# Gun Ei Chemical Industry Co., Ltd.

### **Consolidated Financial Statements**

## **Consolidated balance sheets**

As of March 31 and December 31, 2011

	Unit: Millions of yen	
	March 31, 2011	December 31, 2011
Assets		
Current assets		
Cash and deposits	3,624	3,317
Notes and accounts receivable-trade	6,412	7,399
Short-term investment securities	701	1,606
Merchandise and finished goods	1,625	1,997
Work in process	21	20
Raw materials and supplies	758	859
Other	348	427
Allowance for doubtful accounts	(0)	(0)
Total current assets	13,491	15,628
Non-current assets		
Property, plant and equipment		
Buildings and structures	19,986	19,979
Accumulated depreciation and impairment loss	(12,814)	(13,142)
Buildings and structures, net	7,172	6,837
Machinery, equipment and vehicles	25,153	25,126
Accumulated depreciation and impairment loss	(20,630)	(21,371)
Machinery, equipment and vehicles, net	4,522	3,754
Land	7,639	7,651
Lease assets	35	42
Accumulated depreciation	(14)	(20)
Lease assets, net	21	22
Construction in progress	191	83
Other	2,413	2,412
Accumulated depreciation and impairment loss	(2,118)	(2,149)
Other, net	294	263
Total property, plant and equipment	19,842	18,612
Intangible assets	186	124
Investments and other assets		
Investment securities	9,021	7,192
Other	639	610
Allowance for doubtful accounts	(86)	(86)
Total investments and other assets	9,574	7,716
Total non-current assets	29,603	26,454
Total assets	43,094	42,082
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	March 31, 2011	December 31, 2011
Liabilities		
Current liabilities		
Accounts payable-trade	3,093	3,313
Current portion of long-term loans payable	1,252	1,252
Accounts payable-other	893	620
Income taxes payable	67	33
Provision for bonuses	193	121
Other	56	223
Total current liabilities	5,557	5,565
Non-current liabilities		
Long-term loans payable	1,769	898
Provision for retirement benefits	1,000	994
Provision for environmental measures	16	16
Negative goodwill	25	8
Other	612	501
Total non-current liabilities	3,425	2,420
Total liabilities	8,983	7,985
Net assets		
Shareholders' equity		
Capital stock	5,000	5,000
Capital surplus	25,689	25,689
Retained earnings	7,394	7,747
Treasury stock	(4,709)	(4,712)
Total shareholders' equity	33,374	33,725
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	219	20
Foreign currency translation adjustment	(289)	(396)
Total accumulated other comprehensive income	(69)	(375)
Minority interests	807	746
Total net assets	34,111	34,096
Total liabilities and net assets	43,094	42,082

