

Gun Ei Chemical Industry Co., Ltd.

Consolidated Financial Statements

Consolidated balance sheets

As of September 30, 2005, March 31, 2005 and September 30, 2004

	Unit : Millions of yen		
	September 30, 2004	September 30, 2005	March 31, 2005
Assets			
Current assets			
Cash and deposits	5,662	4,599	4,612
Notes and accounts receivable-trade	6,410	6,762	6,650
Short-term investment securities	5,738	2,332	4,036
Inventories	1,793	2,242	1,939
Deferred tax assets	631	491	834
Other	499	1,807	1,675
Allowance for doubtful accounts	(5)	(5)	(5)
Total current assets	20,731	18,229	19,743
Non-current assets			
Property, plant and equipment			
Buildings and structures	17,380	18,224	17,630
Accumulated depreciation	(10,776)	(11,077)	(10,931)
Buildings and structures, net	6,604	7,147	6,699
Machinery, equipment and vehicles	19,347	21,233	19,381
Accumulated depreciation	(17,218)	(17,544)	(17,296)
Machinery, equipment and vehicles, net	2,129	3,688	2,085
Land	4,886	5,276	5,276
Other	2,572	4,052	4,711
Accumulated depreciation	(1,669)	(1,665)	(1,641)
Other, net	902	2,386	3,070
Total property, plant and equipment	14,523	18,499	17,131
Intangible assets	49	96	50
Investments and other assets			
Investment securities	12,524	17,344	15,138
Deferred tax assets	37	—	—
Other	1,854	1,215	1,144
Allowance for doubtful accounts	(98)	(142)	(144)
Total investments and other assets	14,317	18,417	16,138
Total non-current assets	28,890	37,012	33,320
Total assets	49,621	55,242	53,063

Unit : Millions of yen			
	September 30, 2004	September 30, 2005	March 31, 2005
Liabilities			
Current liabilities			
Notes and accounts payable-trade	2,536	2,620	2,604
Short-term loans payable	1,120	1,753	1,120
Current portion of long-term loans payable	805	1,050	1,052
Accounts payable-other	—	3,285	3,071
Provision for bonuses	213	297	293
Other	1,702	161	261
Total current liabilities	6,378	9,167	8,404
Non-current liabilities			
Long-term loans payable	3,200	2,658	3,050
Deferred tax liabilities	—	434	77
Provision for retirement benefits	878	942	906
Provision for directors' retirement benefits	300	329	315
Other	107	119	108
Total non-current liabilities	4,486	4,484	4,458
Total liabilities	10,865	13,652	12,862
Minority interests	545	614	561
Shareholders' equity			
Capital stock	20,305	20,305	20,305
Capital surplus	11,773	11,774	11,773
Retained earnings	8,801	10,808	10,038
Valuation difference on available-for-sale securities	774	1,563	986
Foreign currency translation adjustment	(185)	(180)	(180)
Treasury stock	(3,258)	(3,295)	(3,282)
Total shareholders' equity	38,210	40,975	39,639
Total liabilities, minority interests and shareholders' equity	49,621	55,242	53,063

Consolidated Statements of income

For the six months period ended September 30, 2004 and 2005, and the fiscal year ended March 31, 2005

	Unit : Millions of yen		
	April - September 2004	April - September 2005	April 2004 - March 2005
Net sales	11,244	11,988	22,469
Cost of sales	8,337	9,006	16,899
Gross profit	2,907	2,982	5,570
Selling, general and administrative expenses	1,358	1,531	2,806
Operating income	1,548	1,451	2,764
Non-operating income			
Interest income	61	78	136
Dividends income	12	19	39
Equity in earnings of affiliates	0	22	21
Foreign exchange gains	48	17	—
Other	19	16	37
Total non-operating income	142	154	235
Non-operating expenses			
Interest expenses	8	21	29
Taxes and dues	—	29	16
Other	20	3	66
Total non-operating expenses	28	55	111
Ordinary income	1,662	1,550	2,888
Extraordinary income			
Gain on sales of investment securities	1	—	1
Reversal of allowance for doubtful accounts	3	—	—
Total extraordinary income	4	—	1
Extraordinary loss			
Loss on disposal of non-current assets	7	7	19
Impairment loss	1,047	—	1,047
Loss on valuation of membership	6	0	32
Other	84	—	83
Total extraordinary losses	1,145	8	1,183
Income before income taxes	521	1,541	1,706
Income taxes-current	22	38	33
Income taxes-deferred	(207)	305	(435)
Total income taxes	(184)	343	(401)
Minority interests in income	26	67	37
Net income	679	1,130	2,069

