

# Gun Ei Chemical Industry Co., Ltd.

## Consolidated Financial Statements

### Consolidated balance sheets

As of March 31, 2008 and 2009

	Unit : Millions of yen	
	March 31, 2008	March 31, 2009
Assets		
Current assets		
Cash and deposits	3,798	4,554
Notes and accounts receivable-trade	6,998	5,485
Short-term investment securities	4,804	2,288
Inventories	2,426	—
Merchandise and finished goods	—	1,656
Work in process	—	17
Raw materials and supplies	—	602
Deferred tax assets	58	224
Other	215	480
Allowance for doubtful accounts	(1)	(0)
Total current assets	18,301	15,309
Non-current assets		
Property, plant and equipment		
Buildings and structures	18,926	19,612
Accumulated depreciation	(12,932)	(11,925)
Buildings and structures, net	5,994	7,686
Machinery, equipment and vehicles	23,602	22,716
Accumulated depreciation	(19,920)	(18,142)
Machinery, equipment and vehicles, net	3,682	4,574
Land	7,634	7,639
Lease assets	—	25
Accumulated depreciation	—	(2)
Lease assets, net	—	22
Construction in progress	2,388	67
Other	2,359	2,360
Accumulated depreciation	(1,899)	(1,919)
Other, net	459	440
Total property, plant and equipment	20,159	20,431
Intangible assets	323	363
Investments and other assets		
Investment securities	14,166	8,763
Deferred tax assets	—	2
Other	979	885
Allowance for doubtful accounts	(172)	(169)
Allowance for investment loss	(204)	(204)
Total investments and other assets	14,769	9,276
Total non-current assets	35,252	30,071
Total assets	53,553	45,380

		Unit : Millions of yen	
		March 31, 2008	March 31, 2009
Liabilities			
Current liabilities			
Notes and accounts payable-trade		3,401	2,293
Short-term loans payable		2,000	2,600
Current portion of long-term loans payable		2,049	1,400
Accounts payable-other		3,178	1,599
Income taxes payable		127	44
Provision for bonuses		168	135
Provision for directors' bonuses		10	—
Other		96	56
Total current liabilities		11,032	8,128
Non-current liabilities			
Long-term loans payable		4,175	2,775
Deferred tax liabilities		558	0
Provision for retirement benefits		1,077	955
Provision for directors' retirement benefits		37	—
Provision for environmental measures		6	6
Negative goodwill		103	77
Other		328	330
Total non-current liabilities		6,287	4,145
Total liabilities		17,320	12,273
Net assets			
Shareholders' equity			
Capital stock		5,000	5,000
Capital surplus		26,416	25,977
Retained earnings		7,289	6,589
Treasury stock		(4,508)	(4,701)
Total shareholders' equity		34,197	32,864
Valuation and translation adjustments			
Valuation difference on available-for-sale securities		842	(185)
Deferred gains or losses on hedges		(4)	(0)
Foreign currency translation adjustment		186	(310)
Total valuation and translation adjustments		1,024	(496)
Minority interests		1,011	738
Total net assets		36,233	33,106
Total liabilities and net assets		53,553	45,380

**Consolidated Statements of income**

For the fiscal year ended March 31, 2008 and 2009

	Unit : Millions of yen	
	April 2007 - March 2008	April 2008 - March 2009
Net sales	23,533	22,270
Cost of sales	19,496	19,893
Gross profit	4,037	2,376
Selling, general and administrative expenses	2,961	2,979
Operating income (loss)	1,075	(603)
Non-operating income		
Interest income	190	152
Dividends income	81	93
Amortization of negative goodwill	20	26
Equity in earnings of affiliates	29	4
Other	52	91
Total non-operating income	375	368
Non-operating expenses		
Interest expenses	79	88
Taxes and dues	25	79
Foreign exchange losses	17	53
Other	28	19
Total non-operating expenses	150	240
Ordinary income (loss)	1,299	(475)
Extraordinary income		
Reversal of allowance for doubtful accounts	5	0
Gain on bad debts recovered	32	26
Total extraordinary income	37	26
Extraordinary loss		
Loss on disposal of non-current assets	168	179
Impairment loss	3,065	—
Loss on sales of investment securities	—	2
Loss on valuation of investment securities	149	4
Loss on valuation of membership	—	3
Directors' retirement benefits	—	3
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	—
Total extraordinary losses	3,671	193
Loss before income taxes	(2,333)	(642)
Income taxes-current	159	96
Income taxes-deferred	735	(154)
Total income taxes	894	(58)
Minority interests in income	172	115
Net loss	(3,401)	(700)