#### Consolidated Statements of income and statements of comprehensive income

#### **Consolidated Statements of income**

For the first three quarters ended December 31, 2010 and 2011

Net sales         April - December 2010         April - December 2011           Cost of sales         17,028         18,347           Gross profit         2,969         3,039           Selling, general and administrative expenses         2,192         2,218           Operating income         777         821           Non-operating income         94         90           Interest income         94         90           Dividends income         29         33           Equity in carnings of affiliates         5         7           Amortization of negative goodwill         19         16           Other         34         55           Total non-operating income         183         203           Non-operating expenses         34         21           Interest expenses         34         21           Interest expenses         34         21           Taxes and dues         14         0           Foreign exchange losses         2         8           Commission fee         —         41           Other         4         4           Total non-operating expenses         56         76           Extraordinary income         904		1	Unit: Millions of yen
Net sales         17,028         18,347           Cost of sales         14,058         15,307           Gross profit         2,969         3,039           Selling, general and administrative expenses         2,192         2,218           Operating income         777         821           Non-operating income         94         90           Interest income         94         90           Dividends income         29         33           Equity in earnings of affiliates         5         7           Amortization of negative goodwill         19         16           Other         34         55           Total non-operating income         183         203           Non-operating expenses         183         203           Interest expenses         34         21           Taxes and dues         14         0           Foreign exchange losses         2         8           Commission fee         —         41           Other         4         4           Total non-operating expenses         56         76           Ordinary income         904         948           Extraordinary income         904         948 <th></th> <th>April - December</th> <th>April - December</th>		April - December	April - December
Cost of sales         14,058         15,307           Gross profit         2,969         3,039           Selling, general and administrative expenses         2,192         2,218           Operating income         777         821           Non-operating income         94         90           Interest income         94         90           Dividends income         29         33           Equity in earnings of affiliates         5         7           Amortization of negative goodwill         19         16           Other         34         55           Total non-operating income         183         203           Non-operating expenses         34         21           Interest expenses         34         21           Taxes and dues         14         0           Foreign exchange losses         2         8           Commission fee         —         41           Other         4         4           Total non-operating expenses         56         76           Ordinary income         904         948           Extraordinary income         904         948           Extraordinary income         —         0		2010	2011
Gross profit         2,969         3,039           Selling, general and administrative expenses         2,192         2,218           Operating income         777         821           Non-operating income         94         90           Interest income         29         33           Equity in earnings of affiliates         5         7           Amortization of negative goodwill         19         16           Other         34         55           Total non-operating income         183         203           Non-operating expenses         34         21           Taxes and dues         14         0           Foreign exchange losses         2         8           Commission fee         —         41           Other         4         4           Total non-operating expenses         56         76           Ordinary income         904         948           Extraordinary income         904         948           Extraordinary income         —         0           Gain on sales of non-current assets         —         0           Reversal of allowance for doubtful accounts         0         —           Surrender value of insurance	Net sales	17,028	18,347
Selling, general and administrative expenses         2,192         2,218           Operating income         777         821           Non-operating income         94         90           Dividends income         29         33           Equity in earnings of affiliates         5         7           Amortization of negative goodwill         19         16           Other         34         55           Total non-operating income         183         203           Non-operating expenses         114         0           Interest expenses         34         21           Taxes and dues         14         0           Foreign exchange losses         2         8           Commission fee         —         41           Other         4         4           Total non-operating expenses         56         76           Ordinary income         904         948           Extraordinary income         904         948           Extraordinary income         0         —           Gain on sales of non-current assets         —         0           Reversal of allowance for doubtful accounts         0         —           Surrender value of insurance	Cost of sales	14,058	15,307
Operating income         777         821           Non-operating income         94         90           Dividends income         29         33           Equity in earnings of affiliates         5         7           Amortization of negative goodwill         19         16           Other         34         55           Total non-operating income         183         203           Non-operating expenses         34         21           Interest expenses         34         21           Taxes and dues         14         0           Foreign exchange losses         2         8           Commission fee         —         41           Other         4         4           Total non-operating expenses         56         76           Ordinary income         904         948           Extraordinary income         904         948           Extraordinary income         —         0           Gain on sales of non-current assets         —         0           Reversal of allowance for doubtful accounts         0         —           Surrender value of insurance         —         3           Total extraordinary income         0	Gross profit	2,969	3,039
