Consolidated 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.

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Stock exchange listings: Tokyo, Osaka, Nagoya
Code number: 4182
Board of Directors meeting: May 25, 2001

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

(1) Consolidated 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	323,075	+ 11.6	12,178	+ 130.1	13,633	+ 85.9
Fiscal 1999	289,531	+ 1.1	5,293	-30.6	7,332	- 29.8

	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	7,285	+ 74.6	15.07	15.02	4.2	2.8	4.2
Fiscal 1999	4,172	-38.2	8.40	8.39	2.4	1.5	2.5

Notes:
1. Equity in earnings of affiliates: ¥4,628 million (Fiscal 1999: ¥1,322 million)
2. Average number of shares outstanding (consolidated): 483,559,615 shares (Fiscal 1999: 496,952,238 shares)
3. Changes in accounting methods: Yes
4. Year-on-year change for net sales, operating income, ordinary income and net income is based on the previous fiscal year.

(2) Financial Position

	Total assets (¥ million)	Stockholders' equity (¥ million)	Stockholders' equity/total assets (%)	Stockholders' equity per share (¥)
Fiscal 2000	486,970	175,280	36.0	362.54
Fiscal 1999	481,030	172,718	35.9	355.77

Note: Number of shares outstanding at end of period (consolidated): 483,476,052 shares (Fiscal 1999: 485,476,512 shares)

(3) Cash Flows

	Net cash provided by operating activities (¥ million)	Net cash used in investing activities (¥ million)	Net cash used in financing activities (¥ million)	Cash and cash equivalents at end of period (¥ million)
Fiscal 2000	15,562	(12,398)	(12,622)	31,644
Fiscal 1999	16,697	(17,824)	(7,467)	42,007

(4) Scope of consolidation and application of the equity method
Consolidated subsidiaries: 27 companies
Unconsolidated subsidiaries accounted for by the equity method: None
Affiliated companies accounted for by the equity method: 11 companies

(5) Changes in scope of consolidation and application of the equity method:
Consolidation: (New) 3 companies (Eliminated) 1 company
Equity method: (New) None (Eliminated) 1 company

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

	Net sales (¥ million)	Ordinary income (¥ million)	Net income (¥ million)
Interim period	165,000	6,800	5,400
Fiscal 2001	340,000	17,800	12,400

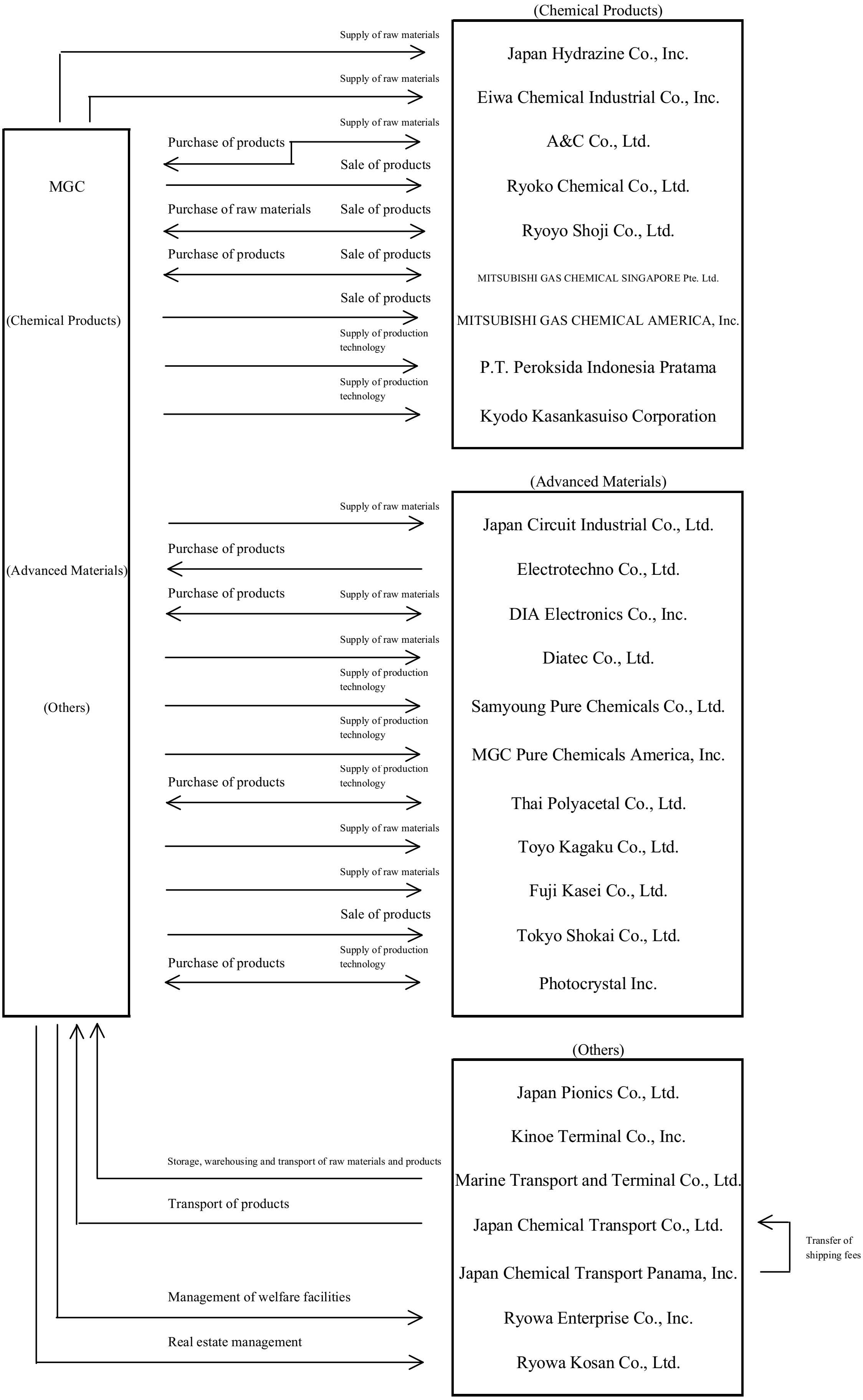
Reference: Estimated net income per share (fiscal 2001): ¥25.65

1. Corporate Group

The MGC Group consists of Mitsubishi Gas Chemical Co., Inc., 63 subsidiaries and 45 affiliates. The main business areas of the Group, and the position of MGC and its principal subsidiaries and affiliates within their respective areas of business, are as follows.