Consolidated Statements of Capital surplus and Retained earnings

For the six months period ended September 30, 2004 and 2005, and the fiscal year ended March 31, 2005

	Unit : Millions of yen		
	April - September 2004	April - September 2005	April 2004 - March 2005
<u>Capital surplus</u>			
Balance at beginning of period	11,772	11,773	11,772
Gain on disposal of treasury stock	0	0	0
Total increase	0	0	0
Balance at end of period	11,773	11,774	11,773
<u>Retained earnings</u>			
Balance at beginning of period	8,463	10,038	8,463
Net income	679	1,130	2,069
Total increase	679	1,130	2,069
Dividends from surplus	308	306	462
Bonuses to directors and corporate auditors	32	52	32
Total decrease	341	359	494
Balance at end of period	8,801	10,808	10,038

Consolidated Statements of Cash Flows

For the six months period ended September 30, 2004 and 2005, and the fiscal year ended March 31, 2005

	Unit : Millions of yen		
	April - September 2004	April - September 2005	April 2004 - March 2005
Net cash provided by (used in) operating activities			
Income before income taxes	521	1,541	1,706
Depreciation and amortization	375	508	783
Impairment loss	1,047	—	1,047
Increase (decrease) in provision for retirement benefits	(1)	35	26
Increase (decrease) in provision for directors' retirement benefits	31	14	47
Interest and dividends income	(74)	(97)	(176)
Interest expenses	8	21	29
Decrease (increase) in notes and accounts receivable-trade	(288)	(191)	(535)
Decrease (increase) in inventories	(156)	(303)	(302)
Increase (decrease) in notes and accounts payable-trade	93	17	160
Other, net	(78)	(284)	213
Subtotal	1,478	1,263	2,998
Interest and dividends income received	110	146	208
Interest expenses paid	(10)	(20)	(30)
Income taxes paid	(13)	(29)	(37)
Net cash provided by (used in) operating activities	1,563	1,360	3,138
Net cash provided by (used in) investing activities			
Purchase of short-term investment securities	(504)	—	(1,209)
Proceeds from redemption of securities	2,100	3,400	4,900
Purchase of property, plant and equipment	(225)	(1,712)	(1,596)
Purchase of investment securities	(4,010)	(3,329)	(7,677)
Proceeds from sales and redemption of investment securities	441	400	1,113
Collection of long-term accounts receivable-other	—	—	695
Net decrease (increase) in time deposits	361	110	131
Other, net	(9)	(37)	(12)
Net cash provided by (used in) investing activities	(1,877)	(1,169)	(3,656)
Net cash provided by (used in) financing activities			
Net increase (decrease) in short-term loans payable	(1,000)	633	(1,000)
Proceeds from long-term loans payable	4,000	133	4,500
Repayment of long-term loans payable	(3)	(527)	(407)
Purchase of treasury stock	(133)	(12)	(152)
Cash dividends paid	(306)	(305)	(459)
Other, net	(13)	(14)	(15)
Net cash provided by (used in) financing activities	2,543	(93)	2,464
Effect of exchange rate change on cash and cash equivalents	(5)	—	(3)
Net increase (decrease) in cash and cash equivalents	2,223	97	1,943
Cash and cash equivalents at beginning of period	3,900	5,844	3,900
Cash and cash equivalents at end of period	6,124	5,941	5,844