Non-operating income         94         90           Dividends income         29         33           Equity in earnings of affiliates         5         7           Amortization of negative goodwill         19         16           Other         34         55           Total non-operating income         183         203           Non-operating expenses         183         203           Interest expenses         34         21           Taxes and dues         14         0           Foreign exchange losses         2         8           Commission fee         —         41           Other         4         4           Total non-operating expenses         56         76           Ordinary income         904         948           Extraordinary income         —         0           Gain on sales of non-current assets         —         0           Reversal of allowance for doubtful accounts         0         —           Surrender value of insurance         —         3           Total extraordinary income         0         4           Extraordinary loss         33         15           Loss on disposal of non-current assets <td< td=""><td>Selling, general and administrative expenses</td><td>2,192</td><td>2,218</td></td<>	Selling, general and administrative expenses	2,192	2,218
Interest income         94         90           Dividends income         29         33           Equity in earnings of affiliates         5         7           Amortization of negative goodwill         19         16           Other         34         55           Total non-operating income         183         203           Non-operating expenses         183         203           Interest expenses         34         21           Taxes and dues         14         0           Foreign exchange losses         2         8           Commission fee         —         41           Other         4         4           Total non-operating expenses         56         76           Ordinary income         904         948           Extraordinary income         —         0           Gain on sales of non-current assets         —         0           Reversal of allowance for doubtful accounts         0         —           Surrender value of insurance         —         3           Total extraordinary income         0         4           Extraordinary loss         Loss on valuation of investment securities         65         41	Operating income	777	821
Dividends income         29         33           Equity in earnings of affiliates         5         7           Amortization of negative goodwill         19         16           Other         34         55           Total non-operating income         183         203           Non-operating expenses         34         21           Interest expenses         34         21           Taxes and dues         14         0           Foreign exchange losses         2         8           Commission fee         —         41           Other         4         4           Total non-operating expenses         56         76           Ordinary income         904         948           Extraordinary income         904         948           Extraordinary income         0         —           Gain on sales of non-current assets         —         0           Reversal of allowance for doubtful accounts         0         —           Surrender value of insurance         —         3           Total extraordinary income         0         4           Extraordinary loss         33         15           Loss on disposal of non-current assets <td< td=""><td>Non-operating income</td><td></td><td></td></td<>	Non-operating income		
Equity in earnings of affiliates         5         7           Amortization of negative goodwill         19         16           Other         34         55           Total non-operating income         183         203           Non-operating expenses	Interest income	94	90
Amortization of negative goodwill         19         16           Other         34         55           Total non-operating income         183         203           Non-operating expenses         1         203           Interest expenses         34         21           Taxes and dues         14         0           Foreign exchange losses         2         8           Commission fee         —         41           Other         4         4         4           Total non-operating expenses         56         76           Ordinary income         904         948           Extraordinary income         904         948           Extraordinary income         —         0           Reversal of allowance for doubtful accounts         0         —           Surrender value of insurance         —         3           Total extraordinary income         0         4           Extraordinary loss         33         15           Loss on disposal of non-current assets         33         15           Loss on valuation of investment securities         65         41           Loss on valuation of membership         2         —           Total	Dividends income	29	33
Other         34         55           Total non-operating income         183         203           Non-operating expenses         34         21           Interest expenses         34         21           Taxes and dues         14         0           Foreign exchange losses         2         8           Commission fee         —         41           Other         4         4           Total non-operating expenses         56         76           Ordinary income         904         948           Extraordinary income         —         0           Gain on sales of non-current assets         —         0           Reversal of allowance for doubtful accounts         0         —           Surrender value of insurance         —         3           Total extraordinary income         0         4           Extraordinary loss         33         15           Loss on valuation of investment securities         65         41           Loss on valuation of membership         2         —           Total extraordinary losses         100         56           Income before income taxes         804         895           Income taxes-deferred	Equity in earnings of affiliates	5	7