Chemical Products:	Manufacture and sale of methanol, ammonia, urea, xylene and xylene derivatives, hydrogen peroxide, polyhydric alcohol, hydrazine hydrate, and other industrial chemicals Principal subsidiaries and affiliates: Japan Hydrazine Co., Inc., Eiwa Chemical Industrial Co., Inc., A&C Co., Ltd., Ryoko Chemical Co., Ltd., Ryoyo Shoji Co., Ltd., MITSUBISHI GAS CHEMICAL (Singapore) Pte. Ltd., MITSUBISHI GAS CHEMICAL AMERICA, Inc., P.T. Peroksida Indonesia Pratama, Kyodo Kasankasuiso Corporation, Mizushima Aroma Co., Ltd., Japan Saudi Arabia Methanol Co., Inc., AG International Chemical Co., Ltd., Metanol de Oriente, Metor, S.A., MRM Toluic Co., Inc., and 22 other companies, including 9 consolidated subsidiaries and 5 affiliates accounted for by the equity method.
Advanced Materials:	Manufacture and sale of engineering plastics, printed circuit board materials, printed circuit boards, electronic materials, and oxygen absorbing agent AGELESS Principal subsidiaries and affiliates: Japan Circuit Industrial Co., Ltd., Electrotechno Co., Ltd., DIA Electronics Co., Inc., Diatec Co., Ltd., Samyoung Pure Chemicals Co., Ltd., MGC Pure Chemicals America, Inc., Thai Polyacetal Co., Ltd., Toyo Kagaku Co., Ltd., Fuji Kasei Co., Ltd., Tokyo Shokai Co., Ltd., Photocrystal Inc., JSP Co., Ltd., Japan Upica Co., Ltd., Mitsubishi Engineering-Plastics Corp., Korea Engineering Plastics Co., Ltd., and 24 other companies, including 11 consolidated subsidiaries and 4 affiliates accounted for by the equity method.
Others:	Manufacture and sale of gasification equipment for high-purity gases and disposable heating pads Principal subsidiaries and affiliates: Japan Pionics Co., Ltd., Kinoe Terminal Company, Inc., Marine Transport and Terminal Co., Ltd., Japan Chemical Transport Co., Ltd., Japan Chemical Transport Panama Inc., Ryowa Enterprise Co., Inc., Ryowakosan Company, Inc., Toyo Earthtech Co., Ltd., Kokka Sangyo Co., Ltd., and 24 other companies, including 7 consolidated subsidiaries and 2 affiliates accounted for by the equity method.

The corporate group above includes consolidated subsidiaries that are listed on stock exchanges in Japan. The chart that follows on the next page shows the business relationships between the parent company and its principal consolidated subsidiaries and affiliates.


MGC
(Chemical Products)
(Advanced Materials)
(Others)
(Chemical Products)
Supply of raw materials
Japan Hydrazine Co., Inc.
Supply of raw materials
Eiwa Chemical Industrial Co., Inc.
Purchase of products
Supply of raw materials
A&C Co., Ltd.
Sale of products
Ryoko Chemical Co., Ltd.
Purchase of raw materials
Sale of products
Ryoyo Shoji Co., Ltd.
Purchase of products
Sale of products
MITSUBISHI GAS CHEMICAL SINGAPORE Pte. Ltd.
Sale of products
MITSUBISHI GAS CHEMICAL AMERICA, Inc.
Supply of production technology
P.T. Peroksida Indonesia Pratama
Supply of production technology
Kyodo Kasankasuiso Corporation
(Advanced Materials)
Supply of raw materials
Japan Circuit Industrial Co., Ltd.
Purchase of products
Electrotechno Co., Ltd.
Purchase of products
Supply of raw materials
DIA Electronics Co., Inc.
Supply of raw materials
Diatec Co., Ltd.
Supply of production technology
Samyoung Pure Chemicals Co., Ltd.
Supply of production technology
MGC Pure Chemicals America, Inc.
Purchase of products
Supply of production technology
Thai Polyacetal Co., Ltd.
Supply of raw materials
Toyo Kagaku Co., Ltd.
Supply of raw materials
Fuji Kasei Co., Ltd.
Sale of products
Tokyo Shokai Co., Ltd.
Purchase of products
Supply of production technology
Photocrystal Inc.
(Others)
Japan Pionics Co., Ltd.
Kinoe Terminal Co., Inc.
Storage, warehousing and transport of raw materials and products
Marine Transport and Terminal Co., Ltd.
Transport of products
Japan Chemical Transport Co., Ltd.
Transfer of shipping fees
Japan Chemical Transport Panama, Inc.
Management of welfare facilities
Ryowa Enterprise Co., Inc.
Real estate management
Ryowa Kosan Co., Ltd.

2. Management Policy

(1) Basic Management Policies and Company Issues

In line with its corporate philosophy of contributing to the development and harmony of society through creation of broad value based on chemicals, MGC aims to be a chemical company distinguished by excellence. By constantly striving to create new values required by the times and raising the satisfaction and trust of stakeholders, including customers, shareholders and local communities, the MGC Group will work to maximize its corporate value.

In order to clarify the Company's business direction and guidelines for development in the 21st century, MGC formulated a new medium-term management plan, MGC SHINKA 21, and began implementing it in fiscal 2000. Over the period of the plan, MGC will position itself to make major new strides by following three basic policies:
1) Selection and concentration of business and management resources
2) Construction of a sound financial structure through improved asset efficiency
3) Construction and effective implementation of a new management system.

In the first year of MGC SHINKA 21, MGC reduced interest-bearing debt to a level close to that outlined in the plan, and exceeded the plan's targets in reducing fixed costs. Furthermore, the Company strengthened its competitiveness by expanding business in its areas of core competence, and by aggressively promoting strategic alliances and cooperative arrangements with other companies.

MGC is still in the process of establishing a stable earnings base, and will continue its efforts in this area. The Company is also strengthening and expanding its competitive advantage through a policy of selection and concentration and must further bolster corporate value by reorganizing and scaling down unprofitable businesses.

MGC introduced a new management system, the "internal company" system, in July 2000 to establish autonomous, self-reliant operations. The new system supports the flexible, efficient development of businesses by shifting decision-making authority for investment to internal companies, which then manage capital investment based on the cash flows at each company. In addition, return on assets (ROA) was introduced as an indicator for evaluating the companies to achieve greater asset efficiency.

Going forward, MGC plans to deepen this self-reliant, autonomous management system and ensure the effective implementation of the fundamental policies and objectives outlined in MGC SHINKA 21. By doing so, the Company expects to achieve its aim of being a "chemical company distinguished by excellence," as well as maximize its corporate value.

(2) Environmental and Safety Measures
MGC actively promotes responsible care activities in its daily business operations based on its fundamental environment and safety policy. To ensure that MGC operates in harmony with the global environment, the Company conducts organizational activities aimed at specific objectives that apply across the entire company, starting with corporate management that deploys resources to create new economic value.

A soil contamination problem has materialized on land that the Company owned temporarily in Ota Ward, Tokyo. MGC is cooperating with the Tokyo government in investigating the cause of the problem and working toward a solution.

(3) Basic Policy for Profit Distribution
In distributing profits, MGC's policy is to set the level of dividends to shareholders and retained earnings by taking into account a wide range of factors, including performance trends, the management environment and future business development.

Retained earnings are used to reinforce and expand the Company's management base in ways such as bolstering core businesses, developing new products and new technologies, and strengthening the Company's financial structure.

