

## Unconsolidated Financial Statements for the Fiscal Year Ended March 31, 2001

May 25, 2001

These financial statements have been prepared for reference only in accordance with accounting principles and practices generally accepted in Japan.

<b>Mitsubishi Gas Chemical Co., Inc.</b>	Stock exchange listings:	Tokyo, Osaka, Nagoya
Head office location: Tokyo	Code number:	4182
Contact: Jin Hata	Board of Directors meeting:	May 25, 2001
General Manager	General Meeting of Shareholders:	June 28, 2001
Public & Investor Relations Division	Interim dividend system:	Yes

### 1. Results for Fiscal 2000 (April 1, 2000-March 31, 2001)

#### (1) Sales and Income

Note: All amounts are rounded down to the nearest million yen.

	Net sales (¥ million)	Year-on-year change (%)	Operating income (¥ million)	Year-on-year change (%)	Ordinary income (¥ million)	Year-on-year change (%)
Fiscal 2000	222,817	+ 9.2	5,060	+ 2,946.6	4,593	+ 19.5
Fiscal 1999	209,503	+ 1.0	166	- 87.4	3,843	- 2.7

	Net income (¥ million)	Year-on-year change (%)	Earnings per share (¥)	Earnings per share (diluted) (¥)	Return on equity (%)	Ordinary income/total assets (%)	Ordinary income/net sales (%)
Fiscal 2000	2,355	- 4.2	4.87	—	1.8	1.3	2.0
Fiscal 1999	2,458	+ 103.2	4.95	—	1.9	1.1	1.8

Notes:

1. Average number of shares outstanding: 483,561,731 shares (Fiscal 1999: 496,954,065 shares)
2. Changes in accounting methods: Yes
3. Year-on-year change for net sales, operating income, ordinary income and net income is based on the previous fiscal year.

#### (2) Dividends

	Dividends per share (¥)			Total cash dividends (¥ million)	Payout ratio (%)	Dividends / Shareholders' equity (%)
	Interim	Year-end				
Fiscal 2000	4.00	1.50	2.50	1,933	82.1	1.5
Fiscal 1999	5.00	2.50	2.50	2,460	100.1	1.9

#### (3) Financial Position

	Total assets (¥ million)	Shareholders' equity (¥ million)	Shareholders' equity/total assets (%)	Shareholders' equity per share (¥)
Fiscal 2000	340,901	132,303	38.8	273.65
Fiscal 1999	353,708	132,427	37.4	272.78

Note: Number of shares outstanding at end of period: 483,478,398 shares (Fiscal 1999: 485,478,398 shares)

### 2. Projected Results for Fiscal 2001 (April 1, 2001-March 31, 2002)

	Net sales (¥ million)	Ordinary income (¥ million)	Net income (¥ million)	Annual cash dividends per share (¥)		
				Interim	Year-end	
Interim period	114,000	1,800	1,300	2.50	—	—
Fiscal 2001	238,000	8,000	5,300	—	2.50	5.00

Reference: Estimated earnings per share (fiscal 2001): ¥10.96

## 1. Balance Sheets

(Millions of yen)

