

Gun Ei Chemical Industry Co., Ltd.

Consolidated Financial Statements

Consolidated balance sheets

As of September 30, 2007, March 31, 2007 and September 30, 2006

	Unit : Millions of yen		
	September 30, 2006	September 30, 2007	March 31, 2007
Assets			
Current assets			
Cash and deposits	4,044	3,600	3,402
Notes and accounts receivable-trade	6,838	7,390	6,961
Short-term investment securities	1,607	1,804	1,207
Inventories	2,478	2,662	2,423
Deferred tax assets	191	408	167
Other	1,411	451	398
Allowance for doubtful accounts	(5)	(1)	(5)
Total current assets	16,566	16,316	14,555
Non-current assets			
Property, plant and equipment			
Buildings and structures	19,399	18,904	19,158
Accumulated depreciation	(11,754)	(12,767)	(11,748)
Buildings and structures, net	7,644	6,137	7,409
Machinery, equipment and vehicles	23,770	23,528	25,063
Accumulated depreciation	(18,329)	(19,557)	(18,933)
Machinery, equipment and vehicles, net	5,440	3,970	6,130
Land	7,804	7,633	7,590
Other	2,784	3,268	2,322
Accumulated depreciation	(1,736)	(1,855)	(1,795)
Other, net	1,048	1,412	527
Total property, plant and equipment	21,938	19,154	21,657
Intangible assets	143	83	128
Investments and other assets			
Investment securities	17,847	15,720	17,254
Other	1,161	969	1,085
Allowance for doubtful accounts	(139)	(185)	(139)
Total investments and other assets	18,869	16,503	18,200
Total non-current assets	40,950	35,741	39,986
Total assets	57,516	52,057	54,541

	Unit : Millions of yen		
	September 30, 2006	September 30, 2007	March 31, 2007
Liabilities			
Current liabilities			
Notes and accounts payable-trade	3,024	3,731	2,959
Short-term loans payable	1,670	2,170	1,770
Current portion of long-term loans payable	1,874	1,569	1,563
Accounts payable-other	2,544	1,761	1,615
Provision for bonuses	252	195	197
Provision for directors' bonuses	—	10	10
Other	485	288	328
Total current liabilities	9,852	9,726	8,445
Non-current liabilities			
Long-term loans payable	3,948	2,499	3,224
Deferred tax liabilities	313	566	469
Provision for retirement benefits	1,082	1,091	1,123
Provision for directors' retirement benefits	24	29	5
Provision for environmental measures	—	6	—
Negative goodwill	56	62	70
Other	306	333	318
Total non-current liabilities	5,732	4,590	5,211
Total liabilities	15,584	14,316	13,656
Net assets			
Shareholders' equity			
Capital stock	5,000	5,000	5,000
Capital surplus	26,849	26,630	26,850
Retained earnings	11,180	7,850	10,703
Treasury stock	(3,558)	(4,573)	(4,324)
Total shareholders' equity	39,470	34,906	38,229
Valuation and translation adjustments			
Valuation difference on available-for-sale securities	1,702	1,498	1,646
Deferred gains or losses on hedges	—	(5)	(5)
Foreign currency translation adjustment	(86)	205	35
Total valuation and translation adjustments	1,615	1,697	1,676
Minority interests	846	1,135	978
Total net assets	41,932	37,740	40,884
Total liabilities and net assets	57,516	52,057	54,541

Consolidated Statements of income

For the six months period ended September 30, 2006 and 2007, and the fiscal year ended March 31, 2007

	Unit : Millions of yen		
	April - September 2006	April - September 2007	April 2006 - March 2007
Net sales	11,071	11,568	22,053
Cost of sales	9,069	9,615	18,183
Gross profit	2,002	1,952	3,870
Selling, general and administrative expenses	1,566	1,504	3,094
Operating income	436	447	776
Non-operating income			
Interest income	84	104	191
Dividends income	143	40	174
Gain on sales of investment securities	132	—	132
Equity in earnings of affiliates	15	23	28
Foreign exchange gains	2	—	6
Amortization of negative goodwill	6	7	6
Other	23	24	39
Total non-operating income	407	202	579
Non-operating expenses			
Interest expenses	16	35	59
Taxes and dues	46	7	52
Other	16	13	25
Total non-operating expenses	78	57	137
Ordinary income	765	593	1,218
Extraordinary income			
Gain on sales of investment securities	477	—	476
Other	2	—	4
Total extraordinary income	479	—	481
Extraordinary loss			
Loss on disposal of non-current assets	96	157	138
Loss on valuation of non-current assets	—	—	357
Impairment loss	460	3,065	462
Provision of allowance for doubtful accounts	—	41	—
Loss on abandonment of inventories	—	28	—
Provision for environmental measures	—	6	—
Other	8	—	18
Total extraordinary losses	564	3,299	977
Income (loss) before income taxes	679	(2,706)	722
Income taxes-current	292	86	256
Income taxes-deferred	(146)	(43)	80
Total income taxes	146	42	337
Minority interests in income	106	90	206
Net income (loss)	426	(2,840)	178

Consolidated Statements of Changes in Net Assets

For the six months period ended September 30, 2006

(Unit : Millions of yen)