3. Business Results

(1) Summary of Fiscal 2000
During fiscal 2000, the year ended March 31, 2001, despite efforts toward a self-sustaining recovery in the industrial sector, the Japanese economy remained stagnant due to continued flat growth in consumer spending.

In the chemical industry, demand for IT-related products was strong in the first half of the period. However, the challenging business environment continued because of factors such as a rise in crude oil prices.

Against this background, MGC introduced an "internal company" system as a step towards meeting the objectives in its medium term management plan, MGC SHINKA 21. MGC has been striving to enhance profitability and establish autonomous operations that are self-reliant in relation to earnings and investment. As a result, consolidated net sales increased ¥33,543 million over the previous year to ¥323,075 million. Ordinary income increased ¥6,300 million to ¥13,633 million, and net income increased ¥3,112 million to ¥7,285 million.

On a non-consolidated basis, net sales increased ¥19,314 million year-on-year to ¥228,817 million, ordinary income increased ¥749 million to ¥4,593 million, and net income decreased ¥102 million to ¥2,355 million.

The Company plans to pay a year-end cash dividend of ¥2.50 per share. Combined with the interim dividend of ¥1.50 per share, this will bring total dividends for the year to ¥4.00 per share.

MGC booked a one-time charge in fiscal 2000 to cover a shortfall in the reserve for retirement benefits, which occurred as a result of the introduction of present-value accounting standards, by means such as establishing a securities trust.

Continuing its stock repurchase program, MGC acquired 2,000,000 shares of its common stock at a total cost of ¥539,910,000, and completed procedures to cancel the same number of common shares.

(2) Cash Flows
Net cash provided by operating activities in fiscal 2000 was ¥15,562 million. Net cash used in investing activities totaled ¥12,398 million, primarily for investment in plant and equipment. Net cash used in financing activities was ¥12,622 million, partly due to a reduction in interest-bearing debt and the abolition of the company savings system. As a result, cash and cash equivalents as of March 31, 2001 totaled ¥31,644 million, down ¥10,362 million from the previous fiscal year-end.

(3) Results by Business Segment

[Chemical Products]

In the area of methanol and ammonia-based products, the international market for methanol improved and sales of formalin and amine derivatives increased. However, sales of ammonia based products were flat. Both net sales and sales volume of methyl methacrylate and ester-based products increased. Despite increased competition from imports, sales of polyols (polyalcohols) increased slightly.

In the area of xylene products, sales of metaxylene derivative products such as metaxylene diamine and metaxylene nylon (MX nylon) increased. Sales of paraxylene and purified terephthalic acid, a derivative of paraxylene, rose due to increases in both sales volume and price. The phthalic acid-based plasticizers business was transferred to a joint venture with Chisso Corporation, and was recorded as a decline in sales by MGC. However, sales of phthalic anhydride, the raw material to produce these plasticizers, increased.

In the area of industrial chemicals, sales volume of hydrogen peroxide increased reflecting demand for chlorine in the pulp and paper industry. However, net sales of hydrogen peroxide declined slightly due to a drop in prices. The sales volume of sodium hydrosulfite and the price of persulfates declined, resulting in a decline in net sales for both these chemicals. In addition, due to lackluster demand, sales of hydrazine hydrate declined.

As a result, net sales of the Chemical Products Group totaled ¥169,578 million and operating loss was ¥1,279 million.

[Advanced Materials]

Sales of engineering plastics expanded, supported by increases in both sales volume and prices, reflecting steady growth in demand in Japan and overseas, particularly in Asia. Although signs of a downturn in IT-related demand appeared in the latter half of the period, both sales volume and net sales of printed circuit board materials increased. Sales were stable for the oxygen absorber AGELESS, which is used to preserve the freshness of packaged food. The price for chemicals used by the electronics industry dropped, and although sales volume increased, net sales remained near the same level as the previous year. Both sales volume and net sales of lens monomer decreased slightly. Sales of info-advanced materials increased, reflecting continued strong worldwide demand for optical communications-related products and favorable growth for magnetic garnet crystals.

As a result, net sales of the Advanced Materials Group amounted to ¥135,522 million, and operating income totaled ¥10,856 million.

[Other Products]

Despite sales of technologies such as gas production methods employing methanol, overall sales of technology declined from the previous fiscal year. However, sales of equipment for refinery and exhaust gas treatment fared well. Sales in the geothermal steam business remained stable.

As a result, total sales of the Other Products Group were ¥17,976 million, and operating income was ¥2,454 million.

(4) Outlook for the Current Fiscal Year

The downturn in the U.S. economy is slowing the pace of recovery in Asian economies, while in the Japanese economy, capital investment is showing signs of weakening. Due to factors such as these, the economic environment is expected to remain challenging. In the chemical industry, difficult conditions are also forecast to continue amid intensifying global competition, exacerbated by concerns about trends in IT demand and raw material prices.

Taking into account these conditions, MGC will implement various measures to ensure the Company's survival. In line with the medium-term management plan, MGC SHINKA 21, the MGC Group will continue working to strengthen group management based on the new management system, as well as secure a stable earnings base.

Projected consolidated results for the year ending March 31, 2002 are net sales of ¥340.0 billion, ordinary income of ¥17.8 billion and net income of ¥12.4 billion.

On a non-consolidated basis, projected results are net sales of ¥238.0 billion, ordinary income of ¥8.0 billion and net income of ¥5.3 billion. For fiscal 2001, MGC plans to pay an interim dividend of ¥2.50 per share and a year-end dividend of ¥2.50 per share, for a total of ¥5.00 per share.

4. Consolidated Financial Statements

Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2001	As of March 31, 2000	Increase (decrease)
ASSETS			
Current assets	**208,505**	**241,972**	**(33,467)**
Cash and deposits	27,169	27,060	108
Notes and accounts receivable	114,816	92,452	22,363
Marketable securities	4,996	62,158	(57,161)
Inventories	52,878	46,933	5,945
Deferred income taxes	2,501	1,330	1,171
Other current assets	6,742	12,807	(6,065)
Allowance for doubtful receivables	(599)	(770)	170
Fixed assets	**278,465**	**233,021**	**45,443**
Tangible fixed assets	**173,031**	**171,134**	**1,897**
Buildings and structures	51,131	48,805	2,326
Machinery, equipment and vehicles	79,538	76,425	3,113
Land	23,507	23,183	324
Construction in progress	12,862	17,107	(4,244)
Other	5,990	5,612	378
Intangible fixed assets:	**1,886**	**1,766**	**119**
Software	1,028	1,084	(56)
Consolidation adjustments	278	16	262
Other	579	665	(86)
Investments and Other Assets	**103,546**	**60,120**	**43,426**
Investments in securities	91,045	50,635	40,410
Long-term loans	2,517	2,276	241
Deferred income taxes	2,561	76	2,484
Other	8,296	7,562	734
Allowance for doubtful receivables	(874)	(430)	(444)
Foreign Currency Translation Adjustments	**-**	**6,036**	**(6,036)**
Total Assets	**486,970**	**481,030**	**5,939**