Total non-operating income         183         203           Non-operating expenses         34         21           Interest expenses         34         21           Taxes and dues         14         0           Foreign exchange losses         2         8           Commission fee         —         41           Other         4         4           Total non-operating expenses         56         76           Ordinary income         904         948           Extraordinary income         —         0           Gain on sales of non-current assets         —         0           Reversal of allowance for doubtful accounts         0         —           Surrender value of insurance         —         3           Total extraordinary income         0         4           Extraordinary loss         1         0         4           Extraordinary loss         33         15           Loss on valuation of investment securities         65         41           Loss on valuation of membership         2         —           Total extraordinary losses         100         56           Income before income taxes         804         895	Amortization of negative goodwill	19	16
Non-operating expenses         34         21           Taxes and dues         14         0           Foreign exchange losses         2         8           Commission fee         —         41           Other         4         4           Total non-operating expenses         56         76           Ordinary income         904         948           Extraordinary income         —         0           Gain on sales of non-current assets         —         0           Reversal of allowance for doubtful accounts         0         —           Surrender value of insurance         —         3           Total extraordinary income         0         4           Extraordinary loss         1         0         4           Extraordinary loss         1         5         41         1           Loss on valuation of investment securities         65         41         1         6         4         1           Loss on valuation of membership         2         —         —         7         6         1           Income before income taxes         804         895         1         80         895         1         1         6         1         <	Other	34	55
Interest expenses         34         21           Taxes and dues         14         0           Foreign exchange losses         2         8           Commission fee         —         41           Other         4         4           Total non-operating expenses         56         76           Ordinary income         904         948           Extraordinary income         904         948           Extraordinary income         0         —           Reversal of allowance for doubtful accounts         0         —           Surrender value of insurance         —         3           Total extraordinary income         0         4           Extraordinary loss         0         4           Extraordinary loss         33         15           Loss on disposal of non-current assets         33         15           Loss on valuation of investment securities         65         41           Loss on valuation of membership         2         —           Total extraordinary losses         100         56           Income before income taxes         804         895           Income taxes-current         62         51           Income taxes deferred<	Total non-operating income	183	203
Interest expenses         34         21           Taxes and dues         14         0           Foreign exchange losses         2         8           Commission fee         —         41           Other         4         4           Total non-operating expenses         56         76           Ordinary income         904         948           Extraordinary income         904         948           Extraordinary income         0         —           Reversal of allowance for doubtful accounts         0         —           Surrender value of insurance         —         3           Total extraordinary income         0         4           Extraordinary loss         0         4           Extraordinary loss         33         15           Loss on disposal of non-current assets         33         15           Loss on valuation of investment securities         65         41           Loss on valuation of membership         2         —           Total extraordinary losses         100         56           Income before income taxes         804         895           Income taxes-current         62         51           Income taxes deferred<	Non-operating expenses		
Foreign exchange losses         2         8           Commission fee         —         41           Other         4         4           Total non-operating expenses         56         76           Ordinary income         904         948           Extraordinary income         904         948           Extraordinary income         0         —           Gain on sales of non-current assets         0         —           Surrender value of insurance         —         3           Total extraordinary income         0         4           Extraordinary loss         10         4           Extraordinary loss         33         15           Loss on valuation of investment securities         65         41           Loss on valuation of membership         2         —           Total extraordinary losses         100         56           Income before income taxes         804         895           Income taxes-current         62         51           Income taxes deferred         24         (9)           Total income taxes         87         41           Income before minority interests         717         853		34	21
Commission fee         —         41           Other         4         4           Total non-operating expenses         56         76           Ordinary income         904         948           Extraordinary income         904         948           Extraordinary income         0         —           Reversal of allowance for doubtful accounts         0         —           Surrender value of insurance         —         3           Total extraordinary income         0         4           Extraordinary loss         10         4           Extraordinary loss         33         15           Loss on valuation of investment securities         65         41           Loss on valuation of membership         2         —           Total extraordinary losses         100         56           Income before income taxes         804         895           Income taxes-current         62         51           Income taxes         87         41           Income before minority interests         717         853	Taxes and dues	14	0
Other         4         4           Total non-operating expenses         56         76           Ordinary income         904         948           Extraordinary income	Foreign exchange losses	2	8
