Based on the reverse split ratio, the total number of shares authorized to be issued will be reduced from the current 984,856,000 shares to 492,428,000 shares.
   (b) Detail of the reverse split of stocks
      1) Class of stock to be consolidated:
      Common stock
      2) Reverse split ratio:
      As of October 1, 2016, the number of shares owned by stockholders recorded in the final register of stockholders on September 30, 2016 will be consolidated on a 2:1 basis.
      3) Decrease in number of shares through consolidation

Total number of issued shares prior to reverse stock split (as of March 31, 2016)	483,478,398 shares
Decrease in number of shares through reverse stock split	241,739,199 shares
Total number of issued shares after reverse stock split	241,739,199 shares

Notes:
The "decrease in number of shares through reverse stock split" and the "total number of issued shares after reverse stock split" are theoretical numbers calculated on the basis of the total number of issued shares prior to reverse stock split and the reverse split ratio.
The Company has not issued stock acquisition rights.

(c) Decrease in number of stockholders through reverse stock split (as of March 31, 2016)

	Number of stockholders (ratio)	Number of shares held (ratio)
All stockholders	24,171 (100.0%)	483,478,398 shares (100.0%)
Less than two shares	473 (2.0%)	473 shares (0.0%)
Two or more shares	23,698 (98.0%)	483,477,925 shares (100.0%)

(d) Treatment of fractional shares
In the case that fractional shares occur as a result of the reverse stock split, pursuant to the provisions under Article 234 and 235 of the Companies Act, such shares will be disposed in a bulk, and the proceeds will be distributed to stockholders holding such fractional shares in proportion to their respective fractions.

3. Schedule for change in the number of shares constituting one unit, reverse stock split and partial amendment of the Articles of Incorporation

Effective date of change in the number of shares constituting one unit	October 1, 2016
Effective date of reverse stock split	October 1, 2016
Effective date of partial amendment of the Articles of Incorporation	October 1, 2016

Notes:
While the effective date of the change in the number of shares constituting one unit and reverse stock split will be October 1, 2016 as set forth above, the trading unit at the Tokyo Stock Exchange will be changed from 1,000 shares to 100 shares as of September 28, 2016 because of book-entry transfer procedures following share trading.

4. Effect on per share information
Net assets per share and earnings per share as of and for the years ended March 31, 2016 and 2015 assuming the reverse stock split was executed as of April 1, 2014 are as follows:

	Yen		U.S. dollars
	2016	2015	**2016**
Net assets per share	**¥ 1,707.01**	¥ 1,672.25	**$ 15.15**
Earnings per share	**153.85**	191.94	**1.37**

Notes:
Diluted earnings per share for the years ended March 31, 2016 and 2015 are not presented because there are no dilutive potential shares as of March 31, 2016 and 2015.

Purchase of treasury stock
At the Board of Directors held on May 10, 2016, the Company resolved to purchase its treasury stock pursuant to the provision of the Articles of Incorporation of the Company under the Article 459, Paragraph 1 of the Companies Act.
(a) Reason for the purchase of treasury stock
In order to enhance stockholder returns, improve capital efficiency and execute flexible capital policy
(b) Type of stock to be purchased
Common stock
(c) Number of shares to be purchased
Up to 10,000,000 shares
(d) Aggregate purchase amount
Up to ¥9,000 million ($79,872 thousand)
(e) Purchase period
From May 11, 2016 to June 23, 2016
(f) Purchase method
Market purchases

Based on the resolution of the Board of Directors, the Company executed and completed the purchase of treasury stock.
(a) Type of shares purchased
Common stock
(b) Number of stock purchased
10,000,000 shares
(c) Aggregate purchase amount
¥6,253 million ($55,493 thousand)
(d) Purchase period
From May 11, 2016 to May 27, 2016
(e) Purchase method
Market purchases

26. Segment Information

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, xylene derivatives and foaming plastics.

