

Gun Ei Chemical Industry Co., Ltd.

Consolidated Financial Statements

Consolidated balance sheets

As of March 31, 2015 and 2016

	Unit : Millions of yen	
	March 31, 2015	March 31, 2016
Assets		
Current assets		
Cash and deposits	7,524	10,648
Notes and accounts receivable-trade	7,842	6,842
Short-term investment securities	1,808	1,309
Merchandise and finished goods	2,333	2,138
Work in process	44	54
Raw materials and supplies	889	814
Deferred tax assets	254	175
Other	225	180
Allowance for doubtful accounts	(0)	(0)
Total current assets	20,922	22,163
Non-current assets		
Property, plant and equipment		
Buildings and structures	21,228	21,327
Accumulated depreciation and impairment loss	(14,856)	(15,232)
Buildings and structures, net	6,371	6,095
Machinery, equipment and vehicles	28,650	28,719
Accumulated depreciation and impairment loss	(25,474)	(26,126)
Machinery, equipment and vehicles, net	3,176	2,592
Land	7,969	7,969
Lease assets	96	102
Accumulated depreciation and impairment loss	(49)	(66)
Lease assets, net	46	35
Construction in progress	24	175
Other	2,710	2,762
Accumulated depreciation and impairment loss	(2,364)	(2,350)
Other, net	346	411
Total property, plant and equipment	17,935	17,280
Intangible assets	15	17
Investments and other assets		
Investment securities	8,125	7,973
Deferred tax assets	13	170
Other	1,086	1,280
Allowance for doubtful accounts	(81)	(79)
Total investments and other assets	9,144	9,344
Total non-current assets	27,096	26,643
Total assets	48,018	48,806

	Unit : Millions of yen	
	March 31, 2015	March 31, 2016
Liabilities		
Current liabilities		
Accounts payable-trade	4,070	3,034
Current portion of long-term loans payable	259	784
Accounts payable-other	1,244	1,297
Income taxes payable	441	161
Provision for bonuses	288	317
Other	98	98
Total current liabilities	<u>6,404</u>	<u>5,695</u>
Non-current liabilities		
Long-term loans payable	239	2,304
Deferred tax liabilities	270	105
Provision for environmental measures	22	38
Provision for assets removal	21	21
Net defined benefit liability	1,197	1,301
Other	468	471
Total non-current liabilities	<u>2,219</u>	<u>4,243</u>
Total liabilities	<u>8,623</u>	<u>9,938</u>
Net assets		
Shareholders' equity		
Capital stock	5,000	5,000
Capital surplus	25,689	25,689
Retained earnings	10,173	11,103
Treasury stock	(4,733)	(5,013)
Total shareholders' equity	<u>36,129</u>	<u>36,780</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,652	851
Deferred gains or losses on hedges	—	(0)
Foreign currency translation adjustment	375	112
Remeasurements of defined benefit plans	(60)	(102)
Total accumulated other comprehensive income	<u>1,967</u>	<u>861</u>
Non-controlling interests	<u>1,296</u>	<u>1,227</u>
Total net assets	<u>39,394</u>	<u>38,868</u>
Total liabilities and net assets	<u>48,018</u>	<u>48,806</u>

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

For the fiscal year ended March 31, 2015 and 2016

	Unit : Millions of yen	
	April 2014 - March 2015	April 2015 - March 2016
Net sales	27,955	25,589
Cost of sales	23,282	20,194
Gross profit	4,672	5,394
Selling, general and administrative expenses	3,333	3,336
Operating income	1,339	2,058
Non-operating income		
Interest income	58	56
Dividends income	79	96
Equity in earnings of affiliates	11	12
Foreign exchange gains	55	—
Other	48	62
Total non-operating income	254	227
Non-operating expenses		
Interest expenses	19	16
Foreign exchange losses	—	75
Other	24	41
Total non-operating expenses	44	133
Ordinary income	1,549	2,151
Extraordinary income		
Gain on sales of investment securities	253	65
Gain on redemption of memberships rights	—	10
Other	21	0
Total extraordinary income	274	76
Extraordinary loss		
Loss on disposal of non-current assets	31	30
Impairment loss	443	201
Other	—	14
Total extraordinary losses	475	246
Income before income taxes	1,347	1,981
Income taxes-current	566	426
Income taxes-deferred	(419)	96
Total income taxes	147	523
Profit	1,200	1,458
Profit (loss) attributable to non-controlling interests	(20)	96
Profit attributable to owners of parent	1,220	1,362

