

# Gun Ei Chemical Industry Co., Ltd.

## Consolidated Financial Statements

### Consolidated balance sheets

As of March 31, 2007 and 2008

	Unit : Millions of yen	
	March 31, 2007	March 31, 2008
Assets		
Current assets		
Cash and deposits	3,402	3,798
Notes and accounts receivable-trade	6,961	6,998
Short-term investment securities	1,207	4,804
Inventories	2,423	2,426
Deferred tax assets	167	58
Other	398	215
Allowance for doubtful accounts	(5)	(1)
Total current assets	14,555	18,301
Non-current assets		
Property, plant and equipment		
Buildings and structures	19,158	18,926
Accumulated depreciation	(11,748)	(12,932)
Buildings and structures, net	7,409	5,994
Machinery, equipment and vehicles	25,063	23,602
Accumulated depreciation	(18,933)	(19,920)
Machinery, equipment and vehicles, net	6,130	3,682
Land	7,590	7,634
Construction in progress	4	2,388
Other	2,318	2,359
Accumulated depreciation	(1,795)	(1,899)
Other, net	522	459
Total property, plant and equipment	21,657	20,159
Intangible assets	128	323
Investments and other assets		
Investment securities	17,254	14,166
Other	1,085	979
Allowance for doubtful accounts	(139)	(172)
Allowance for investment loss	—	(204)
Total investments and other assets	18,200	14,769
Total non-current assets	39,986	35,252
Total assets	54,541	53,553

		Unit : Millions of yen	
		March 31, 2007	March 31, 2008
Liabilities			
Current liabilities			
Notes and accounts payable-trade		2,959	3,401
Short-term loans payable		1,770	2,000
Current portion of long-term loans payable		1,563	2,049
Accounts payable-other		1,615	3,178
Income taxes payable		147	127
Provision for bonuses		197	168
Provision for directors' bonuses		10	10
Other		180	96
Total current liabilities		8,445	11,032
Non-current liabilities			
Long-term loans payable		3,224	4,175
Deferred tax liabilities		469	558
Provision for retirement benefits		1,123	1,077
Provision for directors' retirement benefits		5	37
Provision for environmental measures		—	6
Negative goodwill		70	103
Other		318	328
Total non-current liabilities		5,211	6,287
Total liabilities		13,656	17,320
Net assets			
Shareholders' equity			
Capital stock		5,000	5,000
Capital surplus		26,850	26,416
Retained earnings		10,703	7,289
Treasury stock		(4,324)	(4,508)
Total shareholders' equity		38,229	34,197
Valuation and translation adjustments			
Valuation difference on available-for-sale securities		1,646	842
Deferred gains or losses on hedges		(5)	(4)
Foreign currency translation adjustment		35	186
Total valuation and translation adjustments		1,676	1,024
Minority interests		978	1,011
Total net assets		40,884	36,233
Total liabilities and net assets		54,541	53,553

**Consolidated Statements of income**

For the fiscal year ended March 31, 2007 and 2008

	Unit : Millions of yen	
	April 2006 - March 2007	April 2007 - March 2008
Net sales	22,053	23,533
Cost of sales	18,183	19,496
Gross profit	3,870	4,037
Selling, general and administrative expenses	3,094	2,961
Operating income	776	1,075
Non-operating income		
Interest income	191	190
Dividends income	174	81
Gain on sales of investment securities	132	—
Amortization of negative goodwill	6	20
Equity in earnings of affiliates	28	29
Foreign exchange gains	6	—
Other	39	52
Total non-operating income	579	375
Non-operating expenses		
Interest expenses	59	79
Taxes and dues	52	25
Foreign exchange losses	—	17
Other	25	28
Total non-operating expenses	137	150
Ordinary income	1,218	1,299
Extraordinary income		
Gain on sales of investment securities	476	—
Reversal of allowance for doubtful accounts	—	5
Gain on bad debts recovered	—	32
Other	4	—
Total extraordinary income	481	37
Extraordinary loss		
Loss on disposal of non-current assets	138	168
Loss on valuation of non-current assets	357	—
Impairment loss	462	3,065
Loss on valuation of investment securities	—	149
Loss on abandonment of inventories	—	28
Provision of allowance for doubtful accounts	—	47
Provision of allowance for investment loss	—	204
Provision for environmental measures	—	6
Other	18	—
Total extraordinary losses	977	3,671
Income (loss) before income taxes	722	(2,333)
Income taxes-current	256	159
Income taxes-deferred	80	735
Total income taxes	337	894
Minority interests in income	206	172
Net income (loss)	178	(3,401)

# Consolidated Statements of Changes in Net Assets

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

For the fiscal year ended March 31, 2008

	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		(438)			(438)				
Net loss			(3,401)		(3,401)				
Purchase of treasury stock				(329)	(329)				
Disposal of treasury stock		0		1	1				
Disposal of treasury stock by share exchanges		4		138	143				
Change of scope of equity method			(12)	4	(7)				
Net changes of items other than shareholders' equity						(803)	1	150	32
Total changes of items during the period		(434)	(3,413)	(184)	(4,032)	(803)	1	150	32
Balance as of March 31, 2008	5,000	26,416	7,289	(4,508)	34,197	842	(4)	186	1,011

**Consolidated Statements of Cash Flows**

For the fiscal year ended March 31, 2007 and 2008

	Unit : Millions of yen	
	April 2006 - March 2007	April 2007 - March 2008
Net cash provided by (used in) operating activities		
Income (loss) before income taxes	722	(2,333)
Depreciation and amortization	1,839	1,380
Impairment loss	462	3,065
Amortization of negative goodwill	(6)	(20)
Increase (decrease) in provision for retirement benefits	43	(45)
Increase (decrease) in provision for directors' retirement benefits	(341)	31
Loss on valuation of non-current assets	357	—
Loss (gain) on sales of investment securities	(609)	—
Loss (gain) on valuation of investment securities	—	149
Increase (decrease) in allowance for investment loss	—	204
Interest and dividends income	(366)	(272)
Interest expenses	59	79
Decrease (increase) in notes and accounts receivable-trade	(150)	54
Decrease (increase) in inventories	163	32
Increase (decrease) in notes and accounts payable-trade	324	431
Other, net	528	36
Subtotal	3,027	2,793
Interest and dividends income received	403	287
Interest expenses paid	(59)	(73)
Income taxes paid	(238)	(205)
Net cash provided by (used in) operating activities	3,132	2,802
Net cash provided by (used in) investing activities		
Proceeds from redemption of securities	2,800	1,200
Purchase of property, plant and equipment	(6,461)	(1,413)
Proceeds from governmental subsidies	—	141
Purchase of investment securities	(2,352)	(998)
Proceeds from sales and redemption of investment securities	1,839	700
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(131)	—
Payments for sales of investments in subsidiaries resulting in change in scope of consolidation	(16)	—
Net decrease (increase) in time deposits	49	—
Other, net	446	(238)
Net cash provided by (used in) investing activities	(3,825)	(609)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	100	230
Proceeds from long-term loans payable	3,000	3,000
Repayment of long-term loans payable	(1,579)	(1,566)
Net decrease (increase) in treasury stock	(1,009)	(326)
Cash dividends paid	(760)	(436)
Cash dividends paid to minority shareholders	(17)	(47)
Purchase of the stock from minority stockholders	(30)	—
Net cash provided by (used in) financing activities	(296)	853
Effect of exchange rate change on cash and cash equivalents	69	49
Net increase (decrease) in cash and cash equivalents	(920)	3,095
Cash and cash equivalents at beginning of period	4,470	3,550
Cash and cash equivalents at end of period	3,550	6,645