Specialty chemicals business mainly produces and sells inorganic 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, profit, assets, liabilities and others are calculated by accounting methods similar to those employed to prepare the accompanying consolidated financial statements. Segment profit are calculated based on "Keijo-soneki" disclosed in the consolidated statement of income under accounting principles generally accepted in Japan (See note 27). Intersegment revenue and transfer are based on arm's-length transactions.

(Change in depreciation method and estimated useful lives)
As described in Note 1 (s), effective from the year ended March 31, 2016, certain domestic consolidated subsidiaries have changed the depreciation method for and estimated useful lives of property, plant and equipment.

As a result of this change, for the year ended March 31, 2016, segment profit of Aromatic chemicals business segment, Specialty chemicals business segment and Information and advanced materials business segment increased by ¥804 million ($7,135 thousand), ¥319 million ($2,831 thousand) and ¥290 million ($2,574 thousand), respectively, compared to the respective amounts determined by applying the previous method.

(Adoption of IFRS by an overseas affiliate)
As described in Note 1 (t), effective from the year ended March 31, 2016, an overseas affiliate of the Company has adopted IFRS. The prior year segment information has been restated reflecting retrospective application of IFRS.

As a result of this change, segment profit of Natural gas chemicals business segment for the year ended March 31, 2015 decreased by ¥1,034 million yen ($9,176 thousand) compared to the respective amount before retrospective application of IFRS.

The reported segment information for the Company and its consolidated subsidiaries for the years ended March 31, 2016 and 2015 is summarized as follows:

	Millions of yen						
	2016						
	Natural gas chemicals	Aromatic chemicals	Specialty chemicals	Information and advanced materials	Other	Adjustments	Consolidated
Sales:							
Sales to third parties	¥ 165,497	¥ 203,348	¥ 168,721	¥ 55,251	¥ 684	¥ —	¥ 593,502
Inter-segment sales	10,202	2,546	1,524	1	109	(14,385)	—
	¥ 175,699	¥ 205,895	¥ 170,246	¥ 55,252	¥ 793	¥ (14,385)	¥ 593,502
Segment profit	¥ 13,904	¥ 13,710	¥ 15,593	¥ 3,854	¥ 283	¥ (1,914)	¥ 45,432
Segment assets	¥ 193,931	¥ 195,454	¥ 199,925	¥ 64,386	¥ 45,370	¥ 40,513	¥ 739,582
Others:							
Depreciation and amortization	¥ 6,176	¥ 8,298	¥ 8,882	¥ 3,001	¥ 11	¥ 336	¥ 26,705
Amortization of goodwill	—	242	0	—	37	—	280
Interest income	94	262	114	55	2	(16)	512
Interest expenses	809	1,058	1,126	210	14	(724)	2,494
Equity in earnings (losses) of affiliates	11,301	(38)	5,259	—	160	—	16,683
Investments in affiliates accounted for by the equity method	59,430	555	16,678	—	3,135	1,367	81,167
Capital expenditures	5,306	10,630	9,904	3,885	308	477	30,512

	Millions of yen						
	2015						
	Natural gas chemicals	Aromatic chemicals	Specialty chemicals	Information and advanced materials	Other	Adjustments	Consolidated
Sales:							
Sales to third parties	¥ 184,873	¥ 121,126	¥ 164,684	¥ 58,241	¥ 642	¥ —	¥ 529,570
Inter-segment sales	12,745	2,214	1,377	0	110	(16,448)	—
	¥ 197,619	¥ 123,340	¥ 166,062	¥ 58,242	¥ 753	¥ (16,448)	¥ 529,570
Segment profit	¥ 27,220	¥ 1,026	¥ 9,166	¥ 4,066	¥ 1,412	¥ (891)	¥ 42,000
Segment assets	¥ 204,281	¥ 211,422	¥ 212,149	¥ 65,356	¥ 43,348	¥ 54,225	¥ 790,784
Others:							
Depreciation and amortization	¥ 6,916	¥ 3,909	¥ 9,292	¥ 3,316	¥ 8	¥ 326	¥ 23,770
Amortization of goodwill	—	—	477	—	—	—	477
Interest income	30	23	164	52	2	(45)	226
Interest expenses	1,145	703	1,107	233	14	(763)	2,440
Equity in earnings (losses) of affiliates	25,384	(1,009)	1,776	—	1,744	—	27,895
Gain on negative goodwill	137	29	0	0	30	—	198
Investments in affiliates accounted for by the equity method	64,310	611	12,652	—	2,992	4,466	85,033
Capital expenditures	5,766	4,067	7,639	4,397	7	348	22,226