	As of March 31, 2001	As of March 31, 2000	Increase (decrease)
LIABILITIES			
Current liabilities	**191,013**	**181,508**	**9,505**
Trade notes and accounts payable	71,007	59,079	11,927
Short-term borrowings	76,293	92,902	(16,609)
Bonds redeemable within one year	11,428	-	11,428
Accrued expenses	10,815	9,630	1,185
Accrued bonuses	4,200	4,230	(29)
Accrued income taxes	4,317	900	3,417
Deferred tax liabilities	97	-	97
Other current liabilities	12,853	14,764	(1,911)
Long-term liabilities	**113,409**	**120,072**	**(6,662)**
Bonds	40,969	51,397	(10,428)
Long-term borrowings	59,930	51,108	8,821
Reserves			
Reserve for retirement benefits	-	16,577	(16,577)
Reserve for retirement and severance benefits	10,076	-	10,076
Reserve for directors' retirement bonuses	1,029	-	1,029
Other	55	44	11
Deferred tax liabilities	533	-	533
Other long-term liabilities	816	944	(128)
Total liabilities	**304,423**	**301,580**	**2,842**
Minority Interests	7,265	6,730	535
STOCKHOLDERS' EQUITY			
Common stock	41,970	41,970	0
Additional paid-in capital	35,518	35,518	0
Revaluation gain (loss)	2,842	-	2,824
Retained earnings	99,604	95,230	4,374
	179,917	172,719	7,198
Foreign currency translation adjustments	(4,636)	-	(4,636)
Treasury stock	(0)	(0)	(0)
Total stockholders' equity	**175,280**	**172,718**	**2,561**
Total Liabilities and Stockholders' Equity	**486,970**	**481,030**	**5,939**

Consolidated Statements of Income and Retained Earnings

(Millions of yen)

	Year ended March 31, 2001	Year ended March 31, 2000	Increase (decrease)
Net sales	323,075	289,531	33,543
Operating expenses	**310,896**	**284,238**	**26,658**
Cost of sales	267,879	241,184	26,695
Selling, general and administrative expenses	43,017	43,054	(36)
Operating income	12,178	5,293	6,885
Non-operating income:			
Interest and dividend income	**8,957**	**10,208**	**(1,251)**
Gain on sale of securities	1,225	1,503	(277)
Equity in earnings of affiliates	-	4,888	(4,888)
Other non-operating income	4,628	1,322	3,306
Non-operating expenses:	3,102	2,495	607
Interest expense	**7,503**	**8,169**	**(666)**
Other non-operating expenses	3,754	4,055	(300)
Ordinary income	3,748	4,113	(365)
	13,633	7,332	6,300
Extraordinary gains	**11,034**	**-**	**11,034**
Gain on establishment of retirement benefit trust	9,394	-	9,394
Gain on sale of investment securities	1,543	-	1,543
Reversal of provision for doubtful receivables	53	-	53
Gain on sale of fixed assets	43	-	43
Extraordinary loss	**15,412**	**1,592**	**13,820**
Amortization of transition obligation resulting from accounting change for retirement and severance benefits	11,557	-	11,557
Loss on restructuring affiliates	909	-	909
Provision for directors' retirement bonuses	649	-	649
Loss on disposal of fixed assets	628	356	272
Amortization of exploration cost	625	776	(150)
Devaluation of other investments	581	-	581
Devaluation of investment securities	459	459	0
Income before income taxes and minority interests	9,255	5,740	3,515
Corporate, inhabitants and enterprise taxes	4,973	2,012	2,961
Adjustments to corporate taxes, etc.	(3,076)	(696)	(2,380)
Minority interests	73	251	(178)
Net income	7,285	4,172	3,112
Consolidated retained earnings at beginning of year	95,230	94,569	660
Accumulated tax effect	-	986	(986)
	95,230	95,555	(325)
Increase in retained earnings			
Increase due to subsidiaries newly consolidated	-	879	(879)
Increase due to revaluation of fixed assets of overseas subsidiaries, etc.	5	-	5
	5	879	(874)
Decrease in retained earnings			
Cash dividends paid	1,938	2,493	(554)
Directors' bonuses	14	87	(72)
Retirement of treasury stock	539	2,736	(2,196)
Decrease due to change in consolidated subsidiaries and affiliates accounted for by the equity method	422	60	362
	2,916	5,377	(2,460)
Net income	7,285	4,172	3,112
Consolidated retained earnings at end of year	99,604	95,230	4,374

Consolidated Statements of Cash Flows

(Millions of yen)

	Year ended March 31, 2001	Year ended March 31, 2000	Increase (decrease)
I. Cash Flows from Operating Activities			
Income before income taxes	9,255	5,740	3,515
Depreciation and amortization	20,092	19,987	105
Equity in earnings of affiliates	(4,628)	(1,322)	(3,306)
(Increase) decrease in reserve for retirement benefits	(234)	65	(299)
Interest and dividend income	(1,225)	(1,503)	277
Interest expenses	3,754	4,055	(300)
Gain on sale of securities	(1,543)	(4,888)	3,345
Loss on valuation of securities	459	878	(418)
Loss on restructuring affiliates	909	-	909
(Increase) decrease in trade notes and accounts receivable	(23,635)	1,406	(25,041)
Increase in inventories	(5,932)	(3,506)	(2,426)
Increase in trade notes and accounts payable	11,333	860	10,473
Gain on contribution of assets to pension trust	(9,394)	-	(9,394)
Amortization of transition obligation resulting from accounting change for retirement and severance benefits	11,557	-	11,557
Bonuses to directors and corporate auditors	1,029	-	1,029
Other, net	8,018	(1,715)	9,734
Subtotal	19,816	20,056	(240)
Interest and dividends received	1,224	1,589	(364)
Interest paid	(3,831)	(4,139)	308
Income taxes paid	(1,647)	(809)	(838)
Net cash provided by operating activities	15,562	16,697	(1,135)
II. Cash Flows from Investing Activities			
Payment for purchase of short-term investments	(39)	(7,331)	7,292
Proceeds from sale of short-term investments	4,369	8,621	(4,252)
Capital expenditures	(22,938)	(24,325)	1,387)
Proceeds from sale of property, plant and equipment	59	1,603	(1,543)
Purchase of investments in securities	(2,308)	(1,884)	(424)
Proceeds from sale of investment securities	2,478	5,106	(2,627)
Acquisition of stock of subsidiaries involving change in scope of consolidation	(801)	-	(801)
Sale of stock of subsidiaries involving change in scope of consolidation	572	-	572
Increase (decrease) in loans	6,834	-	6,834
Other, net	(625)	385	(1,010)
Net cash used in investing activities	(12,398)	(17,824)	5,426
III. Cash Flows from Financing Activities			
Increase in short-term debt	1,307	110	1,196
Proceeds from long-term debt	21,324	16,690	4,634
Repayment of long-term debt	(29,831)	(18,879)	(10,952)
Proceeds from issuance of bonds	1,000	-	1,000
Payment due to abolishment of company deposit system	(3,915)	-	(3,915)
Purchase of common stock for retirement	(539)	(2,736)	2,196
Dividends paid to stockholders	(1,938)	(2,493)	554
Dividends paid to minority stockholders of subsidiaries	(143)	(161)	17
Other, net	114	-	114
Net cash used in financing activities	(12,622)	(7,467)	(5,155)
IV. Effect of exchange rate changes on cash and cash equivalents	(806)	49	(855)
V. Net decrease in cash and cash equivalents	(10,265)	(8,544)	(1,721)
VI. Cash and cash equivalents at beginning of year	42,007	50,188	(8,181)
VII. Increase in cash and cash equivalents due to the addition of consolidated subsidiaries, net	252	663	(411)
VIII. Decrease in cash and cash equivalents due to the exclusion of consolidated subsidiaries, net	(349)	(300)	(48)
IX. Cash and cash equivalents at end of year	31,644	42,007	(10,362)