	Shareholders' equity					Valuation and translation adjustments		Minority interests
	Capital stock	Capital surplus	Retained earnings	Treasury stock	[Total]	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	
Balance as of March 31, 2006	20,305	11,774	11,114	(3,311)	39,882	2,366	(132)	742
Changes of items during the period								
Dividends from surplus		(229)	(306)		(536)			
Bonuses to directors and corporate auditors			(55)		(55)			
Net income			426		426			
Purchase of treasury stock				(247)	(247)			
Disposal of treasury stock		0		0	0			
Transfer to other capital reserve surplus from capital stock	(15,305)	15,305			—			
Net changes of items other than shareholders' equity						(664)	45	103
Total changes of items during the period	(15,305)	15,075	65	(247)	(411)	(664)	45	103
Balance as of September 30, 2006	5,000	26,849	11,180	(3,558)	39,470	1,702	(86)	846

For the six months period ended September 30, 2007

	Shareholders' equity					(Unit : Millions of yen)			Minority interests
	Capital stock	Capital surplus	Retained earnings	Treasury stock	[Total]	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	
Balance as of March 31, 2007	5,000	26,850	10,703	(4,324)	38,229	1,646	(5)	35	978
Changes of items during the period									
Dividends from surplus		(220)			(220)				
Net loss			(2,840)		(2,840)				
Purchase of treasury stock				(255)	(255)				
Disposal of treasury stock		0		1	1				
Change of scope of equity method			(12)	4	(7)				
Net changes of items other than shareholders' equity						(148)	(0)	170	157
Total changes of items during the period	—	(220)	(2,852)	(249)	(3,322)	(148)	(0)	170	157
Balance as of September 30, 2007	5,000	26,630	7,850	(4,573)	34,906	1,498	(5)	205	1,135

For the fiscal year ended March 31, 2007

	Shareholders' equity					(Unit : Millions of yen)			Minority interests
	Capital stock	Capital surplus	Retained earnings	Treasury stock	[Total]	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	
Balance as of March 31, 2006	20,305	11,774	11,114	(3,311)	39,882	2,366	—	(132)	742
Changes of items during the period									
Dividends from surplus		(229)	(534)		(764)				
Bonuses to directors and corporate auditors			(55)		(55)				
Net income			178		178				
Purchase of treasury stock				(1,017)	(1,017)				
Disposal of treasury stock		1		5	6				
Transfer to other capital reserve surplus from capital stock	(15,305)	15,305			—				
Net changes of items other than shareholders' equity						(720)	(5)	167	235
Total changes of items during the period	(15,305)	15,076	(411)	(1,012)	(1,652)	(720)	(5)	167	235
Balance as of March 31, 2007	5,000	26,850	10,703	(4,324)	38,229	1,646	(5)	35	978

Consolidated Statements of Cash Flows

For the six months period ended September 30, 2006 and 2007, and the fiscal year ended March 31, 2007

	Unit : Millions of yen		
	April - September 2006	April - September 2007	April 2006 - March 2007
Net cash provided by (used in) operating activities			
Income (loss) before income taxes	679	(2,706)	722
Depreciation and amortization	887	676	1,839
Impairment loss	460	3,065	462
Amortization of negative goodwill	(6)	(7)	(6)
Loss (gain) on sales of investment securities	(602)	—	(609)
Increase (decrease) in provision for retirement benefits	2	(31)	43
Increase (decrease) in provision for directors' retirement benefits	(322)	24	(341)
Interest and dividends income	(228)	(145)	(366)
Interest expenses	16	35	59
Decrease (increase) in notes and accounts receivable-trade	(100)	(321)	(150)
Decrease (increase) in inventories	76	(230)	163
Increase (decrease) in notes and accounts payable-trade	398	577	324
Other, net	349	1	886
Subtotal	1,610	938	3,027
Interest and dividends income received	268	167	403
Interest expenses paid	(13)	(38)	(59)
Income taxes paid	(96)	(126)	(238)
Net cash provided by (used in) operating activities	1,769	941	3,132
Net cash provided by (used in) investing activities			
Proceeds from redemption of securities	1,900	700	2,800
Purchase of property, plant and equipment	(4,079)	(795)	(6,461)
Proceeds from governmental subsidies	—	141	—
Purchase of investment securities	(2,351)	(1)	(2,352)
Proceeds from sales and redemption of investment securities	1,832	—	1,839
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(131)	—	(131)
Payments for sales of investments in subsidiaries resulting in change in scope of consolidation	(16)	—	(16)
Net decrease (increase) in time deposits	50	(0)	49
Other, net	45	7	446
Net cash provided by (used in) investing activities	(2,750)	51	(3,825)
Net cash provided by (used in) financing activities			
Net increase (decrease) in short-term loans payable	—	400	100
Proceeds from long-term loans payable	3,000	—	3,000
Repayment of long-term loans payable	(526)	(724)	(1,579)
Net decrease (increase) in treasury stock	(245)	(253)	(1,009)
Cash dividends paid	(533)	(220)	(760)
Other, net	(17)	(47)	(48)
Net cash provided by (used in) financing activities	1,676	(845)	(296)
Effect of exchange rate change on cash and cash equivalents	25	50	69
Net increase (decrease) in cash and cash equivalents	721	198	(920)
Cash and cash equivalents at beginning of period	4,470	3,550	4,470
Cash and cash equivalents at end of period	5,192	3,748	3,550