

# Gun Ei Chemical Industry Co., Ltd.

## Consolidated Financial Statements

### Consolidated balance sheets

As of March 31, 2013 and 2014

	Unit : Millions of yen	
	March 31, 2013	March 31, 2014
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	4,616	6,795
Notes and accounts receivable-trade	7,670	7,322
Short-term investment securities	584	508
Merchandise and finished goods	2,135	2,179
Work in process	20	55
Raw materials and supplies	956	1,015
Deferred tax assets	203	221
Other	352	255
Allowance for doubtful accounts	(0)	(0)
<b>Total current assets</b>	<b>16,539</b>	<b>18,353</b>
<b>Non-current assets</b>		
Property, plant and equipment		
Buildings and structures	20,163	20,436
Accumulated depreciation and impairment loss	(13,692)	(13,969)
Buildings and structures, net	<b>6,470</b>	<b>6,466</b>
Machinery, equipment and vehicles	25,783	26,871
Accumulated depreciation and impairment loss	(22,370)	(23,258)
Machinery, equipment and vehicles, net	<b>3,412</b>	<b>3,613</b>
Land	7,646	7,646
Lease assets	59	102
Accumulated depreciation	(33)	(25)
Lease assets, net	<b>26</b>	<b>77</b>
Construction in progress	780	15
Other	2,494	2,583
Accumulated depreciation and impairment loss	(2,217)	(2,254)
Other, net	<b>276</b>	<b>328</b>
<b>Total property, plant and equipment</b>	<b>18,612</b>	<b>18,148</b>
Intangible assets	24	19
Investments and other assets		
Investment securities	7,575	7,619
Deferred tax assets	1	2
Other	1,154	913
Allowance for doubtful accounts	(83)	(82)
Total investments and other assets	<b>8,648</b>	<b>8,452</b>
Total non-current assets	<b>27,285</b>	<b>26,620</b>
<b>Total assets</b>	<b>43,825</b>	<b>44,974</b>

	Unit : Millions of yen	
	March 31, 2013	March 31, 2014
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable-trade	3,309	3,484
Current portion of long-term loans payable	259	259
Accounts payable-other	968	807
Income taxes payable	134	189
Provision for bonuses	195	208
Provision for surcharge	83	—
Other	86	84
<b>Total current liabilities</b>	<b>5,037</b>	<b>5,033</b>
<b>Non-current liabilities</b>		
Long-term loans payable	759	499
Deferred tax liabilities	324	380
Provision for retirement benefits	981	—
Provision for environmental measures	16	16
Net defined benefit liability	—	1,064
Other	451	485
<b>Total non-current liabilities</b>	<b>2,533</b>	<b>2,446</b>
<b>Total liabilities</b>	<b>7,571</b>	<b>7,480</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	5,000	5,000
Capital surplus	25,689	25,689
Retained earnings	8,686	9,416
Treasury stock	(4,716)	(4,726)
<b>Total shareholders' equity</b>	<b>34,660</b>	<b>35,379</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	714	863
Foreign currency translation adjustment	(173)	104
Remeasurements of defined benefit plans	—	(77)
<b>Total accumulated other comprehensive income</b>	<b>540</b>	<b>890</b>
<b>Minority interests</b>	<b>1,053</b>	<b>1,223</b>
<b>Total net assets</b>	<b>36,254</b>	<b>37,493</b>
<b>Total liabilities and net assets</b>	<b>43,825</b>	<b>44,974</b>

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

### **Consolidated Statements of income**

For the fiscal year ended March 31, 2013 and 2014

	Unit : Millions of yen		
	April 2012 - March 2013	April 2013 - March 2014	
Net sales	24,907	26,494	
Cost of sales	20,320	22,070	
Gross profit	4,587	4,424	
Selling, general and administrative expenses	3,059	3,062	
Operating income	1,527	1,361	
Non-operating income			
Interest income	105	73	
Dividends income	69	88	
Amortization of negative goodwill	5	—	
Equity in earnings of affiliates	0	1	
Foreign exchange gains	35	—	
Other	48	61	
Total non-operating income	265	224	
Non-operating expenses			
Interest expenses	17	10	
Commission fee	—	32	
Other	24	19	
Total non-operating expenses	41	63	
Ordinary income	1,751	1,522	
Extraordinary income			
Gain on sales of investment securities	24	—	
Gain on liquidation of subsidiaries	7	—	
Gain on insurance adjustment	2	6	
Other	0	0	
Total extraordinary income	34	6	
Extraordinary loss			
Loss on disposal of non-current assets	65	42	
Loss on valuation of investment securities	214	—	
Loss on valuation of membership	15	0	
Provision for surcharge	83	—	
Total extraordinary losses	378	42	
Income before income taxes	1,407	1,486	
Income taxes-current	140	258	
Income taxes-deferred	34	(16)	
Total income taxes	175	242	
Income before minority interests	1,231	1,244	
Minority interests in income	129	83	
Net income	1,101	1,161	