Preparation of the Consolidated Financial Statements

1. Scope of Consolidation

Among the 63 subsidiaries, the following 27 companies are consolidated subsidiaries:

Eiwa Chemical Industrial Co., Inc., A&C Co., Ltd., Electrotechno Co., Ltd., MGC Pure Chemicals America, Inc., Marine Transport and Terminal Co., Ltd., Kinoe Terminal Company, Inc., Samyoung Pure Chemicals Co., Ltd., DIA Electronics Co., Inc., Diatec Co., Ltd., Tokyo Shokai Co., Ltd., Toyo Kagaku Co., Ltd., Japan Pionics Co., Ltd., Japan Circuit Industrial Co., Ltd., Japan Hydrazine Co., Inc., Fuji Kasei Co., Ltd., Ryoko Chemical Co., Ltd., Ryowa Enterprise Co., Inc., MITSUBISHI GAS CHEMICAL (Singapore) Pte. Ltd., Japan Chemical Transport Co., Ltd., Japan Chemical Transport Panama Inc., Ryowakosan Company, Inc., Thai Polyacetal Co., Ltd., Ryoyo Shoji Co., Ltd., MITSUBISHI GAS CHEMICAL AMERICA, Inc., P.T. Peroksida Indonesia Pratama, Kyodo Kasankasuiso Corporation, and Photocrystal Inc.

Kyodo Kasankasuiso Corporation and Photocrystal Inc. were newly established during the year ended March 31, 2001, but are included in the scope of consolidation because of their importance. P.T. Peroksida Indonesia Pratama was accounted for by the equity method in the previous fiscal year, but is included in the scope of consolidation because it became a subsidiary due to the parent company's purchase of shares it had owned indirectly. However, the equity method is applied to the profit and loss of this subsidiary to reflect the period of substantial management control during the year ended March 31, 2001.
Kashima Polymer Co., Ltd. was excluded from the scope of consolidation because the parent company sold all of its equity in this company during the consolidated accounting period.

2. Application of the Equity Method

Among the 36 unconsolidated subsidiaries and 45 affiliated companies, the following 11 companies are accounted for by the equity method:

Japan-Saudi Arabia Methanol Company, Mizushima Aroma Co., Ltd., AG International Chemical Co., Ltd., Japan Upica Co., Ltd., Toyo Earthtech Co., Ltd., JSP Corporation, Metanol de Oriente, Metor, S.A., Mitsubishi Engineering Plastics Corp., Korea Engineering Plastics Co., Ltd., Kokka Sangyo Co., Ltd., and MRM Toluic Co., Inc.

In applying the equity method to JSP Corporation, profit and loss is calculated by including the equity in earnings of that company's subsidiaries Japan Zanpack Co., Ltd., KP Co., Ltd., and JSP America Inc. In applying the equity method to Metanol de Oriente, Metor, S.A., profit and loss is calculated by including the equity in earnings of that company's affiliate Saudi Methanol Co., Inc. (incorporated in Saudi Arabia).

3. Items Related to Account Settlement Date of Consolidated Subsidiaries

The account settlement date of consolidated subsidiaries MITSUBISHI GAS CHEMICAL (Singapore) Pte. Ltd., Samyoung Pure Chemicals Co., Ltd., MGC Pure Chemicals, Inc., Thai Polyacetal Co., Ltd., and P.T. Peroksida Indonesia Pratama is December 31, 2000. The accounts of these subsidiaries as of December 31 are used in preparing the consolidated financial statements, and adjustments are made as necessary to account for significant transactions occurring between January 1 and March 31, 2001.

4. Accounting Standards

(1) Valuation of major assets

① Securities

Held-to-maturity securities:	Valued at amortized cost
Stocks of subsidiaries and affiliates	Valued at cost using the moving-average method
Other securities	Valued at cost using the moving-average method

② Derivatives

Fair value

③ Inventories

Valued principally at cost using the weighted average cost method.

④ Depreciation of tangible fixed assets

The parent company and 14 consolidated subsidiaries use the straight-line method, five consolidated subsidiaries use the straight-line method and declining balance method, and eight companies principally use the declining balance method.

⑤ Deferred tax assets

Charged to income in the full amount as incurred.

⑥ Allowance for doubtful receivables

An allowance for doubtful receivables is provided based on historical loss ratios for general credits and in the estimated uncollectible amount, taking into consideration the possibility of collection, for specific credits.

⑦ Reserve for bonuses:

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

⑧ Reserve for retirement and severance benefits:

The Company and five consolidated subsidiaries provide for employees' retirement benefits in the amount of the projected benefit obligation at the end of the fiscal year, less the estimated amount of pension plan assets.

A one-time charge was recorded in the year ended March 31, 2001 to account for the transition obligation resulting from the accounting change for retirement and severance benefits.

⑨ Reserve for retirement benefits to directors

The parent company and five consolidated subsidiaries provide a reserve for retirement benefits to directors in the amount to be paid in accordance with internal Company regulations.

(Changes in accounting methods)

Previously, retirement benefits to directors were expensed as incurred. Beginning in the fiscal year ended March 31, 2001, a reserve is provided for such benefits 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 benefits 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.

In accordance with this change, the amount of ¥174 million incurred in the year ended March 31, 2001 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.

⑩ Lease transactions

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

⑪ Consumption taxes

Consumption taxes are excluded from revenues and expenses.

5. Valuation of Assets and Liabilities of Consolidated Subsidiaries

Assets and liabilities of consolidated subsidiaries are valued using the full mark-to-market method.

6. Amortization of Consolidation Adjustment Account

The consolidation adjustment account is amortized on a straight-line basis over five years.

7. Appropriation of Profits

The Consolidated Statements of Retained Earnings are prepared on the basis of profit distributions decided during the consolidated fiscal year.

8. Scope of Funds in the Consolidated Statements of Cash Flows

Cash and cash equivalents in the consolidated statements of cash flows comprise cash on hand, demand deposits, and short-term investments that are readily convertible into cash, are exposed to insignificant risk of changes in value and are redeemable in three months or less.

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 ¥1,481 million and ordinary income decreased by ¥1,222 million, compared with the respective amounts if the previous method had been applied.