	Thousands of U.S. dollars						
	2016						
	Natural gas chemicals	Aromatic chemicals	Specialty chemicals	Information and advanced materials	Other	Adjustments	Consolidated
Sales:							
Sales to third parties	$1,468,734	$1,804,650	$1,497,346	$ 490,335	$ 6,070	$ —	$5,267,146
Inter-segment sales	90,540	22,595	13,525	9	967	(127,662)	—
	$1,559,274	$1,827,254	$1,510,880	$ 490,344	$ 7,038	$ (127,662)	$5,267,146
Segment profit	$ 123,394	$ 121,672	$ 138,383	$ 34,203	$ 2,512	$ (16,986)	$ 403,195
Segment assets	$1,721,077	$1,734,594	$1,774,272	$ 571,406	$ 402,645	$ 359,540	$6,563,561
Others:							
Depreciation and amortization	$ 54,810	$ 73,642	$ 78,825	$ 26,633	$ 98	$ 2,982	$ 236,999
Amortization of goodwill	—	2,148	0	—	328	—	2,485
Interest income	834	2,325	1,012	488	18	(142)	4,544
Interest expenses	7,180	9,389	9,993	1,864	124	(6,425)	22,133
Equity in earnings (losses) of affiliates	100,293	(337)	46,672	—	1,420	—	148,056
Investments in affiliates accounted for by the equity method	527,423	4,925	148,012	—	27,822	12,132	720,332
Capital expenditures	47,089	94,338	87,895	34,478	2,733	4,233	270,785

Notes:

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

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Elimination of intersegment transactions	**¥ 1**	¥ 44	**$ 9**
Unallocated company-wide expenses	**(1,915)**	(935)	**(16,995)**
	¥ (1,914)	¥ (891)	**$ (16,986)**

*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
	2016	2015	**2016**
Elimination of intersegment balances	**¥ (29,688)**	¥ (25,548)	**$(263,472)**
Unallocated company-wide assets	**70,201**	79,773	**623,012**
	¥ 40,513	¥ 54,225	**$ 359,540**

*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 ¥336 million ($2,982 thousand) and ¥326 million are depreciation and amortization of company-wide assets which are not allocated to reported segments for the years ended March 31, 2016 and 2015, respectively.

(4) "Adjustments in interest income" of ¥(16) million ($(142) thousand) and ¥(45) million are mainly elimination of intersegment transactions for the years ended March 31, 2016 and 2015, respectively.

(5) "Adjustments in interest expenses" of ¥(724) million ($(6,425) thousand) and ¥(763) million are mainly elimination of intersegment transactions for the years ended March 31, 2016 and 2015, respectively.

(6) "Adjustments in investments in affiliates accounted for by the equity method" of ¥1,367 million ($12,132 thousand) and ¥4,466 million are mainly investments which are not allocated to reported segments for the years ended March 31, 2016 and 2015, respectively.

(7) "Adjustments in capital expenditures" of ¥477 million ($4,233 thousand) and ¥348 million are related to company-wide assets which are not allocated to reported segments for the years ended March 31, 2016 and 2015, respectively.

3. Segment profit is adjusted with "Keijo-soneki" disclosed in the consolidated statement of income under accounting principles generally accepted in Japan (See note 27).

