

Gun Ei Chemical Industry Co., Ltd.

Consolidated Financial Statements

Consolidated balance sheets

As of March 31, 2016 and 2017

	Unit : Millions of yen	
	March 31, 2016	March 31, 2017
Assets		
Current assets		
Cash and deposits	10,648	9,758
Notes and accounts receivable-trade	6,842	6,857
Short-term investment securities	1,309	2,101
Merchandise and finished goods	2,138	1,515
Work in process	54	532
Raw materials and supplies	814	916
Deferred tax assets	175	220
Other	180	178
Allowance for doubtful accounts	(0)	(0)
Total current assets	22,163	22,079
Non-current assets		
Property, plant and equipment		
Buildings and structures	21,327	21,665
Accumulated depreciation and impairment loss	(15,232)	(15,520)
Buildings and structures, net	6,095	6,144
Machinery, equipment and vehicles	28,719	29,628
Accumulated depreciation and impairment loss	(26,126)	(26,619)
Machinery, equipment and vehicles, net	2,592	3,009
Land	7,969	7,969
Lease assets	102	138
Accumulated depreciation and impairment loss	(66)	(84)
Lease assets, net	35	53
Construction in progress	175	397
Other	2,762	2,799
Accumulated depreciation and impairment loss	(2,350)	(2,399)
Other, net	411	399
Total property, plant and equipment	17,280	17,974
Intangible assets	17	34
Investments and other assets		
Investment securities	7,973	9,871
Deferred tax assets	170	79
Other	1,280	1,255
Allowance for doubtful accounts	(79)	(78)
Total investments and other assets	9,344	11,127
Total non-current assets	26,643	29,136
Total assets	48,806	51,216

	Unit : Millions of yen	
	March 31, 2016	March 31, 2017
Liabilities		
Current liabilities		
Accounts payable-trade	3,034	3,103
Current portion of long-term loans payable	784	654
Accounts payable-other	1,297	1,866
Income taxes payable	161	646
Provision for bonuses	317	362
Other	98	123
Total current liabilities	<u>5,695</u>	<u>6,758</u>
Non-current liabilities		
Long-term loans payable	2,304	1,650
Deferred tax liabilities	105	98
Provision for environmental measures	38	35
Provision for assets removal	21	21
Net defined benefit liability	1,301	1,711
Other	471	488
Total non-current liabilities	<u>4,243</u>	<u>4,005</u>
Total liabilities	<u>9,938</u>	<u>10,763</u>
Net assets		
Shareholders' equity		
Capital stock	5,000	5,000
Capital surplus	25,689	25,689
Retained earnings	11,103	12,469
Treasury stock	(5,013)	(5,454)
Total shareholders' equity	<u>36,780</u>	<u>37,705</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	851	1,531
Deferred gains or losses on hedges	(0)	(0)
Foreign currency translation adjustment	112	25
Remeasurements of defined benefit plans	(102)	(61)
Total accumulated other comprehensive income	<u>861</u>	<u>1,495</u>
Non-controlling interests	<u>1,227</u>	<u>1,251</u>
Total net assets	<u>38,868</u>	<u>40,452</u>
Total liabilities and net assets	<u>48,806</u>	<u>51,216</u>

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

For the fiscal year ended March 31, 2016 and 2017

	Unit : Millions of yen	
	April 2015 - March 2016	April 2016 - March 2017
Net sales	25,589	25,363
Cost of sales	20,194	19,052
Gross profit	5,394	6,311
Selling, general and administrative expenses	3,336	3,585
Operating income	2,058	2,725
Non-operating income		
Interest income	56	61
Dividends income	96	95
Equity in earnings of affiliates	12	20
Other	62	64
Total non-operating income	227	243
Non-operating expenses		
Interest expenses	16	14
Foreign exchange losses	75	—
Other	41	30
Total non-operating expenses	133	44
Ordinary income	2,151	2,923
Extraordinary income		
Gain on sales of non-current assets	—	0
Gain on sales of investment securities	65	0
Gain on insurance adjustment	—	0
Settlement received	—	128
Gain on redemption of memberships rights	10	—
Other	0	—
Total extraordinary income	76	129
Extraordinary loss		
Impairment loss	201	—
Loss on disposal of non-current assets	30	53
Provision for retirement benefits	—	414
Other	14	1
Total extraordinary losses	246	469
Income before income taxes	1,981	2,583
Income taxes-current	426	760
Income taxes-deferred	96	(186)
Total income taxes	523	573
Profit	1,458	2,009
Profit attributable to non-controlling interests	96	153
Profit attributable to owners of parent	1,362	1,856

