

Gun Ei Chemical Industry Co., Ltd.

Consolidated Financial Statements

Consolidated balance sheets

As of March 31, 2013 and 2014

	Unit : Millions of yen	
	March 31, 2013	March 31, 2014
Assets		
Current assets		
Cash and deposits	4,616	6,795
Notes and accounts receivable-trade	7,670	7,322
Short-term investment securities	584	508
Merchandise and finished goods	2,135	2,179
Work in process	20	55
Raw materials and supplies	956	1,015
Deferred tax assets	203	221
Other	352	255
Allowance for doubtful accounts	(0)	(0)
Total current assets	16,539	18,353
Non-current assets		
Property, plant and equipment		
Buildings and structures	20,163	20,436
Accumulated depreciation and impairment loss	(13,692)	(13,969)
Buildings and structures, net	6,470	6,466
Machinery, equipment and vehicles	25,783	26,871
Accumulated depreciation and impairment loss	(22,370)	(23,258)
Machinery, equipment and vehicles, net	3,412	3,613
Land	7,646	7,646
Lease assets	59	102
Accumulated depreciation	(33)	(25)
Lease assets, net	26	77
Construction in progress	780	15
Other	2,494	2,583
Accumulated depreciation and impairment loss	(2,217)	(2,254)
Other, net	276	328
Total property, plant and equipment	18,612	18,148
Intangible assets	24	19
Investments and other assets		
Investment securities	7,575	7,619
Deferred tax assets	1	2
Other	1,154	913
Allowance for doubtful accounts	(83)	(82)
Total investments and other assets	8,648	8,452
Total non-current assets	27,285	26,620
Total assets	43,825	44,974

	Unit : Millions of yen	
	March 31, 2013	March 31, 2014
Liabilities		
Current liabilities		
Accounts payable-trade	3,309	3,484
Current portion of long-term loans payable	259	259
Accounts payable-other	968	807
Income taxes payable	134	189
Provision for bonuses	195	208
Provision for surcharge	83	—
Other	86	84
Total current liabilities	<u>5,037</u>	<u>5,033</u>
Non-current liabilities		
Long-term loans payable	759	499
Deferred tax liabilities	324	380
Provision for retirement benefits	981	—
Provision for environmental measures	16	16
Net defined benefit liability	—	1,064
Other	451	485
Total non-current liabilities	<u>2,533</u>	<u>2,446</u>
Total liabilities	<u>7,571</u>	<u>7,480</u>
Net assets		
Shareholders' equity		
Capital stock	5,000	5,000
Capital surplus	25,689	25,689
Retained earnings	8,686	9,416
Treasury stock	(4,716)	(4,726)
Total shareholders' equity	<u>34,660</u>	<u>35,379</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	714	863
Foreign currency translation adjustment	(173)	104
Remeasurements of defined benefit plans	—	(77)
Total accumulated other comprehensive income	<u>540</u>	<u>890</u>
Minority interests	<u>1,053</u>	<u>1,223</u>
Total net assets	<u>36,254</u>	<u>37,493</u>
Total liabilities and net assets	<u>43,825</u>	<u>44,974</u>

Consolidated Statements of income and statements of comprehensive income**Consolidated Statements of income**

For the fiscal year ended March 31, 2013 and 2014

	Unit : Millions of yen	
	April 2012 - March 2013	April 2013 - March 2014
Net sales	24,907	26,494
Cost of sales	20,320	22,070
Gross profit	4,587	4,424
Selling, general and administrative expenses	3,059	3,062
Operating income	1,527	1,361
Non-operating income		
Interest income	105	73
Dividends income	69	88
Amortization of negative goodwill	5	—
Equity in earnings of affiliates	0	1
Foreign exchange gains	35	—
Other	48	61
Total non-operating income	265	224
Non-operating expenses		
Interest expenses	17	10
Commission fee	—	32
Other	24	19
Total non-operating expenses	41	63
Ordinary income	1,751	1,522
Extraordinary income		
Gain on sales of investment securities	24	—
Gain on liquidation of subsidiaries	7	—
Gain on insurance adjustment	2	6
Other	0	0
Total extraordinary income	34	6
Extraordinary loss		
Loss on disposal of non-current assets	65	42
Loss on valuation of investment securities	214	—
Loss on valuation of membership	15	0
Provision for surcharge	83	—
Total extraordinary losses	378	42
Income before income taxes	1,407	1,486
Income taxes-current	140	258
Income taxes-deferred	34	(16)
Total income taxes	175	242
Income before minority interests	1,231	1,244
Minority interests in income	129	83
Net income	1,101	1,161