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
	2016	2015	**2016**
Japan	**¥ 274,101**	¥ 264,549	**$2,432,561**
Asia:			
China	**71,465**	47,324	**634,230**
Other	**141,644**	140,666	**1,257,047**
U.S.A.	**60,721**	52,712	**538,880**
Other	**45,569**	24,317	**404,411**
Total	**¥ 593,502**	¥ 529,570	**$5,267,146**

Notes:

1. Geographical sales are classified by customer's location.
2. Since sales in China and U.S.A. were over 10% of the consolidated sales, sales in those geographical areas are presented separately from the fiscal year ended March 31, 2016. To reflect this change in presentation, the prior year amounts have been reclassified.

(2) Property, plant and equipment

	Millions of yen 2016	Millions of yen 2015	Thousands of U.S. dollars 2016
Japan	¥ 175,015	¥ 172,468	$1,553,204
Asia	38,320	44,636	340,078
Other	17,188	18,818	152,538
Total	¥ 230,525	¥ 235,923	$2,045,838

3. Information by major customers

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

Information of impairment loss on fixed assets by reported segments

Millions of yen, 2016

	Natural gas chemicals	Aromatic chemicals	Specialty chemicals	Information and advanced materials	Other	Adjustments	Consolidated
Impairment loss	¥ 172	¥ 142	¥ 1,335	¥ 528	¥ —	¥ —	¥ 2,178

Millions of yen, 2015

	Natural gas chemicals	Aromatic chemicals	Specialty chemicals	Information and advanced materials	Other	Adjustments	Consolidated
Impairment loss	¥ 720	¥ 11	¥ 285	¥ 519	¥ —	¥ —	¥ 1,537

Thousands of U.S. dollars, 2016

	Natural gas chemicals	Aromatic chemicals	Specialty chemicals	Information and advanced materials	Other	Adjustments	Consolidated
Impairment loss	$ 1,526	$ 1,260	$ 11,848	$ 4,686	$ —	$ —	$ 19,329

Information of balance of goodwill by reported segments

Millions of yen, 2016

	Natural gas chemicals	Aromatic chemicals	Specialty chemicals	Information and advanced materials	Other	Adjustments	Consolidated
Goodwill	¥ —	¥ 4,401	¥ 1	¥ —	¥ 141	¥ —	¥ 4,543

Millions of yen, 2015

	Natural gas chemicals	Aromatic chemicals	Specialty chemicals	Information and advanced materials	Other	Adjustments	Consolidated
Goodwill	¥ —	¥ 4,642	¥ 1	¥ —	¥ 192	¥ —	¥ 4,836

Thousands of U.S. dollars, 2016

	Natural gas chemicals	Aromatic chemicals	Specialty chemicals	Information and advanced materials	Other	Adjustments	Consolidated
Goodwill	$ —	$ 39,058	$ 9	$ —	$ 1,251	$ —	$ 40,318

Information of negative goodwill incurred by reported segments

No negative goodwill was incurred for the fiscal years ended March 31, 2016 and 2015.

27. The Statement of Income Disclosure under Accounting Principles Generally Accepted in Japan

Under accounting principles generally accepted in Japan, an ordinary income, "Keijo-soneki" should be disclosed in the statement of income. The ordinary income is an income figure with certain adjustments made to profit before income taxes.

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

	Millions of yen 2016	Millions of yen 2015	Thousands of U.S. dollars 2016
Sales	¥ 593,502	¥ 529,570	$5,267,146
Gross profit	123,046	77,210	1,091,995
Operating income	34,018	14,996	301,899
Ordinary income	45,432	42,000	403,195
Profit before income taxes	45,833	46,017	406,754
Profit	38,748	44,406	343,876

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. and its consolidated subsidiaries, which comprise the consolidated balance sheet as of March 31, 2016, 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 consolidated financial position of Mitsubishi Gas Chemical Company, Inc. and its consolidated subsidiaries as of March 31, 2016, and their consolidated financial performance and cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

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, 2016

Corporate Data / Investor Information

As of March 31, 2016

Mitsubishi Gas Chemical Company, Inc.

Establishment
April 21, 1951

Paid-in Capital
¥41.97 billion

Outstanding Shares
483,478,398

Number of Shareholders
24,171

Listing (Ticker Code)
Tokyo (4182)

Stock Transaction Units
1,000 - shares

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

Independent Auditor
BDO Toyo & Co.