Consolidated Statements of comprehensive income

For the fiscal year ended March 31, 2015 and 2016

	Unit : Millions of yen	
	April 2014	April 2015
	- March 2015	- March 2016
Profit	1,200	1,458
Other comprehensive income		
Valuation difference on available-for-sale securities	788	(802)
Deferred gains or losses on hedges	—	(0)
Foreign currency translation adjustment	420	(357)
Remeasurements of defined benefit plans, net of tax	17	(42)
Share of other comprehensive income of associates accounted for using equity method	16	(43)
Total other comprehensive income	1,242	(1,247)
Comprehensive income	2,443	210
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	2,298	255
Comprehensive income attributable to non-controlling interests	145	(44)

Consolidated Statements of Changes in Net Assets

For the fiscal year ended March 31, 2015

(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	9,416	(4,726)	35,379
Cumulative effects of changes in accounting policies			(32)		(32)
Restated balance	5,000	25,689	9,383	(4,726)	35,346
Changes of items during the period					
Dividends from surplus			(431)		(431)
Profit attributable to owners of parent			1,220		1,220
Purchase of treasury stock				(6)	(6)
Total changes of items during the period	—	—	789	(6)	783
Balance at the end of the period	5,000	25,689	10,173	(4,733)	36,129

	Accumulated other comprehensive income			Non-controlling interests
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	
Balance at the beginning of the period	863	104	(77)	1,223
Cumulative effects of changes in accounting policies				
Restated balance	863	104	(77)	1,223
Changes of items during the period				
Net changes of items other than shareholders' equity	789	270	17	73
Total changes of items during the period	789	270	17	73
Balance at the end of the period	1,652	375	(60)	1,296

For the fiscal year ended March 31, 2016

(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	10,173	(4,733)	36,129
Changes of items during the period					
Dividends from surplus			(431)		(431)
Profit attributable to owners of parent			1,362		1,362
Purchase of treasury stock				(280)	(280)
Disposal of treasury stock		0		0	0
Total changes of items during the period	—	0	930	(280)	650
Balance at the end of the period	5,000	25,689	11,103	(5,013)	36,780

	Accumulated other comprehensive income				Non-controlling interests
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	
Balance at the beginning of the period	1,652	—	375	(60)	1,296
Changes of items during the period					
Net changes of items other than shareholders' equity	(801)	(0)	(262)	(42)	(69)
Total changes of items during the period	(801)	(0)	(262)	(42)	(69)
Balance at the end of the period	851	(0)	112	(102)	1,227

Consolidated Statements of Cash Flows

For the fiscal year ended March 31, 2015 and 2016

	Unit : Millions of yen	
	April 2014	April 2015
	- March 2015	- March 2016
Net cash provided by (used in) operating activities		
Income before income taxes	1,347	1,981
Depreciation	1,497	1,313
Impairment loss	443	201
Amortization of goodwill	7	—
Increase (decrease) in net defined benefit liability	59	105
Interest and dividends income	(138)	(153)
Interest expenses	19	16
Loss (gain) on sales of investment securities	(253)	(65)
Decrease (increase) in notes and accounts receivable-trade	(205)	898
Decrease (increase) in inventories	170	215
Increase (decrease) in notes and accounts payable-trade	374	(988)
Other, net	178	(354)
Subtotal	<u>3,501</u>	<u>3,171</u>
Interest and dividends income received	133	148
Interest expenses paid	(21)	(17)
Income taxes paid	<u>(306)</u>	<u>(624)</u>
Net cash provided by (used in) operating activities	<u>3,307</u>	<u>2,677</u>
Net cash provided by (used in) investing activities		
Proceeds from redemption of securities	300	700
Purchase of property, plant and equipment	(707)	(1,049)
Purchase of investment securities	(506)	(2,412)
Proceeds from sales and redemption of investment securities	588	964
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(377)	—
Other, net	1	(15)
Net cash provided by (used in) investing activities	<u>(702)</u>	<u>(1,813)</u>
Net cash provided by (used in) financing activities		
Proceeds from long-term loans payable	—	3,000
Repayment of long-term loans payable	(259)	(409)
Proceeds from share issuance to non-controlling shareholders	—	16
Net decrease (increase) in treasury stock	(4)	(278)
Cash dividends paid	(429)	(429)
Dividends paid to non-controlling interests	(71)	(42)
Net cash provided by (used in) financing activities	<u>(765)</u>	<u>1,856</u>
Effect of exchange rate change on cash and cash equivalents	<u>(11)</u>	<u>(96)</u>
Net increase (decrease) in cash and cash equivalents	<u>1,828</u>	<u>2,624</u>
Cash and cash equivalents at beginning of period	<u>6,789</u>	<u>8,618</u>
Cash and cash equivalents at end of period	<u>8,618</u>	<u>11,242</u>