Consolidated Statements of comprehensive income

For the fiscal year ended March 31, 2016 and 2017

	Unit : Millions of yen	
	April 2015 - March 2016	April 2016 - March 2017
Profit	1,458	2,009
Other comprehensive income		
Valuation difference on available-for-sale securities	(802)	681
Deferred gains or losses on hedges	(0)	0
Foreign currency translation adjustment	(357)	(144)
Remeasurements of defined benefit plans, net of tax	(42)	40
Share of other comprehensive income of associates accounted for using equity method	(43)	0
Total other comprehensive income	(1,247)	576
Comprehensive income	210	2,586
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	255	2,490
Comprehensive income attributable to non-controlling interests	(44)	95

Consolidated Statements of Changes in Net Assets

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

For the fiscal year ended March 31, 2017

(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	11,103	(5,013)	36,780
Changes of items during the period					
Dividends from surplus			(490)		(490)
Profit attributable to owners of parent			1,856		1,856
Purchase of treasury stock				(440)	(440)
Disposal of treasury stock		0		0	0
Total changes of items during the period	—	0	1,365	(440)	925
Balance at the end of the period	5,000	25,689	12,469	(5,454)	37,705

	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	851	(0)	112	△102	1,227
Changes of items during the period					
Net changes of items other than shareholders' equity	680	0	(87)	40	24
Total changes of items during the period	680	0	(87)	40	24
Balance at the end of the period	1,531	(0)	25	(61)	1,251

Consolidated Statements of Cash Flows

For the fiscal year ended March 31, 2016 and 2017

	Unit : Millions of yen	
	April 2015 - March 2016	April 2016 - March 2017
Net cash provided by (used in) operating activities		
Income before income taxes	1,981	2,583
Depreciation	1,313	1,202
Impairment loss	201	—
Increase (decrease) in net defined benefit liability	105	411
Interest and dividends income	(153)	(157)
Interest expenses	16	14
Loss (gain) on sales of investment securities	(65)	(0)
Settlement received	—	(128)
Decrease (increase) in notes and accounts receivable-trade	898	(42)
Decrease (increase) in inventories	215	31
Increase (decrease) in notes and accounts payable-trade	(988)	75
Other, net	(354)	258
Subtotal	<u>3,171</u>	<u>4,248</u>
Interest and dividends income received	148	162
Interest expenses paid	(17)	(16)
Settlement package received	—	128
Income taxes paid	(624)	(363)
Net cash provided by (used in) operating activities	<u>2,677</u>	<u>4,158</u>
Net cash provided by (used in) investing activities		
Proceeds from redemption of securities	700	500
Purchase of securities	—	(599)
Purchase of property, plant and equipment	(1,049)	(1,382)
Purchase of investment securities	(2,412)	(2,404)
Proceeds from sales and redemption of investment securities	964	704
Decrease (increase) in time deposits	—	(2,100)
Other, net	(15)	(19)
Net cash provided by (used in) investing activities	<u>(1,813)</u>	<u>(5,300)</u>
Net cash provided by (used in) financing activities		
Proceeds from long-term loans payable	3,000	—
Repayment of long-term loans payable	(409)	(784)
Proceeds from share issuance to non-controlling shareholders	16	—
Net decrease (increase) in treasury stock	(278)	(438)
Cash dividends paid	(429)	(488)
Dividends paid to non-controlling interests	(42)	(71)
Net cash provided by (used in) financing activities	<u>1,856</u>	<u>(1,782)</u>
Effect of exchange rate change on cash and cash equivalents	<u>(96)</u>	<u>(74)</u>
Net increase (decrease) in cash and cash equivalents	<u>2,624</u>	<u>(2,999)</u>
Cash and cash equivalents at beginning of period	<u>8,618</u>	<u>11,242</u>
Cash and cash equivalents at end of period	<u>11,242</u>	<u>8,243</u>