The transition obligation of ¥11,557 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 ¥3,379 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 ¥292 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 ¥42,535 million and investment securities increased by ¥42,535 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	¥36,455 million
Market value	¥48,330 million
Difference	¥6,858 million
Deferred tax liability	¥4,990 million
Minority interests	¥25 million

Notes

Balance Sheet Items

(Millions of yen)

	As of March 31, 2001	As of March 31, 2000
Accumulated depreciation of tangible fixed assets	280,927	271,087
Discounted notes receivable	1,634	1,401
Treasury stock	2,346 shares (¥0 million)	1,886 shares (¥0 million)

Notes due on the last day of the fiscal year are processed on the bill clearing day. The following notes outstanding due on the last day of the fiscal year, a bank holiday, were included in the year-end balances:

Trade notes receivable ¥3,946 million
Notes payable ¥2,856 million

Cash Flow Statement Items

Relationship between the ending balance of cash and cash equivalents and items presented in the consolidated balance sheets:

(Millions of yen)

	Year ended March 31, 2001	Year ended March 31, 2000
Cash and deposits	27,169	27,060
Time deposits with maturities exceeding three months	(472)	(366)
Securities redeemable within three months	4,948	15,314
Total	31,644	42,007

Lease Transactions

Finance Lease Transactions Other than Those that Transfer Ownership

1. Acquisition cost, accumulated depreciation and net book value of leased assets

(Millions of yen)

	Year ended March 31, 2001				Year ended March 31, 2000			
	Machinery, equipment & vehicles	Tools & fixtures	Others	Total	Machinery, equipment & vehicles	Tools & fixtures	Others	Total
Acquisition cost	2,036	2,045	288	4,369	2,195	1,925	253	4,373
Accumulated depreciation	970	1,252	187	2,410	1,054	912	119	2,085
Net book value	1,065	793	100	1,959	1,140	1,013	133	2,288

2. Year-end balance of future minimum lease payments (Millions of yen)

	As of March 31, 2001	As of March 31, 2000
Due within one year	839	804
Due over one year	1,120	1,483
Total	1,959	2,288

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

3. Lease payments (Millions of yen)

	As of March 31, 2001	As of March 31, 2000
Lease payments	838	877
Depreciation expense	838	877

4. Method of calculating depreciation expense

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

5. Segment Information

① Industry Segment Information

Fiscal 2000 (April 1, 2000-March 31, 2001) (Millions of yen)

	Chemical Products	Advanced Materials	Others	Total	Eliminations & Corporate	Consolidated
1. Net sales & operating income:						
Net sales:						
(1) Sales to outside customers	169,577	135,552	17,975	323,075	-	323,075
(2) Intersegment sales and transfers	3,975	2,338	1,160	7,473	(7,473)	-
Total	173,552	137,860	19,135	330,549	(7,473)	323,075
Operating expenses	174,831	127,004	16,681	318,518	(7,621)	310,896
Operating income (loss)	(1,279)	10,855	2,454	12,030	147	12,178
2. Assets, depreciation and capital expenditures:						
Assets	223,153	185,257	33,844	442,255	44,714	486,970
Depreciation	11,192	7,901	998	20,092	-	20,092
Capital expenditures	9,174	13,115	981	23,271	-	23,271

Fiscal 1999 (April 1, 1999-March 31, 2000) (Millions of yen)

	Chemical Products	Advanced Materials	Others	Total	Eliminations & Corporate	Consolidated
1. Net sales & operating income:						
Net sales:						
(1) Sales to outside customers	149,155	122,032	18,343	289,531	-	289,531
(2) Intersegment sales and transfers	4,206	1,212	2,060	7,479	(7,479)	-
Total	153,362	123,244	20,404	297,010	(7,479)	289,531
Operating expenses	155,810	117,575	18,499	291,885	(7,646)	284,238
Operating income (loss)	(2,448)	5,668	1,904	5,125	167	5,293
2. Assets, depreciation and capital expenditures:						
Assets	206,562	170,798	35,779	413,140	67,890	481,030
Depreciation	11,314	7,690	982	19,987	-	19,987
Capital expenditures	13,966	9,344	847	24,158	-	24,158

Notes:

1) Business segments are classified as Chemical Products, Advanced Materials and Others, on the basis of the type of products, markets, and type of business.

2) Principal Products of Each Business Segment
Chemical Products: Methanol, ammonia, urea, xylene and xylene derivatives, hydrogen peroxide, polyhydric alcohol, hydrazine hydrate and other industrial chemicals
Advanced Materials: Engineering plastics, printed circuit board materials, printed circuit boards, electronic materials, oxygen absorbing agent AGELESS
Others: Gasification equipment and purification equipment for high-purity gases, disposable heating pads

3) Corporate assets included in "Eliminations & Corporate Assets" for fiscal 2000 and fiscal 1999 were ¥57,413 million and ¥83,863 million, respectively, and consist primarily of surplus funds (cash and deposits and marketable securities), long-term investments (investment securities, etc.) and assets relating to the administrative operations of the parent company.

② Geographical Segment Information

Fiscal 2000 (April 1, 2000-March 31, 2001)
As net sales and total assets of the consolidated subsidiaries outside Japan constituted less than 10 percent of the consolidated totals for fiscal years 2000 and 1999, disclosure of geographical segment information has been omitted.

③ Overseas Sales

Fiscal 2000 (April 1, 2000-March 31, 2001) (Millions of yen)

Category	Asia	North & South America	Others	Total
I. Overseas net sales	71,383	19,608	6,143	97,135
II. Consolidated net sales				323,075
III. Overseas sales/Consolidated net sales	22.1%	6.1%	1.9%	30.1%

Fiscal 1999 (April 1, 1999-March 31, 2000) (Millions of yen)

Category	Asia	North & South America	Others	Total
I. Overseas net sales	52,892	9,986	6,114	68,993
II. Consolidated net sales				289,531
III. Overseas sales/Consolidated net sales	18.3%	3.4%	2.1%	23.8%

Notes:

1) Country and regional segments are based on geographic proximity.

2) Main countries and regions included in each segment:

(a) Asia: Thailand, Malaysia, India, Indonesia, Korea, China and Taiwan

(b) North & South America: U.S.A., Mexico and Brazil

(c) Other: Australia, New Zealand, Germany, Netherlands, Italy, Great Britain and South Africa

3) Overseas net sales are export sales of the Company and domestic consolidated subsidiaries and sales (other than exports from Japan) of overseas subsidiaries.

6. Production, Orders and Sales

① Production

Fiscal 2000 (Year ended March 31, 2001) (Millions of yen)

Business Segment	Fiscal 2000	Fiscal 1999
Chemical Products	105,802	93,767
Advanced Materials	114,672	112,478
Other	7,927	5,490
Total	228,401	211,735

Notes:
1. Amounts shown are based on selling prices.
2. Consumption taxes are not included in the amounts above.

② Status of Orders

Because the MGC Group carries out production according to projections, this information is not available.