**Consolidated Statements of comprehensive income**

For the fiscal year ended March 31, 2013 and 2014

	Unit : Millions of yen		
	April 2012 - March 2013	April 2013 - March 2014	
Income before minority interests	1,231	1,244	
Other comprehensive income			
Valuation difference on available-for-sale securities	472	149	
Foreign currency translation adjustment	365	414	
Share of other comprehensive income of associates accounted for using equity method	11	28	
Total other comprehensive income	<u>849</u>	<u>593</u>	
Comprehensive income	<u>2,081</u>	<u>1,837</u>	
(Comprehensive income attributable to)			
Comprehensive income attributable to owners of the parent	1,807	1,588	
Comprehensive income attributable to minority interests	273	248	

## Consolidated Statements of Changes in Net Assets

For the fiscal year ended March 31, 2013

(Unit : Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the period	5,000	25,689	8,020	(4,713)	33,996
Changes of items during the period					
Dividends from surplus			(431)		(431)
Net income			1,101		1,101
Change of scope of equity method			(4)		(4)
Purchase of treasury stock				(3)	(3)
Total changes of items during the period	—	—	666	(3)	663
Balance at the end of the period	5,000	25,689	8,686	(4,716)	34,660
Accumulated other comprehensive income					
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Minority interests	
Balance at the beginning of the period	241	(406)	—		745
Changes of items during the period					
Net changes of items other than shareholders' equity	472	232	—		308
Total changes of items during the period	472	232	—		308
Balance at the end of the period	714	(173)	—		1,053

For the fiscal year ended March 31, 2014

(Unit : Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the period	5,000	25,689	8,686	(4,716)	34,660
Changes of items during the period					
Dividends from surplus			(431)		(431)
Net income			1,161		1,161
Purchase of treasury stock				(10)	(10)
Total changes of items during the period	—	—	729	(10)	719
Balance at the end of the period	5,000	25,689	9,416	(4,726)	35,379

Accumulated other comprehensive income

	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Minority interests
Balance at the beginning of the period	714	(173)	—	1,053
Changes of items during the period				
Net changes of items other than shareholders' equity	149	278	(77)	170
Total changes of items during the period	149	278	(77)	170
Balance at the end of the period	863	104	(77)	1,223

## Consolidated Statements of Cash Flows

For the fiscal year ended March 31, 2013 and 2014

	Unit : Millions of yen		
	April 2012 - March 2013	April 2013 - March 2014	
Net cash provided by (used in) operating activities			
Income before income taxes	1,407	1,486	
Depreciation and amortization	1,678	1,525	
Amortization of negative goodwill	(5)	—	
Increase (decrease) in provision for retirement benefits	(22)	—	
Increase (decrease) in net defined benefit liability	—	81	
Interest and dividends income	(175)	(161)	
Interest expenses	17	10	
Loss (gain) on valuation of investment securities	214	—	
Decrease (increase) in notes and accounts receivable-trade	(425)	475	
Decrease (increase) in inventories	(343)	(62)	
Increase (decrease) in notes and accounts payable-trade	274	161	
Other, net	(214)	54	
Subtotal	<u>2,405</u>	<u>3,571</u>	
Interest and dividends income received	164	162	
Interest expenses paid	(12)	(13)	
Income taxes paid	(100)	(196)	
Net cash provided by (used in) operating activities	<u>2,455</u>	<u>3,524</u>	
Net cash provided by (used in) investing activities			
Net decrease (increase) in time deposits	(255)	52	
Proceeds from redemption of securities	1,500	573	
Purchase of property, plant and equipment	(1,614)	(1,080)	
Purchase of investment securities	(902)	(302)	
Proceeds from sales and redemption of investment securities	453	200	
Other, net	31	(6)	
Net cash provided by (used in) investing activities	<u>(787)</u>	<u>(564)</u>	
Net cash provided by (used in) financing activities			
Proceeds from long-term loans payable	520	—	
Repayment of long-term loans payable	(1,270)	(259)	
Proceeds from stock issuance to minority shareholders	93	—	
Net decrease (increase) in treasury stock	(1)	(8)	
Cash dividends paid	(429)	(428)	
Cash dividends paid to minority shareholders	(58)	(77)	
Other, net	0	—	
Net cash provided by (used in) financing activities	<u>(1,146)</u>	<u>(774)</u>	
Effect of exchange rate change on cash and cash equivalents	44	46	
Net increase (decrease) in cash and cash equivalents	566	2,232	
Cash and cash equivalents at beginning of period	3,991	4,557	
Cash and cash equivalents at end of period	<u>4,557</u>	<u>6,789</u>	