

Gun Ei Chemical Industry Co., Ltd.

Consolidated Financial Statements

Consolidated balance sheets

As of March 31, 2017 and 2018

	Unit : Millions of yen	
	March 31, 2017	March 31, 2018
Assets		
Current assets		
Cash and deposits	9,758	7,693
Notes and accounts receivable-trade	6,857	8,115
Short-term investment securities	2,101	2,000
Merchandise and finished goods	1,515	1,831
Work in process	532	595
Raw materials and supplies	916	1,214
Deferred tax assets	220	213
Other	178	216
Allowance for doubtful accounts	(0)	(0)
Total current assets	22,079	21,880
Non-current assets		
Property, plant and equipment		
Buildings and structures	21,665	22,172
Accumulated depreciation and impairment loss	(15,520)	(15,898)
Buildings and structures, net	6,144	6,273
Machinery, equipment and vehicles	29,628	30,707
Accumulated depreciation and impairment loss	(26,619)	(27,453)
Machinery, equipment and vehicles, net	3,009	3,253
Land	7,969	7,969
Lease assets	138	111
Accumulated depreciation and impairment loss	(84)	(71)
Lease assets, net	53	40
Construction in progress	397	343
Other	2,799	2,908
Accumulated depreciation and impairment loss	(2,399)	(2,492)
Other, net	399	416
Total property, plant and equipment	17,974	18,297
Intangible assets	34	31
Investments and other assets		
Investment securities	9,871	10,990
Deferred tax assets	79	6
Other	1,255	1,228
Allowance for doubtful accounts	(78)	(77)
Total investments and other assets	11,127	12,147
Total non-current assets	29,136	30,476
Total assets	51,216	52,356

	Unit : Millions of yen	
	March 31, 2017	March 31, 2018
Liabilities		
Current liabilities		
Accounts payable-trade	3,103	3,944
Current portion of long-term loans payable	654	600
Accounts payable-other	1,866	1,485
Income taxes payable	646	371
Provision for bonuses	362	366
Other	123	125
Total current liabilities	<u>6,758</u>	<u>6,894</u>
Non-current liabilities		
Long-term loans payable	1,650	1,050
Deferred tax liabilities	98	248
Provision for environmental measures	35	11
Provision for assets removal	21	25
Net defined benefit liability	1,711	1,705
Other	488	469
Total non-current liabilities	<u>4,005</u>	<u>3,508</u>
Total liabilities	<u>10,763</u>	<u>10,402</u>
Net assets		
Shareholders' equity		
Capital stock	5,000	5,000
Capital surplus	25,689	25,690
Retained earnings	12,469	13,496
Treasury stock	(5,454)	(5,463)
Total shareholders' equity	<u>37,705</u>	<u>38,723</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,531	1,758
Deferred gains or losses on hedges	(0)	(0)
Foreign currency translation adjustment	25	127
Remeasurements of defined benefit plans	(61)	(39)
Total accumulated other comprehensive income	<u>1,495</u>	<u>1,847</u>
Non-controlling interests	<u>1,251</u>	<u>1,383</u>
Total net assets	<u>40,452</u>	<u>41,954</u>
Total liabilities and net assets	<u>51,216</u>	<u>52,356</u>

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

For the fiscal year ended March 31, 2017 and 2018

	Unit : Millions of yen	
	April 2016 - March 2017	April 2017 - March 2018
Net sales	25,363	26,393
Cost of sales	19,052	20,311
Gross profit	6,311	6,081
Selling, general and administrative expenses	3,585	3,621
Operating income	2,725	2,459
Non-operating income		
Interest income	61	55
Dividends income	95	114
Equity in earnings of affiliates	20	17
Other	64	86
Total non-operating income	243	273
Non-operating expenses		
Interest expenses	14	6
Sales discounts	2	2
Taxes and dues	2	3
Other	25	11
Total non-operating expenses	44	24
Ordinary income	2,923	2,708
Extraordinary income		
Gain on sales of investment securities	0	94
Gain on insurance adjustment	0	11
Settlement received	128	—
Other	0	0
Total extraordinary income	129	107
Extraordinary loss		
Impairment loss	—	229
Loss on disposal of non-current assets	53	38
Provision for retirement benefits	414	—
Other	1	4
Total extraordinary losses	469	272
Income before income taxes	2,583	2,543
Income taxes-current	760	720
Income taxes-deferred	(186)	127
Total income taxes	573	847
Profit	2,009	1,695
Profit attributable to non-controlling interests	153	112
Profit attributable to owners of parent	1,856	1,583

