

Gun Ei Chemical Industry Co., Ltd.

Consolidated Financial Statements

Consolidated balance sheets

As of March 31, 2010 and 2011

	Unit : Millions of yen	
	March 31, 2010	March 31, 2011
Assets		
Current assets		
Cash and deposits	6,550	3,624
Notes and accounts receivable-trade	5,814	6,412
Short-term investment securities	904	701
Merchandise and finished goods	1,411	1,625
Work in process	19	21
Raw materials and supplies	606	758
Deferred tax assets	185	169
Other	312	178
Allowance for doubtful accounts	(0)	(0)
Total current assets	15,803	13,491
Non-current assets		
Property, plant and equipment		
Buildings and structures	19,837	19,986
Accumulated depreciation and impairment loss	(12,446)	(12,814)
Buildings and structures, net	7,390	7,172
Machinery, equipment and vehicles	23,460	25,153
Accumulated depreciation and impairment loss	(19,511)	(20,630)
Machinery, equipment and vehicles, net	3,949	4,522
Land	7,639	7,639
Lease assets	31	35
Accumulated depreciation	(7)	(14)
Lease assets, net	23	21
Construction in progress	867	191
Other	2,381	2,413
Accumulated depreciation and impairment loss	(2,036)	(2,118)
Other, net	345	294
Total property, plant and equipment	20,216	19,842
Intangible assets	281	186
Investments and other assets		
Investment securities	8,637	9,021
Deferred tax assets	—	1
Other	681	637
Allowance for doubtful accounts	(87)	(86)
Allowance for investment loss	(382)	—
Total investments and other assets	8,848	9,574
Total non-current assets	29,346	29,603
Total assets	45,150	43,094

	Unit : Millions of yen	
	March 31, 2010	March 31, 2011
Liabilities		
Current liabilities		
Notes and accounts payable-trade	2,784	3,093
Short-term loans payable	1,000	—
Current portion of long-term loans payable	1,252	1,252
Accounts payable-other	1,536	893
Income taxes payable	71	67
Provision for bonuses	156	193
Other	52	56
Total current liabilities	6,853	5,557
Non-current liabilities		
Long-term loans payable	3,022	1,769
Deferred tax liabilities	179	136
Provision for retirement benefits	982	1,000
Provision for environmental measures	6	16
Negative goodwill	51	25
Other	468	476
Total non-current liabilities	4,710	3,425
Total liabilities	11,564	8,983
Net assets		
Shareholders' equity		
Capital stock	5,000	5,000
Capital surplus	25,905	25,689
Retained earnings	6,547	7,394
Treasury stock	(4,706)	(4,709)
Total shareholders' equity	32,747	33,374
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	263	219
Foreign currency translation adjustment	(251)	(289)
Total accumulated other comprehensive income	12	(69)
Minority interests	827	807
Total net assets	33,586	34,111
Total liabilities and net assets	45,150	43,094

Consolidated Statements of income and statements of comprehensive income**Consolidated Statements of income**

For the fiscal year ended March 31, 2010 and 2011

	Unit : Millions of yen	
	April 2009 - March 2010	April 2010 - March 2011
Net sales	19,198	22,635
Cost of sales	16,496	18,558
Gross profit	2,701	4,076
Selling, general and administrative expenses	2,628	2,937
Operating income	73	1,139
Non-operating income		
Interest income	123	126
Dividends income	49	58
Amortization of negative goodwill	26	26
Equity in earnings of affiliates	—	6
Other	51	72
Total non-operating income	251	289
Non-operating expenses		
Interest expenses	60	43
Taxes and dues	18	1
Equity in losses of affiliates	1	—
Foreign exchange losses	3	—
Other	2	5
Total non-operating expenses	86	49
Ordinary income	237	1,378
Extraordinary income		
Reversal of allowance for doubtful accounts	75	1
Gain on insurance adjustment	98	—
Gain on sales of investment securities	0	—
Total extraordinary income	174	1
Extraordinary loss		
Loss on disposal of non-current assets	53	41
Provision of allowance for investment loss	177	—
Loss on valuation of investment securities	—	65
Loss on valuation of membership	—	2
Provision for environmental measures	—	10
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	21
Total extraordinary losses	231	140
Income before income taxes	180	1,239
Income taxes-current	73	75
Income taxes-deferred	42	11
Total income taxes	116	87
Income before minority interests	—	1,152
Minority interests in income	105	90
Net income (loss)	(41)	1,062

Consolidated Statements of comprehensive income

For the fiscal year ended March 31, 2010 and 2011

	Unit : Millions of yen	
	April 2009 - March 2010	April 2010 - March 2011
Income before minority interests	—	1,152
Other comprehensive income		
Valuation difference on available-for-sale securities	—	(45)
Foreign currency translation adjustment	—	(47)
Share of other comprehensive income of associates accounted for using equity method	—	(5)
Total other comprehensive income	—	(98)
Comprehensive income	—	1,054
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	—	980
Comprehensive income attributable to minority interests	—	73