Consolidated Statements of comprehensive income

For the fiscal year ended March 31, 2013 and 2014

	Unit : Millions of yen	
	April 2012 - March 2013	April 2013 - March 2014
Income before minority interests	1,231	1,244
Other comprehensive income		
Valuation difference on available-for-sale securities	472	149
Foreign currency translation adjustment	365	414
Share of other comprehensive income of associates accounted for using equity method	11	28
Total other comprehensive income	849	593
Comprehensive income	2,081	1,837
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	1,807	1,588
Comprehensive income attributable to minority interests	273	248

Consolidated Statements of Changes in Net Assets

For the fiscal year ended March 31, 2013

(Unit : Millions of yen)

	Shareholders' equity				Total shareholders' equity
	Capital stock	Capital surplus	Retained earnings	Treasury stock	
Balance at the beginning of the period	5,000	25,689	8,020	(4,713)	33,996
Changes of items during the period					
Dividends from surplus			(431)		(431)
Net income			1,101		1,101
Change of scope of equity method			(4)		(4)
Purchase of treasury stock				(3)	(3)
Total changes of items during the period	—	—	666	(3)	663
Balance at the end of the period	5,000	25,689	8,686	(4,716)	34,660

Accumulated other comprehensive income

	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Minority interests
	Balance at the beginning of the period	241	(406)	—
Changes of items during the period				
Net changes of items other than shareholders' equity	472	232	—	308
Total changes of items during the period	472	232	—	308
Balance at the end of the period	714	(173)	—	1,053

For the fiscal year ended March 31, 2014

(Unit : Millions of yen)

	Shareholders' equity				Total shareholders' equity
	Capital stock	Capital surplus	Retained earnings	Treasury stock	
Balance at the beginning of the period	5,000	25,689	8,686	(4,716)	34,660
Changes of items during the period					
Dividends from surplus			(431)		(431)
Net income			1,161		1,161
Purchase of treasury stock				(10)	(10)
Total changes of items during the period	—	—	729	(10)	719
Balance at the end of the period	5,000	25,689	9,416	(4,726)	35,379

	Accumulated other comprehensive income			Minority interests
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	
Balance at the beginning of the period	714	(173)	—	1,053
Changes of items during the period				
Net changes of items other than shareholders' equity	149	278	(77)	170
Total changes of items during the period	149	278	(77)	170
Balance at the end of the period	863	104	(77)	1,223

Consolidated Statements of Cash Flows

For the fiscal year ended March 31, 2013 and 2014

	Unit : Millions of yen	
	April 2012	April 2013
	- March 2013	- March 2014
Net cash provided by (used in) operating activities		
Income before income taxes	1,407	1,486
Depreciation and amortization	1,678	1,525
Amortization of negative goodwill	(5)	—
Increase (decrease) in provision for retirement benefits	(22)	—
Increase (decrease) in net defined benefit liability	—	81
Interest and dividends income	(175)	(161)
Interest expenses	17	10
Loss (gain) on valuation of investment securities	214	—
Decrease (increase) in notes and accounts receivable-trade	(425)	475
Decrease (increase) in inventories	(343)	(62)
Increase (decrease) in notes and accounts payable-trade	274	161
Other, net	(214)	54
Subtotal	2,405	3,571
Interest and dividends income received	164	162
Interest expenses paid	(12)	(13)
Income taxes paid	(100)	(196)
Net cash provided by (used in) operating activities	2,455	3,524
Net cash provided by (used in) investing activities		
Net decrease (increase) in time deposits	(255)	52
Proceeds from redemption of securities	1,500	573
Purchase of property, plant and equipment	(1,614)	(1,080)
Purchase of investment securities	(902)	(302)
Proceeds from sales and redemption of investment securities	453	200
Other, net	31	(6)
Net cash provided by (used in) investing activities	(787)	(564)
Net cash provided by (used in) financing activities		
Proceeds from long-term loans payable	520	—
Repayment of long-term loans payable	(1,270)	(259)
Proceeds from stock issuance to minority shareholders	93	—
Net decrease (increase) in treasury stock	(1)	(8)
Cash dividends paid	(429)	(428)
Cash dividends paid to minority shareholders	(58)	(77)
Other, net	0	—
Net cash provided by (used in) financing activities	(1,146)	(774)
Effect of exchange rate change on cash and cash equivalents	44	46
Net increase (decrease) in cash and cash equivalents	566	2,232
Cash and cash equivalents at beginning of period	3,991	4,557
Cash and cash equivalents at end of period	4,557	6,789