	As of March 31, 2001	As of March 31, 2000	Increase (decrease)		As of March 31, 2001	As of March 31, 2000	Increase (decrease)
<b>ASSETS</b>				<b>LIABILITIES</b>			
<b>Current assets</b>	<b>141,971</b>	<b>183,098</b>	<b>(41,127)</b>	<b>Current liabilities</b>	<b>122,495</b>	<b>118,388</b>	<b>4,107</b>
Cash and deposits	10,572	16,067	(5,495)	Notes payable	3,526	2,695	831
Notes receivable	10,288	9,283	1,004	Accounts payable	35,566	30,197	5,368
Accounts receivable	75,509	58,169	17,339	Short-term borrowings	49,709	62,506	(12,797)
Marketable securities	1,200	53,999	(52,799)	Bonds redeemable within one year	10,000	—	10,000
Accrued receivables	4,027	2,351	1,676	Convertible bonds redeemable within one year	1,428	—	1,428
Short-term loans	556	7,625	(7,069)	Deferred payables	6,948	7,747	(799)
Finished products	19,121	16,610	2,511	Accrued income taxes	2,458	69	2,388
Semi-finished products	5,359	4,851	508	Accrued expenses	8,441	7,336	1,105
Raw materials and inventories	11,674	12,647	(972)	Deposits	371	4,550	(4,179)
Prepaid expenses	1,235	856	379	Allowance for bonuses	2,995	3,013	(18)
Deferred tax assets	1,232	557	674	Other current liabilities	1,050	271	779
Other current assets	1,442	345	1,097	<b>Long-term liabilities</b>	<b>86,101</b>	<b>102,892</b>	<b>(16,790)</b>
Allowance for doubtful receivables	(250)	(268)	18	Bonds	40,000	50,000	(10,000)
				Convertible bonds	—	1,428	(1,428)
<b>Fixed assets</b>	<b>198,930</b>	<b>170,609</b>	<b>28,320</b>	Long-term borrowings	37,584	35,484	2,100
Tangible fixed assets:	<b>123,615</b>	<b>130,445</b>	<b>(6,829)</b>	Deferred tax liabilities	—	1,131	(1,131)
Buildings	23,615	23,267	348	Reserve for retirement allowances	—	14,456	(14,456)
Structures	13,319	12,853	466	Reserve for retirement benefits	7,399	—	7,399
Machinery and equipment	56,824	58,135	(1,310)	Reserve for directors' retirement bonuses	824	—	824
Vehicles and carriers	191	238	(46)	Other	293	392	(98)
Tools, furniture and Fixtures	4,555	4,097	457	Total liabilities	<b>208,597</b>	<b>221,280</b>	<b>(12,683)</b>
Land	16,032	16,037	(4)				
Construction in progress	9,075	15,816	(6,740)	<b>SHAREHOLDERS'</b>			
Intangible fixed assets:	<b>1,048</b>	<b>1,142</b>	<b>(93)</b>	<b>EQUITY</b>			
Patents	148	184	(35)	<b>Common stock</b>	<b>41,970</b>	<b>41,970</b>	<b>0</b>
Software	693	736	(42)	<b>Additional paid-in capital</b>	<b>35,518</b>	<b>35,518</b>	<b>0</b>
Other intangible fixed assets	206	221	(15)	<b>Legal reserve</b>	<b>6,878</b>	<b>6,683</b>	<b>194</b>
				<b>Retained earnings:</b>	<b>47,937</b>	<b>48,255</b>	<b>(317)</b>
<b>Investments and Other Assets</b>	<b>74,266</b>	<b>39,022</b>	<b>35,243</b>	Research & development capital	1,500	1,500	0
Investment securities	39,752	6,532	33,220	Reserve for retirement benefits	500	500	0
Stocks and loans of Subsidiaries	27,946	26,896	1,049	Reserve for overseas businesses	7,500	7,500	0
Long-term loans	861	1,108	(246)	Reserve for renewal of facilities	1,700	1,700	0
Long-term prepaid expenses	2,765	1,771	993	Reserve for exploration	1,136	1,426	(290)
Deferred tax assets	512	—	512	Reserve for asset compression	2,902	2,889	12
Other assets	2,762	2,720	41	Reserve for writedown of fixed assets	—	125	(125)
Allowance for doubtful receivables	(335)	(7)	(328)	Reserve for special depreciation	414	441	(27)
				Reserve for loss on overseas investments	296	407	(111)
				General reserve	25,300	28,000	(2,700)
				Unallocated profit	6,687	3,764	2,923
				<b>Total shareholders' equity</b>	<b>132,303</b>	<b>132,427</b>	<b>(123)</b>
<b>Total Assets</b>	<b>340,901</b>	<b>353,708</b>	<b>(12,806)</b>	<b>Total Liabilities and Shareholders' Equity</b>	<b>340,901</b>	<b>353,708</b>	<b>(12,806)</b>