Consolidated Statements of Changes in Net Assets

For the fiscal year ended March 31, 2010 and 2011

	Unit : Millions of yen	
	April 2009 - March 2010	April 2010 - March 2011
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	25,977	25,905
Changes of items during the period		
Dividends from surplus-other capital surplus	(71)	(215)
Disposal of treasury stock	(0)	(0)
Total changes of items during the period	(71)	(215)
Balance at the end of the period	25,905	25,689
Retained earnings		
Balance at the beginning of the period	6,589	6,547
Changes of items during the period		
Dividends from surplus	—	(215)
Net income (loss)	(41)	1,062
Total changes of items during the period	(41)	846
Balance at the end of the period	6,547	7,394
Treasury stock		
Balance at the beginning of the period	(4,701)	(4,706)
Changes of items during the period		
Purchase of treasury stock	(4)	(4)
Disposal of treasury stock	0	0
Total changes of items during the period	(4)	(3)
Balance at the end of the period	(4,706)	(4,709)
Total shareholders' equity		
Balance at the beginning of the period	32,864	32,747
Changes of items during the period		
Dividends from surplus-other capital surplus	(71)	(215)
Dividends from surplus	—	(215)
Net income (loss)	(41)	1,062
Purchase of treasury stock	(4)	(4)
Disposal of treasury stock	0	0
Total changes of items during the period	(117)	627
Balance at the end of the period	32,747	33,374

		Unit : Millions of yen	
		April 2009	April 2010
		- March 2010	- March 2011
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities			
Balance at the beginning of the period	(185)	263	
Changes of items during the period			
Net changes of items other than shareholders' equity	449	(44)	
Total changes of items during the period	449	(44)	
Balance at the end of the period	263	219	
Deferred gains or losses on hedges			
Balance at the beginning of the period	(0)	—	
Changes of items during the period			
Net changes of items other than shareholders' equity	0	—	
Total changes of items during the period	0	—	
Balance at the end of the period	—	—	
Foreign currency translation adjustment			
Balance at the beginning of the period	(310)	(251)	
Changes of items during the period			
Net changes of items other than shareholders' equity	59	(37)	
Total changes of items during the period	59	(37)	
Balance at the end of the period	(251)	(289)	
Minority interests			
Balance at the beginning of the period	738	827	
Changes of items during the period			
Net changes of items other than shareholders' equity	88	(20)	
Total changes of items during the period	88	(20)	
Balance at the end of the period	827	807	

Consolidated Statements of Cash Flows

For the fiscal year ended March 31, 2010 and 2011

	Unit : Millions of yen	
	April 2009 - March 2010	April 2010 - March 2011
Net cash provided by (used in) operating activities		
Income before income taxes	180	1,239
Depreciation and amortization	2,281	1,884
Amortization of negative goodwill	(26)	(26)
Increase (decrease) in provision for retirement benefits	27	18
Increase (decrease) in allowance for investment loss	177	—
Interest and dividends income	(173)	(184)
Interest expenses	60	43
Loss (gain) on valuation of investment securities	—	65
Decrease (increase) in notes and accounts receivable-trade	(294)	(611)
Decrease (increase) in inventories	249	(374)
Increase (decrease) in notes and accounts payable-trade	485	311
Other, net	131	29
Subtotal	3,099	2,394
Interest and dividends income received	176	171
Interest expenses paid	(67)	(45)
Income taxes (paid) refund	14	(66)
Net cash provided by (used in) operating activities	3,223	2,453
Net cash provided by (used in) investing activities		
Proceeds from redemption of securities	2,300	910
Purchase of property, plant and equipment	(1,936)	(1,932)
Purchase of investment securities	(3,061)	(1,504)
Proceeds from sales and redemption of investment securities	2,901	0
Net decrease (increase) in time deposits	27	—
Collection of long-term accounts receivable-other	233	—
Purchase of stocks of subsidiaries and affiliates	—	(113)
Other, net	(67)	53
Net cash provided by (used in) investing activities	398	(2,587)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(1,600)	(1,000)
Proceeds from long-term loans payable	1,500	—
Repayment of long-term loans payable	(1,400)	(1,252)
Net decrease (increase) in treasury stock	(3)	(2)
Cash dividends paid	(72)	(428)
Cash dividends paid to minority shareholders	(62)	(93)
Net cash provided by (used in) financing activities	(1,637)	(2,776)
Effect of exchange rate change on cash and cash equivalents	39	(15)
Net increase (decrease) in cash and cash equivalents	2,023	(2,926)
Cash and cash equivalents at beginning of period	4,528	6,552
Cash and cash equivalents at end of period	6,552	3,625