

Gun Ei Chemical Industry Co., Ltd.

Consolidated Financial Statements

Consolidated balance sheets

As of March 31, 2014 and 2015

	Unit : Millions of yen	
	March 31, 2014	March 31, 2015
Assets		
Current assets		
Cash and deposits	6,795	7,524
Notes and accounts receivable-trade	7,322	7,842
Short-term investment securities	508	1,808
Merchandise and finished goods	2,179	2,333
Work in process	55	44
Raw materials and supplies	1,015	889
Deferred tax assets	221	254
Other	255	225
Allowance for doubtful accounts	(0)	(0)
Total current assets	18,353	20,922
Non-current assets		
Property, plant and equipment		
Buildings and structures	20,436	21,228
Accumulated depreciation and impairment loss	(13,969)	(14,856)
Buildings and structures, net	6,466	6,371
Machinery, equipment and vehicles	26,871	28,650
Accumulated depreciation and impairment loss	(23,258)	(25,474)
Machinery, equipment and vehicles, net	3,613	3,176
Land	7,646	7,969
Lease assets	102	96
Accumulated depreciation and impairment loss	(25)	(49)
Lease assets, net	77	46
Construction in progress	15	24
Other	2,583	2,710
Accumulated depreciation and impairment loss	(2,254)	(2,364)
Other, net	328	346
Total property, plant and equipment	18,148	17,935
Intangible assets	19	15
Investments and other assets		
Investment securities	7,619	8,125
Deferred tax assets	2	13
Other	913	1,086
Allowance for doubtful accounts	(82)	(81)
Total investments and other assets	8,452	9,144
Total non-current assets	26,620	27,096
Total assets	44,974	48,018

	Unit : Millions of yen	
	March 31, 2014	March 31, 2015
Liabilities		
Current liabilities		
Accounts payable-trade	3,484	4,070
Current portion of long-term loans payable	259	259
Accounts payable-other	807	1,244
Income taxes payable	189	441
Provision for bonuses	208	288
Other	84	98
Total current liabilities	5,033	6,404
Non-current liabilities		
Long-term loans payable	499	239
Deferred tax liabilities	380	270
Provision for environmental measures	16	22
Provision for assets removal	—	21
Net defined benefit liability	1,064	1,197
Other	485	468
Total non-current liabilities	2,446	2,219
Total liabilities	7,480	8,623
Net assets		
Shareholders' equity		
Capital stock	5,000	5,000
Capital surplus	25,689	25,689
Retained earnings	9,416	10,173
Treasury stock	(4,726)	(4,733)
Total shareholders' equity	35,379	36,129
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	863	1,652
Foreign currency translation adjustment	104	375
Remeasurements of defined benefit plans	(77)	(60)
Total accumulated other comprehensive income	890	1,967
Minority interests	1,223	1,296
Total net assets	37,493	39,394
Total liabilities and net assets	44,974	48,018

Consolidated Statements of income and statements of comprehensive income

Consolidated Statements of income

For the fiscal year ended March 31, 2014 and 2015

	Unit : Millions of yen		
	April 2013 - March 2014	April 2014 - March 2015	
Net sales	26,494	27,955	
Cost of sales	22,070	23,282	
Gross profit	4,424	4,672	
Selling, general and administrative expenses	3,062	3,333	
Operating income	1,361	1,339	
Non-operating income			
Interest income	73	58	
Dividends income	88	79	
Equity in earnings of affiliates	1	11	
Foreign exchange gains	—	55	
Other	61	48	
Total non-operating income	224	254	
Non-operating expenses			
Interest expenses	10	19	
Taxes and dues	2	4	
Commission fee	32	—	
Other	17	19	
Total non-operating expenses	63	44	
Ordinary income	1,522	1,549	
Extraordinary income			
Gain on sales of investment securities	—	253	
Gain on insurance adjustment	6	20	
Other	0	0	
Total extraordinary income	6	274	
Extraordinary loss			
Loss on disposal of non-current assets	42	31	
Impairment loss	—	443	
Loss on valuation of membership	0	—	
Total extraordinary losses	42	475	
Income before income taxes	1,486	1,347	
Income taxes-current	258	566	
Income taxes-deferred	(16)	(419)	
Total income taxes	242	147	
Income before minority interests	1,244	1,200	
Minority interests in income (loss)	83	(20)	
Net income	1,161	1,220	

