

Gun Ei Chemical Industry Co., Ltd.

Consolidated Financial Statements

Consolidated balance sheets

As of March 31, 2005 and 2006

		Unit : Millions of yen	
	March 31, 2005	March 31, 2006	Increase (Decrease)
Assets			
Current assets			
Cash and deposits	4,612	3,028	(1,584)
Notes and accounts receivable-trade	6,650	6,313	(337)
Short-term investment securities	4,036	2,795	(1,241)
Inventories	1,939	2,362	423
Deferred tax assets	834	213	(621)
Other	1,675	1,933	258
Allowance for doubtful accounts	(5)	(6)	(1)
Total current assets	19,743	16,640	(3,103)
Non-current assets			
Property, plant and equipment			
Buildings and structures	17,630	19,091	
Accumulated depreciation	(10,931)	(11,251)	
Buildings and structures, net	6,699	7,839	1,140
Machinery, equipment and vehicles	19,381	22,954	
Accumulated depreciation	(17,296)	(17,716)	
Machinery, equipment and vehicles, net	2,085	5,238	3,153
Land	5,276	5,276	—
Construction in progress	2,778	772	(2,006)
Other	1,933	2,114	
Accumulated depreciation	(1,641)	(1,664)	
Other, net	291	449	158
Total property, plant and equipment	17,131	19,577	2,446
Intangible assets	50	166	116
Investments and other assets			
Investment securities	15,138	18,694	3,556
Other	1,144	1,211	67
Allowance for doubtful accounts	(144)	(141)	3
Total investments and other assets	16,138	19,764	3,626
Total non-current assets	33,320	39,508	6,188
Total assets	53,063	56,149	3,086

Unit : Millions of yen		
March 31, 2005	March 31, 2006	Increase (Decrease)

Liabilities

Current liabilities

Notes and accounts payable-trade	2,604	2,350	(254)
Short-term loans payable	1,120	1,670	550
Current portion of long-term loans payable	1,052	1,121	69
Accounts payable-other	3,071	2,804	(267)
Income taxes payable	117	140	23
Provision for bonuses	293	326	33
Other	144	179	35
Total current liabilities	8,404	8,592	188

Non-current liabilities

Long-term loans payable	3,050	2,215	(835)
Deferred tax liabilities	77	935	858
Provision for retirement benefits	906	1,072	166
Provision for directors' retirement benefits	315	343	28
Other	108	128	20
Total non-current liabilities	4,458	4,695	237

Total liabilities

12,862	13,288	426
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Minority interests

561	742	181
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Shareholders' equity

Capital stock	20,305	20,305	—
Capital surplus	11,773	11,774	1
Retained earnings	10,038	11,114	1,076
Valuation difference on available-for-sale securities	986	2,366	1,380
Foreign currency translation adjustment	(180)	(132)	48
Treasury stock	(3,282)	(3,311)	(29)
Total shareholders' equity	39,639	42,117	2,478

Total liabilities, minority interests and shareholders' equity

53,063	56,149	3,086
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Consolidated Statements of income

For the fiscal year ended March 31, 2005 and 2006

	Unit : Millions of yen		
	April 2004 - March 2005	April 2005 - March 2006	Increase (Decrease)
Net sales	22,469	23,245	776
Cost of sales	16,899	17,713	814
Gross profit	5,570	5,531	(39)
Selling, general and administrative expenses	2,806	3,084	278
Operating income	2,764	2,447	(317)
Non-operating income			
Interest income	136	141	
Dividends income	39	75	
Foreign exchange gains	—	34	
Equity in earnings of affiliates	21	37	
Other	37	37	
Total non-operating income	235	326	91
Non-operating expenses			
Interest expenses	29	42	
Foreign exchange losses	5	—	
Taxes and dues	—	48	
Provision of allowance for doubtful accounts	42	—	
Other	35	11	
Total non-operating expenses	111	102	(9)
Ordinary income	2,888	2,672	(216)
Extraordinary income			
Gain on sales of investment securities	1	—	
Total extraordinary income	1	—	(1)
Extraordinary loss			
Loss on disposal of non-current assets	19	33	
Impairment loss	1,047	—	
Loss on valuation of membership	32	—	
Loss on changes in retirement benefit plans	—	104	
Other	83	0	
Total extraordinary losses	1,183	138	(1,045)
Income before income taxes	1,706	2,533	827
Income taxes-current	33	165	
Income taxes-deferred	(435)	541	
Total income taxes	(401)	707	1,108
Minority interests in income	37	160	123
Net income	2,069	1,666	(403)