## 2. Statements of Income

(Millions of yen, %)

	Year ended March 31, 2001		Year ended March 31, 2000		Increase (decrease)
Net sales	228,817	100.0%	209,503	100.0%	19,314
Cost of sales	193,577	84.6	178,327	85.1	15,250
Gross profit	35,239	15.4	31,175	14.9	4,063
Selling, general and administrative expenses	30,178	13.2	31,009	14.8	(830)
Operating income	5,060	2.2	166	0.1	4,894
Non-operating income:	<b>5,265</b>	<b>2.3</b>	<b>9,603</b>	<b>4.5</b>	<b>(4,337)</b>
Interest and dividend income	2,042		2,574		(532)
Gain on sale of securities	—		4,886		(4,886)
Other	3,223		2,141		1,081
Non-operating expenses:	<b>5,733</b>	<b>2.5</b>	<b>5,925</b>	<b>2.8</b>	<b>(192)</b>
Interest expenses	1,424		1,682		(258)
Bond interest	1,317		1,325		(7)
Other	2,991		2,918		72
Ordinary income	4,593	2.0	3,843	1.8	749
Extraordinary gains	<b>11,509</b>	<b>5.0</b>	—	—	<b>11,509</b>
Gain on establishment of retirement benefit trust	9,394		—		9,394
Gain on sale of investment securities	1,543		—		1,543
Gain on sale of fixed assets	546		—		546
Reversal of allowance for doubtful receivables	25		—		25
Extraordinary loss	<b>13,518</b>	<b>5.9</b>	<b>1,592</b>	<b>0.7</b>	<b>11,926</b>
Amortization of net retirement benefit obligation at transition	10,577		—		10,577
Provision for directors' retirement bonuses	649		—		649
Loss on disposal of fixed assets	628		356		272
Depreciation of exploration cost	625		776		(150)
Loss on restructuring affiliates	392		—		392
Loss on devaluation of other investments	322		—		322
Loss on devaluation of investment securities	322		459		(137)
Income before income taxes	2,584	1.1	2,251	1.1	333
Corporate, inhabitant's and enterprise taxes	2,547	1.1	477	0.2	2,069
Adjustments to corporate taxes, etc.	(2,318)	(1.0)	(684)	(0.3)	(1,633)
Net income	2,355	1.0	2,458	1.2	(102)
Income carried forward from previous term	5,670		3,131		2,539
Adjustment of deferred income taxes	—		(1,258)		1,258
Reversal of accelerated depreciation reserve associated with application of tax effect accounting	—		3,540		(3,540)
Interim dividend	725		1,246		(521)
Profit reserve	72		124		(52)
Retirement of treasury stock	539		2,736		(2,196)
Unappropriated profit	6,687		3,764		2,923

### 3. Statements of Appropriation of Retained Earnings

(Millions of yen)

	Year ended March 31, 2001	Year ended March 31, 2000	Increase (decrease)
Unappropriated retained earnings at end of year	6,687	3,764	2,923
Transfer from reserve for exploration	17	290	(272)
Transfer from reserve for writedown of fixed assets	131	—	131
Transfer from reserve for special account for writedown of assets	—	125	(125)
Transfer from reserve for special depreciation	78	27	51
Transfer from reserve for losses on overseas investments	104	111	(7)
Transfer from general reserve	—	2,700	(2,700)
<b>Total unappropriated retained earnings</b>	<b>7,019</b>	<b>7,018</b>	<b>1</b>
We propose to appropriate the foregoing as follows:			
Legal reserve	121	122	(1)
Dividends	1,208	1,213	(5)
[Dividends per share (¥)]	[¥2.50]	[¥2.50]	[¥0.00]
Reserve for writedown of fixed assets	—	12	(12)
Reserve for special account for writedown of assets	252	—	252
<b>Total amount appropriated</b>	<b>1,581</b>	<b>1,348</b>	<b>233</b>
<b>Profit carried forward to next term</b>	<b>5,438</b>	<b>5,670</b>	<b>(232)</b>

Note: On December 8, 2000, the Company paid an interim cash dividend of ¥725 million (¥1.50 per share).