Consolidated Statements of comprehensive income

For the fiscal year ended March 31, 2014 and 2015

	Unit : Millions of yen		
	April 2013 - March 2014	April 2014 - March 2015	
Income before minority interests	1,244	1,200	
Other comprehensive income			
Valuation difference on available-for-sale securities	149	788	
Foreign currency translation adjustment	414	420	
Remeasurements of defined benefit plans, net of tax	—	17	
Share of other comprehensive income of associates accounted for using equity method	28	16	
Total other comprehensive income	<u>593</u>	<u>1,242</u>	
Comprehensive income	<u>1,837</u>	<u>2,443</u>	
(Comprehensive income attributable to)			
Comprehensive income attributable to owners of the parent	1,588	2,298	
Comprehensive income attributable to minority interests	248	145	

Consolidated Statements of Changes in Net Assets

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
Cumulative effects of changes in accounting policies					—
Restated balance	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
Cumulative effects of changes in accounting policies				
Restated balance	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

For the fiscal year ended March 31, 2015

(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	9,416	(4,726)	35,379
Cumulative effects of changes in accounting policies			(32)		(32)
Restated balance	5,000	25,689	9,383	(4,726)	35,346
Changes of items during the period					
Dividends from surplus				(431)	(431)
Net income				1,220	1,220
Purchase of treasury stock				(6)	(6)
Total changes of items during the period	—	—	789	(6)	783
Balance at the end of the period	5,000	25,689	10,173	(4,733)	36,129

	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	863	104	(77)	1,223	
Cumulative effects of changes in accounting policies					
Restated balance	863	104	(77)	1,223	
Changes of items during the period					
Net changes of items other than shareholders' equity	789	270	17	73	
Total changes of items during the period	789	270	17	73	
Balance at the end of the period	1,652	375	(60)	1,296	

Consolidated Statements of Cash Flows

For the fiscal year ended March 31, 2014 and 2015

	Unit : Millions of yen		
	April 2013 - March 2014	April 2014 - March 2015	
Net cash provided by (used in) operating activities			
Income before income taxes	1,486	1,347	
Depreciation and amortization	1,525	1,497	
Impairment loss	—	443	
Amortization of goodwill	—	7	
Increase (decrease) in net defined benefit liability	81	59	
Interest and dividends income	(161)	(138)	
Interest expenses	10	19	
Loss (gain) on sales of investment securities	—	(253)	
Decrease (increase) in notes and accounts receivable-trade	475	(205)	
Decrease (increase) in inventories	(62)	170	
Increase (decrease) in notes and accounts payable-trade	161	374	
Other, net	54	178	
Subtotal	<u>3,571</u>	<u>3,501</u>	
Interest and dividends income received	162	133	
Interest expenses paid	(13)	(21)	
Income taxes paid	<u>(196)</u>	<u>(306)</u>	
Net cash provided by (used in) operating activities	<u>3,524</u>	<u>3,307</u>	
Net cash provided by (used in) investing activities			
Net decrease (increase) in time deposits	52	—	
Proceeds from redemption of securities	573	300	
Purchase of property, plant and equipment	(1,080)	(707)	
Purchase of investment securities	(302)	(506)	
Proceeds from sales and redemption of investment securities	200	588	
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(377)	
Other, net	<u>(6)</u>	<u>1</u>	
Net cash provided by (used in) investing activities	<u>(564)</u>	<u>(702)</u>	
Net cash provided by (used in) financing activities			
Repayment of long-term loans payable	(259)	(259)	
Net decrease (increase) in treasury stock	(8)	(4)	
Cash dividends paid	(428)	(429)	
Cash dividends paid to minority shareholders	(77)	(71)	
Net cash provided by (used in) financing activities	<u>(774)</u>	<u>(765)</u>	
Effect of exchange rate change on cash and cash equivalents	46	(11)	
Net increase (decrease) in cash and cash equivalents	2,232	1,828	
Cash and cash equivalents at beginning of period	4,557	6,789	
Cash and cash equivalents at end of period	<u>6,789</u>	<u>8,618</u>	