③ Sales

Fiscal 2000 (Year ended March 31, 2001) (Millions of yen)

Business Segment	Fiscal 2000	Fiscal 1999
Chemical Products	169,577	149,155
Advanced Materials	135,522	122,032
Other	17,975	18,343
Total	323,075	289,531

Note: Consumption taxes are not included in the amounts above.

7. Marketable Securities

Fiscal 2000 (As of March 31, 2000) (Millions of yen)

	As of March 31, 2000		
	Balance sheet amount	Fair value	Valuation gain (loss)
(1) Items classified as current assets:			
Stocks	41,098	68,459	27,360
Bonds	84	81	(2)
Others	233	180	(53)
Sub-total	41,416	68,721	27,304
(2) Items classified as fixed assets:			
Stocks	19,705	17,612	(2,093)
Bonds	50	54	3
Others	—	—	—
Sub-total	19,756	17,666	(2,090)
Total	61,173	86,387	25,214

Notes:

1. Standards for calculating fair value

(1) Listed marketable securities:
Closing prices on Tokyo Stock Exchange

(2) Marketable securities traded over-the-counter:
Closing prices quoted by the Japan Securities Dealers Association

(3) Beneficiary certificates of unlisted investment trusts:
Standard prices

(4) Unlisted securities:
Valuation computed based on yield and remaining maturity period of OTC standard bonds, as published by the Japan Securities Dealers Association.

2. Book values of securities excluded from the above information as of March 31, 2001 were as follows:

	(Millions of yen)
Current assets:	
Commercial paper	¥11,988
Unlisted foreign securities	5,230
Securities under repurchase agreement	2,999
Other	523
Fixed assets:	
Unlisted equity stocks (except for OTC stocks)	¥28,544
Unlisted foreign securities	2,176
Other	158

Fiscal 2000 (As of March 31, 2001)

1. Held-to-maturity securities with market value

(Millions of yen)

	Balance sheet amount	Fair value	Valuation gain (loss)
Securities with market values that exceed amount on consolidated balance sheets:			
(1) Government and municipal bonds	50	54	4
(2) Corporate bonds	2,176	2,444	268
(3) Others	48	48	0
Total	2,275	2,547	272

2. Other marketable securities sold during fiscal 2000 (April 1, 2000-March 31, 2001)

(Millions of yen)

Amount sold	Total profit on sales	Total loss on sales
19,166	1,228	16

3. Description and consolidated balance sheet amount of securities without market value (As of March 31, 2001)

(Millions of yen)

	Balance sheet amount
Investments in affiliates	
Unlisted equity securities (excluding over-the-counter stock)	5,443
Other marketable securities	
Unlisted equity securities (excluding over-the-counter stock)	2,952
Corporate bonds	1,230
Investment trusts and others	4,947
Total	14,573

4. Projected future redemption of securities with maturities and held-to-maturity bonds included in other marketable securities (As of March 31, 2001)

(Millions of yen)

	Due within one year	Due after 1-5 years	Due after 5-10 years	Due after 10 years
(1) Bonds				
Corporate bonds	--	2,176	--	--
Other	65	99	20	2
Total	65	2,275	20	2

8. Contract Amounts, Market Value and Valuation Gain/Loss of Derivative Transactions

Fiscal 2000 (As of March 31, 2001)

Currency transactions (Millions of yen)

	Type of transaction	Fiscal 2000			
		Total		Market value	Unrealized gain (loss)
			Due over one year		
Forward exchange contracts	U.S. dollars selling	12	--	13	(0)
	U.S. dollars buying	1,157	131	1,364	207
Total		--	—	--	206

Note: Market value at year-end is computed using prices on the futures market.

Interest transactions (Millions of yen)

	Type of transaction	Fiscal 2000			
		Total		Market value	Unrealized gain (loss)
			Due over one year		
Interest rate swaps	Fixed rate received for variable rate	--	--	--	--
	Variable rate received for fixed rate	72,467	27,534	(648)	(648)
Total		72,467	27,534	(648)	(648)

Note: Market value is computed based on prices given by financial institutions with which the Company has business relations.

Fiscal 1999 (As of March 31, 2000)

Currency transactions (Millions of yen)

	Type of transaction	Fiscal 2000			
		Total		Market value	Unrealized gain (loss)
			Due over one year		
Forward exchange contracts	U.S. dollars selling	--	--	--	--
	U.S. dollars buying	1,703	--	1,712	8
Total		--	—	--	8

Notes:
1. Market value at year-end is computed using prices on the futures market.
2. Receivables and payables in foreign currencies, of which yen amounts at settlement were fixed and stated at the corresponding yen amounts on the balance sheet due to future contracts, are excluded from the above information.

Interest transactions (Millions of yen)

	Type of transaction	Fiscal 2000			
		Total		Market value	Unrealized gain (loss)
			Due over one year		
Interest rate swaps	Fixed rate received for variable rate	4,000	--	45	45
	Variable rate received for fixed rate	30,231	17,991	(191)	(191)
Total		34,231	17,991	(146)	(146)

Note: Market value is computed based on prices given by financial institutions with which the Company has business relations.

9. Retirement Benefits

① Description of retirement benefit system used

The Company and its domestic consolidated subsidiaries have defined benefit retirement plans comprising tax-qualified noncontributory pension plans and lump-sum payment plans. In addition, certain consolidated subsidiaries have welfare pension plans.

② Retirement benefit obligation (As of March 31, 2001)

(Millions of yen)

1. Projected benefit obligation	(41,982)
2. Plan assets at fair value	13,433
3. Assets contributed to the pension trust	16,157
4. Funded status (1+2+3)	(12,391)
5. Unrecognized actuarial loss	3,355
6. Unrecognized prior service cost	(605)
7. Amount recognized in consolidated balance sheet (4+5+6)	(9,641)
8. Prepaid retirement and severance benefits	434
9. Reserve for retirement and severance benefits (7-8)	(10,076)

Note: Some subsidiaries use the simplified method in calculating the retirement benefit obligation.

③ Net periodic pension cost (Year ended March 31, 2001)

(Millions of yen)

1. Service cost	1,809
2. Interest cost	1,350
3. Expected return on plan assets	(325)
4. Amortization of transition obligation existing at April 1, 2000	11,557
5. Amortization of actuarial loss	776
6. Amortizaton of prior service cost	(5)
7. Net periodic pension cost ((1)+(2)+(3)+(4)+(5)+(6))	15,162

Note: Retirement benefit expenses for consolidated subsidiaries that use the simplified method are included in “1. Service cost”.

④ Basis for calculation of retirement benefit obligation, etc.