## Significant Accounting Policies

1. Valuation of Securities
  - Held-to-maturity securities: Valued at amortized cost
  - Shares of subsidiaries and affiliates: Valued at cost using the moving-average method
  - Other securities: Valued at cost using the moving-average method
2. Standards and methods of valuation of inventory assets: Valued at cost using the weighted average cost method
3. Valuation of Derivatives: Fair value
4. Depreciation of Fixed Assets
  - Tangible fixed assets: Straight-line method
  - Intangible fixed assets: Straight-line method
5. Deferred assets: Stated in full in the period in which the expense is incurred
6. Accounting Standards for Major Reserves
  - Allowance for doubtful receivables:  
The Company provides for uncollectible receivables based on historical loss ratios after auditing doubtful receivables to gauge the likelihood of recovery.

### Reserve for bonuses:

The reserve for bonuses to employees is provided according to the estimated amount to be paid during the period.

### Reserve for retirement benefits:

The Company provides for retirement benefits based on the present value of future retirement benefit obligation projected at the beginning of each fiscal year attributable to employee services rendered by the end of the fiscal year, and the estimated amount of pension plan assets.

A trust for retirement benefits was established with securities held by the Company and the difference resulting from the change in accounting standards (¥10,577 million) was amortized in a lump sum during the year ended March 31, 2001.

### Reserve for retirement bonuses to directors:

Stated as the amount to be paid in accordance with internal Company regulations.

### (Change in Accounting Methods)

Previously, retirement bonuses to directors were expensed as incurred. Beginning in the fiscal year ended March 31, 2001, a reserve is provided for such bonuses in the amount to be paid at the end of the period in accordance with the Company's internal regulations.

This change was made in view of the fact that setting a reserve for directors' retirement bonuses is becoming established as a standard accounting practice. The Company implemented the change in fiscal 2000 along with the revision of internal regulations concerning directors' retirement benefits, in order to further increase the rationality of profit and loss for each period and improve financial soundness by distributing the expense over the directors' terms of office.

The amount of ¥174 million incurred in the year ended March 31, 2001, in accordance with this change, was recorded in selling, general and administrative expenses. The equivalent amount for past years was recorded as an extraordinary loss of ¥649 million. As a result, operating income and ordinary income each decreased by ¥174 million, and income before income taxes decreased by ¥824 million, compared with the respective amounts if the former method had been applied.

As the internal regulations were revised during the second half of the fiscal year, the former method was used for the first half.

If the method used after the change had been applied in the first half, operating income and ordinary income would each have increased by ¥87 million and income before income taxes would have increased by ¥736 million.

Gains or losses resulting from changes in the amount of either the projected benefit obligation or plan assets during the fiscal year are amortized using the straight-line method from the following fiscal year, over a five-year period.

#### 7. Accounting for Lease Transactions

Finance lease transactions other than those for which ownership is deemed to be transferred to the lessee are accounted for as ordinary lease transactions.

#### 8. Consumption taxes

Consumption taxes are excluded from revenues and expenses.

### Additional Information

#### 1. Accounting for Retirement Benefits

Beginning in fiscal 2000, the Company is applying new accounting standards for retirement benefits. As a result of this change, retirement benefit expenses for the fiscal year increased by ¥1,583 million and ordinary income decreased by ¥1,305 million, compared with the respective amounts if the previous method had been applied.