**Consolidated Statements of Changes in Net Assets**

For the fiscal year ended March 31, 2008 and 2009

	Unit : Millions of yen	
	April 2007 - March 2008	April 2008 - March 2009
Shareholders' equity		
Capital stock		
Balance at the beginning of the period	5,000	5,000
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of the period	5,000	5,000
Capital surplus		
Balance at the beginning of the period	26,850	26,416
Changes of items during the period		
Dividends from surplus-other capital surplus	(438)	(436)
Disposal of treasury stock	0	(2)
Disposal of treasury stock by share exchanges	4	—
Total changes of items during the period	(434)	(439)
Balance at the end of the period	26,416	25,977
Retained earnings		
Balance at the beginning of the period	10,703	7,289
Changes of items during the period		
Net loss	(3,401)	(700)
Change of scope of equity method	(12)	—
Total changes of items during the period	(3,413)	(700)
Balance at the end of the period	7,289	6,589
Treasury stock		
Balance at the beginning of the period	(4,324)	(4,508)
Changes of items during the period		
Purchase of treasury stock	(329)	(202)
Disposal of treasury stock	1	9
Disposal of treasury stock by share exchanges	138	—
Change in equity in affiliates accounted for by equity method-treasury stock	4	—
Total changes of items during the period	(184)	(193)
Balance at the end of the period	(4,508)	(4,701)
Total shareholders' equity		
Balance at the beginning of the period	38,229	34,197
Changes of items during the period		
Dividends from surplus-other capital surplus	(438)	(436)
Net loss	(3,401)	(700)
Purchase of treasury stock	(329)	(202)
Disposal of treasury stock	1	6
Disposal of treasury stock by share exchanges	143	—
Change of scope of equity method	(7)	—
Total changes of items during the period	(4,032)	(1,332)
Balance at the end of the period	34,197	32,864

		Unit : Millions of yen	
		April 2007	April 2008
		- March 2008	- March 2009
Valuation and translation adjustments			
Valuation difference on available-for-sale securities			
Balance at the beginning of the period		1,646	842
Changes of items during the period			
Net changes of items other than shareholders' equity		(803)	(1,028)
Total changes of items during the period		(803)	(1,028)
Balance at the end of the period		842	(185)
Deferred gains or losses on hedges			
Balance at the beginning of the period		(5)	(4)
Changes of items during the period			
Net changes of items other than shareholders' equity		1	3
Total changes of items during the period		1	3
Balance at the end of the period		(4)	(0)
Foreign currency translation adjustment			
Balance at the beginning of the period		35	186
Changes of items during the period			
Net changes of items other than shareholders' equity		150	(496)
Total changes of items during the period		150	(496)
Balance at the end of the period		186	(310)
Minority interests			
Balance at the beginning of the period		978	1,011
Changes of items during the period			
Net changes of items other than shareholders' equity		32	(272)
Total changes of items during the period		32	(272)
Balance at the end of the period		1,011	738

**Consolidated Statements of Cash Flows**

For the fiscal year ended March 31, 2008 and 2009

	Unit : Millions of yen	
	April 2007 - March 2008	April 2008 - March 2009
Net cash provided by (used in) operating activities		
Loss before income taxes	(2,333)	(642)
Depreciation and amortization	1,380	2,035
Impairment loss	3,065	—
Amortization of negative goodwill	(20)	(24)
Increase (decrease) in provision for retirement benefits	(45)	(122)
Increase (decrease) in provision for directors' retirement benefits	31	(37)
Loss (gain) on valuation of investment securities	149	4
Increase (decrease) in allowance for investment loss	204	—
Interest and dividends income	(272)	(246)
Interest expenses	79	88
Decrease (increase) in notes and accounts receivable-trade	54	1,230
Decrease (increase) in inventories	32	33
Increase (decrease) in notes and accounts payable-trade	431	(1,072)
Other, net	36	(38)
Subtotal	2,793	1,207
Interest and dividends income received	287	277
Interest expenses paid	(73)	(85)
Income taxes paid	(205)	(192)
Net cash provided by (used in) operating activities	2,802	1,207
Net cash provided by (used in) investing activities		
Proceeds from redemption of securities	1,200	1,900
Purchase of property, plant and equipment	(1,413)	(4,295)
Proceeds from governmental subsidies	141	—
Purchase of investment securities	(998)	(837)
Proceeds from sales and redemption of investment securities	700	2,321
Net decrease (increase) in time deposits	—	26
Other, net	(238)	(117)
Net cash provided by (used in) investing activities	(609)	(1,002)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	230	600
Proceeds from long-term loans payable	3,000	—
Repayment of long-term loans payable	(1,566)	(2,049)
Net decrease (increase) in treasury stock	(326)	(194)
Cash dividends paid	(436)	(434)
Cash dividends paid to minority shareholders	(47)	(37)
Net cash provided by (used in) financing activities	853	(2,115)
Effect of exchange rate change on cash and cash equivalents	49	(206)
Net increase (decrease) in cash and cash equivalents	3,095	(2,117)
Cash and cash equivalents at beginning of period	3,550	6,645
Cash and cash equivalents at end of period	6,645	4,528