Consolidated Statements of Capital surplus and Retained earnings

For the fiscal year ended March 31, 2005 and 2006

	Unit : Millions of yen		
	April 2004 - March 2005	April 2005 - March 2006	Increase (Decrease)
<u>Capital surplus</u>			
Balance at beginning of year	11,772	11,773	
Gain on disposal of treasury stock	0	0	
Total increase	0	0	
Balance at end of year	11,773	11,774	1
<u>Retained earnings</u>			
Balance at beginning of year	8,463	10,038	
Net income	2,069	1,666	
Total increase	2,069	1,666	
Dividends from surplus	462	536	
Bonuses to directors and corporate auditors	32	52	
Total decrease	494	589	
Balance at end of year	10,038	11,114	1,076

Consolidated Statements of Cash Flows

For the fiscal year ended March 31, 2005 and 2006

	Unit : Millions of yen		
	April 2004 - March 2005	April 2005 - March 2006	Increase (Decrease)
Net cash provided by (used in) operating activities			
Income before income taxes	1,706	2,533	827
Depreciation and amortization	783	1,213	430
Impairment loss	1,047	—	(1,047)
Increase (decrease) in provision for retirement benefits	26	165	139
Increase (decrease) in provision for directors' retirement benefits	47	28	(19)
Loss on valuation of membership	32	—	(32)
Interest and dividends income	(176)	(217)	(41)
Interest expenses	29	42	13
Decrease (increase) in notes and accounts receivable-trade	(535)	280	815
Decrease (increase) in inventories	(302)	(406)	(104)
Increase (decrease) in notes and accounts payable-trade	160	(259)	(419)
Other, net	180	(124)	(304)
Subtotal	2,998	3,257	259
Interest and dividends income received	208	250	42
Interest expenses paid	(30)	(41)	(11)
Income taxes paid	(37)	(93)	(56)
Net cash provided by (used in) operating activities	3,138	3,372	233
Net cash provided by (used in) investing activities			
Purchase of short-term investment securities	(1,209)	—	1,209
Proceeds from redemption of securities	4,900	4,020	(880)
Purchase of property, plant and equipment	(1,596)	(4,058)	(2,462)
Purchase of investment securities	(7,677)	(4,604)	3,073
Proceeds from sales and redemption of investment securities	1,113	600	(513)
Collection of long-term accounts receivable-other	695	—	(695)
Net decrease (increase) in time deposits	131	189	58
Other, net	(12)	(114)	(102)
Net cash provided by (used in) investing activities	(3,656)	(3,966)	(310)
Net cash provided by (used in) financing activities			
Net increase (decrease) in short-term loans payable	(1,000)	550	1,550
Proceeds from long-term loans payable	4,500	277	(4,223)
Repayment of long-term loans payable	(407)	(1,052)	(645)
Net decrease (increase) in treasury stock	(152)	(26)	126
Cash dividends paid	(459)	(532)	(73)
Cash dividends paid to minority shareholders	(15)	(15)	0
Net cash provided by (used in) financing activities	2,464	(800)	(3,264)
Effect of exchange rate change on cash and cash equivalents	(3)	20	23
Net increase (decrease) in cash and cash equivalents	1,943	(1,373)	(3,316)
Cash and cash equivalents at beginning of period	3,900	5,844	1,944
Cash and cash equivalents at end of period	5,844	4,470	(1,373)