The unrealized loss of ¥10,577 million arising from this change and a gain of ¥9,394 million on the establishment of a retirement benefit trust were recorded in extraordinary gains and losses. As a result, income before income taxes decreased by ¥2,489 million.

The reserve for retirement allowances to employees is included in “Reserve for retirement benefits.”

#### 2. Accounting for Financial Instruments

Beginning in fiscal 2000, the Company is applying new accounting standards for financial instruments, which include a change in the method of valuation of marketable securities.

As result of this change, ordinary income and income before income taxes each increased by ¥243 million, compared with the amounts if the previous method had been applied.

Based on examination of the purpose of holding marketable securities held at the beginning of the period, among bonds intended to be held to maturity, bonds maturing within one year are accounted for under marketable securities in current assets. Others are accounted for under investment securities.

As a result of this change, marketable securities under current assets decreased by ¥42,011 million and investment securities increased by ¥42,011 million.

#### 3. Accounting Standards for Foreign Currency Transactions

Beginning in fiscal 2000, the Company is applying revised accounting standards for foreign currency transactions. The effect of this change on the amounts in the financial statements is immaterial.

#### 4. Application of Market Value to Other Marketable Securities

Beginning in fiscal 2000, other marketable securities to which market values apply are stated at market value.

In accordance with a directive issued by the Ministry of Finance in 2000, the balance sheet amounts of these other marketable securities are as follows:

Balance sheet amount	¥35,585 million
Market value	¥47,213 million
Difference	¥6,740 million
Deferred tax liability	¥4,887 million

#### Notes to Balance Sheets

	(Millions of yen)	
	Fiscal 2000	Fiscal 1999
1. Accumulated depreciation of tangible fixed assets	221,062	216,555
2. Pledged assets	2,661	2,661
3. Loans guaranteed	25,859	17,254
4. Number of treasury shares and balance sheet value	2,346 shares	1,886 shares
	0	0
5. Decrease in number of shares outstanding during the fiscal year		
Retirement of shares using profit		
Number of shares retired:	2,000,000	
Total acquisition cost:	¥539 million	
6. Balance of notes outstanding due to business holiday on last day of the fiscal year		
Trade notes receivable	¥2,192 million	
Notes payable	¥553 million	

#### Notes Pertaining to Lease Transactions

Items pertaining to lease transactions other than those that transfer ownership:

##### 1. Acquisition cost, accumulated depreciation and ending balance of leased assets

(Millions of yen)

	Acquisition cost	Accumulated depreciation	Ending balance
Tools, furniture and fixtures	1,389	866	523
Others	68	28	39
Total	1,458	894	563

##### 2. Future lease payments at end of period

(Millions of yen)

	Fiscal 2000	Fiscal 1999
Due within one year	291	289
Due after one year	271	466
Total	563	756

3. Equivalent amount of lease payments and depreciation expense  
(Millions of yen)

	Fiscal 2000	Fiscal 1999
Lease payments	300	288
Depreciation expense	300	288

4. Method of calculating depreciation expense equivalent

Depreciation expense equivalent of leased assets is calculated using the straight-line method, assuming the lease periods as the useful lives and no residual value.

5. Method of calculating acquisition cost and year-end balance of future lease payments

Total acquisition cost is calculated before deducting portions attributable to interest expenses, as the balance of accrued lease expenses accounts for only a small percentage of tangible fixed assets.