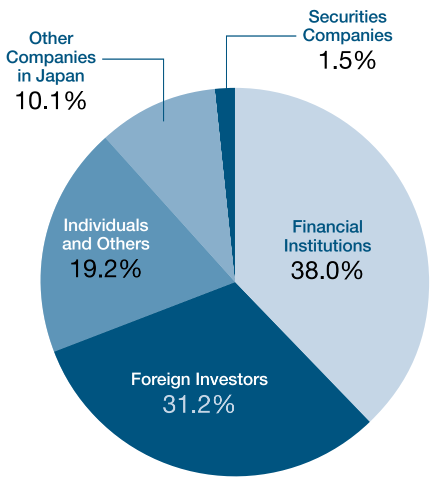
Transfer Agent and Registrar
Mitsubishi UFJ Trust and Banking Corp.

Major Shareholders

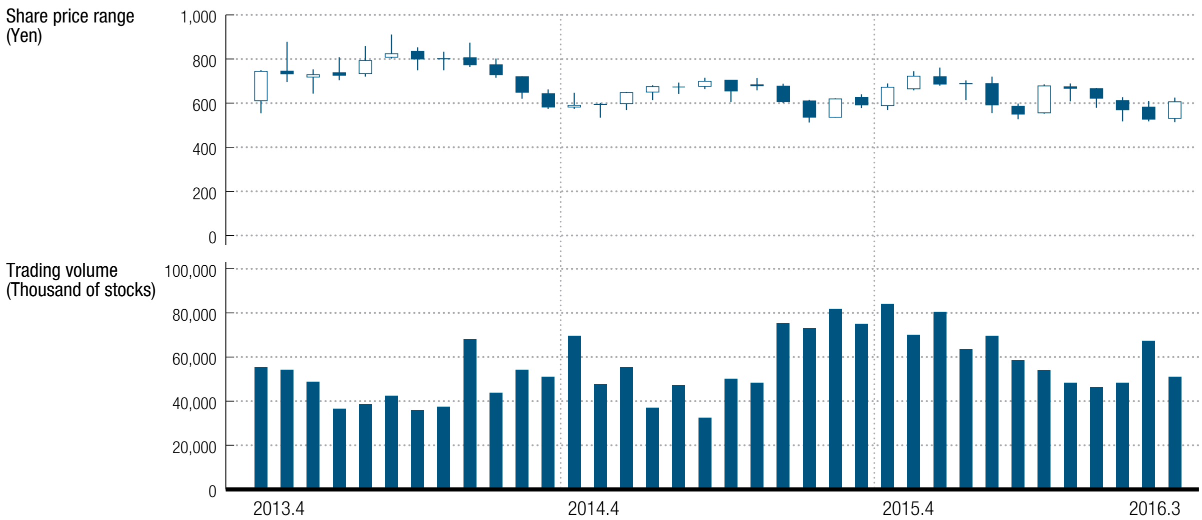
Name	Numbers of shares held (Thousands)	Shareholding ratio (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	21,070	4.8
Nippon Life Insurance Company	17,591	4.0
Meiji Yasuda Life Insurance Company	16,795	3.8
The Master Trust Bank of Japan, Ltd. (Trust Account)	16,447	3.7
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	10,803	2.4
The Norinchukin Bank	10,053	2.3
Asahi Glass Co., Ltd.	9,671	2.2
Mellon Bank, N.A. as Agent for its Client Mellon Omnibus US Pension	8,134	1.8
Mitsubishi UFJ Trust and Banking Corporation	7,012	1.6
The Bank of Yokohama, Ltd.	6,170	1.4

Notes: 1. MGC holds 41,835 thousand shares of treasury stock, which is not included in the above list of major shareholders.
2. Percentage to Total Shares Outstanding does not include treasury stock.

Compositions of Shareholders



Monthly Stock Price Range and Trading Volume



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