Total non-operating expenses         56         76           Ordinary income         904         948           Extraordinary income         904         948           Gain on sales of non-current assets         —         0           Reversal of allowance for doubtful accounts         0         —           Surrender value of insurance         —         3           Total extraordinary income         0         4           Extraordinary loss         33         15           Loss on disposal of non-current assets         65         41           Loss on valuation of investment securities         65         41           Loss on valuation of membership         2         —           Total extraordinary losses         100         56           Income before income taxes         804         895           Income taxes-current         62         51           Income taxes-deferred         24         (9)           Total income taxes         87         41           Income before minority interests         717         853	Commission fee	_	41
Ordinary income         904         948           Extraordinary income	Other	4	4
Ordinary income         904         948           Extraordinary income	Total non-operating expenses	56	76
Extraordinary income         —         0           Gain on sales of non-current assets         —         0           Reversal of allowance for doubtful accounts         0         —           Surrender value of insurance         —         3           Total extraordinary income         0         4           Extraordinary loss         33         15           Loss on disposal of non-current assets         33         15           Loss on valuation of investment securities         65         41           Loss on valuation of membership         2         —           Total extraordinary losses         100         56           Income before income taxes         804         895           Income taxes-current         62         51           Income taxes-deferred         24         (9)           Total income taxes         87         41           Income before minority interests         717         853		904	948
Gain on sales of non-current assets—0Reversal of allowance for doubtful accounts0—Surrender value of insurance—3Total extraordinary income04Extraordinary loss—Loss on disposal of non-current assets3315Loss on valuation of investment securities6541Loss on valuation of membership2—Total extraordinary losses10056Income before income taxes804895Income taxes-current6251Income taxes-deferred24(9)Total income taxes8741Income before minority interests717853	•		
Surrender value of insurance         —         3           Total extraordinary income         0         4           Extraordinary loss         Loss on disposal of non-current assets         33         15           Loss on valuation of investment securities         65         41           Loss on valuation of membership         2         —           Total extraordinary losses         100         56           Income before income taxes         804         895           Income taxes-current         62         51           Income taxes-deferred         24         (9)           Total income taxes         87         41           Income before minority interests         717         853	-	_	0
Total extraordinary income         0         4           Extraordinary loss         Loss on disposal of non-current assets         33         15           Loss on valuation of investment securities         65         41           Loss on valuation of membership         2         —           Total extraordinary losses         100         56           Income before income taxes         804         895           Income taxes-current         62         51           Income taxes-deferred         24         (9)           Total income taxes         87         41           Income before minority interests         717         853	Reversal of allowance for doubtful accounts	0	_
Extraordinary loss  Loss on disposal of non-current assets  Loss on valuation of investment securities  Loss on valuation of membership  Total extraordinary losses  Income before income taxes  Income taxes-current  Income taxes-deferred  Total income taxes  87  41  Income before minority interests	Surrender value of insurance	_	3
Extraordinary loss  Loss on disposal of non-current assets  Loss on valuation of investment securities  Loss on valuation of membership  Total extraordinary losses  Income before income taxes  Income taxes-current  Income taxes-deferred  Total income taxes  87  41  Income before minority interests	Total extraordinary income	0	4
Loss on disposal of non-current assets3315Loss on valuation of investment securities6541Loss on valuation of membership2—Total extraordinary losses10056Income before income taxes804895Income taxes-current6251Income taxes-deferred24(9)Total income taxes8741Income before minority interests717853	· · · · · · · · · · · · · · · · · · ·		
Loss on valuation of membership2—Total extraordinary losses10056Income before income taxes804895Income taxes-current6251Income taxes-deferred24(9)Total income taxes8741Income before minority interests717853	Loss on disposal of non-current assets	33	15
Total extraordinary losses         100         56           Income before income taxes         804         895           Income taxes-current         62         51           Income taxes-deferred         24         (9)           Total income taxes         87         41           Income before minority interests         717         853	Loss on valuation of investment securities	65	41
Total extraordinary losses         100         56           Income before income taxes         804         895           Income taxes-current         62         51           Income taxes-deferred         24         (9)           Total income taxes         87         41           Income before minority interests         717         853	Loss on valuation of membership	2	_
Income before income taxes804895Income taxes-current6251Income taxes-deferred24(9)Total income taxes8741Income before minority interests717853	-	100	56
Income taxes-deferred24(9)Total income taxes8741Income before minority interests717853	•	804	895
Total income taxes8741Income before minority interests717853	Income taxes-current	62	51
Total income taxes8741Income before minority interests717853	Income taxes-deferred	24	(9)
Income before minority interests 717 853	Total income taxes	87	
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Net income 649 784	-		

### **Consolidated Statements of comprehensive income**

For the first three quarters ended December 31, 2010 and 2011

		Unit: Millions of yen
	April - December	April - December
	2010	2011
Income before minority interests	717	853
Other comprehensive income		
Valuation difference on available-for-sale securities	(25)	(196)
Foreign currency translation adjustment	3	(174)
Share of other comprehensive income of	(9)	(3)
associates accounted for using equity method		
Total other comprehensive income	(31)	(374)
Comprehensive income	685	479
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	616	479
Comprehensive income attributable to minority interests	69	(0)