**Notes Related to Marketable Securities**

Stocks of subsidiaries and affiliates traded on stock exchanges  
(Millions of yen)

	Balance sheet amount	Market value	Difference
Stocks of subsidiaries	—	—	—
Stocks of affiliates	2,951	8,319	5,368

**Deferred Tax Accounting**

1. Breakdown of major factors giving rise to deferred tax assets and liabilities (Millions of yen)

(Deferred tax assets)

Reserve for retirement benefits	7,139
Excess in reserve for bonuses	646
Excess in depreciation	582
Other	1,100
Total	<u>9,470</u>

(Deferred tax liabilities)

Gain on establishment of retirement benefit trust	(3,948)
Reserve for reduction of fixed assets	(2,009)
Other	(1,767)
Total	<u>(7,724)</u>
Net deferred tax assets	1,745

2. The effective income tax rate of the Company differed from the statutory tax rate for the following reasons:

Statutory tax rate	42.0%
(Adjustments)	
Expenses not deductible for tax purposes	5.9%
Non-taxable dividend income	-18.7%
Deduction of exploration costs from income	-9.8%
Income not subject to business tax	-8.9%
Other	-1.6%
Effective tax rate	<u>8.9%</u>

**Management Changes**  
(Scheduled for June 28, 2001)

**1. Changes in Representatives**

(1) Promotions	(New title) Director and Chairman Director and President Senior Managing Director	Akira Ohira Hideki Odaka Yukio Ikeda	(Current title) Director and President Managing Director Managing Director
(2) Retirements	(Current title) Director and Chairman Senior Managing Director	Reiji Nishikawa Yasuo Imai	(After retirement) Counselor Advisor Director and President of Ryoyo Shoji Co., Ltd.

**2. Changes in Directors**

(1) Promotions	(New title) Managing Director Managing Director Managing Director Managing Director	Hiroshi Watanabe Rokuro Inoue Kiichi Goto Yasuhiko Kijima	(Current title) Director Director Director Director
(2) New appointments	(New title) Director  Director  Director	Shoji Uematsu  Kazuo Sakai  Toshio Kawasaki	(Current title) Manager of Niigata Factory, Natural Gas Chemicals Company Administrative Division Manager, Aromatic Chemicals Company General Affairs Personnel Manager and Personnel Group Manager
(3) Retirements	(Current title) Managing Director  Managing Director  Director	Yasuhisa Kato  Sadao Masaki  Toru Tanaka	(After retirement) Advisor Director and President of MGC Engineering Co., Ltd. Advisor Director and President of Japan Circuit Industrial Co., Ltd. Senior Managing Director of Japan Hydrazine Co., Inc.

**3. Other Changes**

(1) Retirements	(Current) Counselor	Wakichi Nagano	(After retirement) Special Advisor
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#### 4. Background of Newly Appointed Representative Directors

New Title	Director and President	
Name	Hideki Odaka	
Place of birth	Tokyo	
Education completed	March 1965	Graduated from Dept.of Commercial Science, Hitotsubashi Univ.
Date of birth	March 12, 1942	
Brief history	April 1965	Joined Mitsubishi Edogawa Chemical Co., Ltd. (Now Mitsubishi Gas Chemical Co., Ltd.)
	June 1994	General Manager, <u>Affiliated</u> Businesses Div.
	June 1997	Appointed Director in Charge of Administrative Div., Asset Usage Promotion Office, and <u>Affiliated</u> Businesses Div.
	June 1999	Appointed Managing Director in Charge of Synthetic Resin Business Div.
	June 2000	Appointed Managing Director in Charge of Management Planning Div.
	June 28, 2001	To be appointed Director and President

New Title	Senior Managing Director	
Name	Yukio Ikeda	
Place of birth	Shizuoka Prefecture	
Education completed	March 1964	Graduated from Dept. of Economics, Tokyo University
Date of birth	October 21, 1940	
Brief history	April 1964	Joined Japan Gas Chemical Co., Inc. (Now Mitsubishi Gas Chemical Co., Ltd.)
	June 1994	General Manager, Personnel Div. and General Manager, Human Resource Development Div.
	June 1996	Appointed Director and Manager of Planning Dept., <u>General</u> Planning Div.
	June 1998	Appointed Managing Director and Manager of <u>General</u> Planning Div.
	June 2000	Appointed Managing Director in Charge of General Affairs Personnel Div. and PR & IR Div.
	June 28, 2001	To be appointed Senior Managing Director