1. Periodic allocation method for projected benefits	Straight-line
2. Discount rate	Primarily 3.5%
3. Expected rate of return on plan assets	Primarily 2.5%
4. Period for amortization of unrecognized prior service cost	10 years
5. Period for amortization of unrecognized actuarial loss	10 years
6. Period for amortization of transition obligation existing at April 1, 2000	Lump sum in first year

10. Deferred Tax Accounting

1) Breakdown of major factors giving rise to deferred tax assets and liabilities

Fiscal 2000 (As of March 31, 2001) (Millions of yen)

(Deferred tax assets)	
Reserve for retirement and severance benefits	7,702
Elimination of intercompany profits	1,584
Accrued employees' bonuses	891
Depreciation	693
Other	2,065
Total	12,938
(Deferred tax liabilities)	
Gain on contribution of assets to pension trust	(3,948)
Reserve for appropriation of profits, etc.	(3,611)
Other	(946)
Total	(8,505)
Net deferred tax assets	4,432

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

(%)

Statutory tax rate	40.9
(Adjustments)	
Equity in earnings of affiliated companies	-20.1
Tax credit for exploration cost	-2.7
Dividend income not credited for tax purposes	-0.3
Entertainment expenses not deductible for tax purposes	2.3
Other	0.4
Effective tax rate	20.5

11. Related Party Transactions

1) Subsidiaries and Affiliates

Fiscal 2000 (Year ended March 31, 2001)

Type	Affiliate			
Name of company	Mitsubishi Engineering-Plastics Corp.			
Address	Chuo-ku Tokyo			
Capital	¥3,000 million			
Description of business	Processing and sale of synthetic resins			
Equity ownership	50% directly owned			
Description of relationship	Directors serving concurrently, etc.	Concurrent: 3 Dispatched: 3 Transferred: 3		
	Business relationship	Sale of synthetic resins		
Description and amount of transactions		Amount	Line item	Ending balance
	Sale of synthetic resins	¥28,089 million	Accounts receivable	¥11,646 million
	Sale of investment securities			
	Proceeds	¥572 million	--	--
	Realized gain	¥317 million	--	--

Notes:
1. In the sale of synthetic resins, selling prices are determined in the same way as ordinary transactions through price negotiations based on reference to market prices. Consumption tax is not included in transaction amounts, but is included in the ending balance of accounts receivable.
2. Selling prices of investment securities are determined by net asset value, and paid for on a lump-sum cash basis.

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.

Mitsubishi Gas Chemical Co., Inc.	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)
ASSETS			
Current assets	**141,971**	**183,098**	**(41,127)**
Cash and deposits	10,572	16,067	(5,495)
Notes receivable	10,288	9,283	1,004
Accounts receivable	75,509	58,169	17,339
Marketable securities	1,200	53,999	(52,799)
Accrued receivables	4,027	2,351	1,676
Short-term loans	556	7,625	(7,069)
Finished products	19,121	16,610	2,511
Semi-finished products	5,359	4,851	508
Raw materials and inventories	11,674	12,647	(972)
Prepaid expenses	1,235	856	379
Deferred tax assets	1,232	557	674
Other current assets	1,442	345	1,097
Allowance for doubtful receivables	(250)	(268)	18
Fixed assets	**198,930**	**170,609**	**28,320**
Tangible fixed assets:	**123,615**	**130,445**	**(6,829)**
Buildings	23,615	23,267	348
Structures	13,319	12,853	466
Machinery and equipment	56,824	58,135	(1,310)
Vehicles and carriers	191	238	(46)
Tools, furniture and Fixtures	4,555	4,097	457
Land	16,032	16,037	(4)
Construction in progress	9,075	15,816	(6,740)
Intangible fixed assets:	**1,048**	**1,142**	**(93)**
Patents	148	184	(35)
Software	693	736	(42)
Other intangible fixed assets	206	221	(15)
Investments and Other Assets	**74,266**	**39,022**	**35,243**
Investment securities	39,752	6,532	33,220
Stocks and loans of Subsidiaries	27,946	26,896	1,049
Long-term loans	861	1,108	(246)
Long-term prepaid expenses	2,765	1,771	993
Deferred tax assets	512	—	512
Other assets	2,762	2,720	41
Allowance for doubtful receivables	(335)	(7)	(328)
Total Assets	**340,901**	**353,708**	**(12,806)**

	As of March 31, 2001	As of March 31, 2000	Increase (decrease)
LIABILITIES			
Current liabilities	**122,495**	**118,388**	**4,107**
Notes payable	3,526	2,695	831
Accounts payable	35,566	30,197	5,368
Short-term borrowings	49,709	62,506	(12,797)
Bonds redeemable within one year	10,000	—	10,000
Convertible bonds redeemable within one year	1,428	—	1,428
Deferred payables	6,948	7,747	(799)
Accrued income taxes	2,458	69	2,388
Accrued expenses	8,441	7,336	1,105
Deposits	371	4,550	(4,179)
Allowance for bonuses	2,995	3,013	(18)
Other current liabilities	1,050	271	779
Long-term liabilities	**86,101**	**102,892**	**(16,790)**
Bonds	40,000	50,000	(10,000)
Convertible bonds	—	1,428	(1,428)
Long-term borrowings	37,584	35,484	2,100
Deferred tax liabilities	—	1,131	(1,131)
Reserve for retirement allowances	—	14,456	(14,456)
Reserve for retirement benefits	7,399	—	7,399
Reserve for directors' retirement bonuses	824	—	824
Other	293	392	(98)
Total liabilities	**208,597**	**221,280**	**(12,683)**
SHAREHOLDERS' EQUITY			
Common stock	**41,970**	**41,970**	**0**
Additional paid-in capital	**35,518**	**35,518**	**0**
Legal reserve	**6,878**	**6,683**	**194**
Retained earnings:	**47,937**	**48,255**	**(317)**
Research & development capital	1,500	1,500	0
Reserve for retirement benefits	500	500	0
Reserve for overseas businesses	7,500	7,500	0
Reserve for renewal of facilities	1,700	1700	0
Reserve for exploration	1,136	1,426	(290)
Reserve for asset compression	2,902	2,889	12
Reserve for writedown of fixed assets	—	125	(125)
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
Total shareholders' equity	**132,303**	**132,427**	**(123)**
Total Liabilities and Shareholders' Equity	**340,901**	**353,708**	**(12,806)**

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:	**5,265**	**2.3**	**9,603**	**4.5**	**(4,337)**
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:	**5,733**	2.5	**5,925**	**2.8**	**(192)**
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	**11,509**	**5.0**	**—**	**—**	**11,509**
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	**13,518**	**5.9**	**1,592**	**0.7**	**11,926**
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)
Total unappropriated retained earnings	7,019	7,018	1
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
Total amount appropriated	1,581	1,348	233
Profit carried forward to next term	5,438	5,670	(232)

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	9,470
(Deferred tax liabilities)	
Gain on establishment of retirement benefit trust	(3,948)
Reserve for reduction of fixed assets	(2,009)
Other	(1,767)
Total	(7,724)
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	8.9%

Management Changes
(Scheduled for June 28, 2001)

1. Changes in Representatives

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

2. Changes in Directors

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

3. Other Changes

(1) Retirements	(Current)		(After retirement)
	Counselor	Wakichi Nagano	Special Advisor

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, Affiliated Businesses Div.
	June 1997	Appointed Director in Charge of Administrative Div., Asset Usage Promotion Office, and Affiliated 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., General Planning Div.
	June 1998	Appointed Managing Director and Manager of General 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