Consolidated Statements of comprehensive income

For the fiscal year ended March 31, 2017 and 2018

	Unit : Millions of yen	
	April 2016 - March 2017	April 2017 - March 2018
Profit	2,009	1,695
Other comprehensive income		
Valuation difference on available-for-sale securities	681	231
Deferred gains or losses on hedges	0	0
Foreign currency translation adjustment	(144)	170
Remeasurements of defined benefit plans, net of tax	40	22
Share of other comprehensive income of associates accounted for using equity method	(0)	(4)
Total other comprehensive income	576	420
Comprehensive income	2,586	2,116
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	2,490	1,935
Comprehensive income attributable to non-controlling interests	95	180

Consolidated Statements of Changes in Net Assets

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

For the fiscal year ended March 31, 2018

(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	12,469	(5,454)	37,705
Changes of items during the period					
Dividends from surplus			(555)		(555)
Profit attributable to owners of parent			1,583		1,583
Change of scope of equity method			(2)	33	31
Purchase of treasury stock				(43)	(43)
Disposal of treasury stock		0		0	0
Total changes of items during the period	—	0	1,026	(9)	1,017
Balance at the end of the period	5,000	25,690	13,496	(5,463)	38,723

	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	1,531	(0)	25	(61)	1,251
Changes of items during the period					
Net changes of items other than shareholders' equity	226	0	102	22	132
Total changes of items during the period	226	0	102	22	132
Balance at the end of the period	1,758	(0)	127	(39)	1,383

Consolidated Statements of Cash Flows

For the fiscal year ended March 31, 2017 and 2018

Unit : Millions of yen

	April 2016 - March 2017	April 2017 - March 2018
Net cash provided by (used in) operating activities		
Income before income taxes	2,583	2,543
Depreciation	1,202	1,303
Impairment loss	—	229
Increase (decrease) in net defined benefit liability	411	(8)
Interest and dividends income	(157)	(169)
Interest expenses	14	6
Loss (gain) on sales of investment securities	(0)	(94)
Settlement received	(128)	—
Decrease (increase) in notes and accounts receivable-trade	(42)	(1,198)
Decrease (increase) in inventories	31	(650)
Increase (decrease) in notes and accounts payable-trade	75	828
Other, net	258	(233)
Subtotal	<u>4,248</u>	<u>2,555</u>
Interest and dividends income received	162	174
Interest expenses paid	(16)	(7)
Settlement package received	128	—
Income taxes paid	(363)	(949)
Net cash provided by (used in) operating activities	<u>4,158</u>	<u>1,773</u>
Net cash provided by (used in) investing activities		
Proceeds from redemption of securities	500	1,800
Purchase of securities	(599)	(1,000)
Purchase of property, plant and equipment	(1,382)	(1,993)
Purchase of investment securities	(2,404)	(1,409)
Proceeds from sales and redemption of investment securities	704	551
Decrease (increase) in time deposits	(2,100)	(1,900)
Other, net	(19)	(7)
Net cash provided by (used in) investing activities	<u>(5,300)</u>	<u>(3,959)</u>
Net cash provided by (used in) financing activities		
Repayment of long-term loans payable	(784)	(654)
Proceeds from share issuance to non-controlling shareholders	—	24
Net decrease (increase) in treasury stock	(438)	(42)
Cash dividends paid	(488)	(553)
Dividends paid to non-controlling interests	(71)	(72)
Net cash provided by (used in) financing activities	<u>(1,782)</u>	<u>(1,300)</u>
Effect of exchange rate change on cash and cash equivalents	<u>(74)</u>	<u>21</u>
Net increase (decrease) in cash and cash equivalents	<u>(2,999)</u>	<u>(3,464)</u>
Cash and cash equivalents at beginning of period	<u>11,242</u>	<u>8,243</u>
Cash and cash equivalents at end of period	<u>8,243</u>	<u>4,778</u>