

8th Fiscal Year (From April 1, 2013)
to March 31, 2014

Consolidated Financial Statements

Consolidated Subsidiaries:

Covalent Materials Tokuyama Corporation
Covalent Materials Nagasaki Corporation
Covalent Materials USA Inc.
Covalent Machinery Corporation
Denko Co., Ltd.

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Covalent Materials Corporation

Consolidated Balance Sheet

(as of March 31, 2014)

(Thousands of Yen)

Assets		Liabilities	
Current Assets	22,318,722	Current Liabilities	7,634,515
Cash and deposits	5,907,107	Notes and accounts payables-trade	2,832,633
Notes and accounts receivable-trade	6,046,152	Current portion of long-term loans payable	1,488,000
Inventories	7,702,327	Lease obligations	151,002
Advance payments-trade	29,926	Accounts payable-facilities	235,717
Accounts receivable-other	364,752	Accounts payable-other	588,151
Prepaid expenses	380,054	Income taxes payable	437,142
Deferred tax assets	1,671,312	Accrued expenses	1,285,994
Other	224,577	Provision for directors' bonuses	18,724
Allowance for doubtful accounts	△ 7,490	Other	597,149
Noncurrent Assets	34,605,004	Noncurrent Liabilities	34,265,449
Property, plant and equipment	24,753,289	Bonds payable	25,300,000
Buildings and structures	10,262,221	Lease obligations	591,513
Machinery, equipment and vehicles	4,553,221	Long-term accounts payable-other	1,574,097
Tools, furniture and fixtures	147,161	Net defined benefit liability	3,807,632
Land	8,394,731	Provision for directors' retirement benefits	539
Lease assets	707,949	Asset retirement obligations	238,239
Construction in progress	688,003	Deferred tax liabilities	2,753,426
Intangible assets	8,727,705	Total Liabilities	41,899,965
Goodwill	8,658,265	Net Assets	
Other	69,439	Shareholders Equity	14,766,083
Investments and other assets	1,124,009	Capital stock	34,942,693
Investment securities	175,100	Capital surplus	40,271,024
Long-term loans receivable	76,553	Retained earnings	△ 60,447,634
Deferred tax assets	341,569	Valuation and translation adjustments	△ 567,373
Other	616,104	Valuation difference on available-for-sale securities	71
Allowance for doubtful accounts	△ 85,318	Foreign currency translation adjustment	137,963
		Remeasurements of defined benefit plans	△ 705,408
		Minority Interests	825,051
		Net Assets	15,023,762
Total Assets	56,923,727	Total liabilities and net assets	56,923,727

Consolidated Statement of Income

(from April 1, 2013 to March 31, 2014)

(Thousands of Yen)

Net sales		31,463,610
Cost of sales		21,670,077
Gross profit		9,793,533
Selling, general and administrative expenses		6,981,501
Operating income		2,812,032
Non-operating income		
Interest income	3,163	
Amortization of negative goodwill	100,435	
Other	168,216	271,814
Non-operating expenses		
Interest expenses	1,844,459	
Other	430,936	2,275,395
Ordinary income		808,451
Extraordinary income and loss		864,516
Income before income taxes		1,672,966
Income taxes-current	452,197	
Income taxes-deferred	△ 324,716	127,481
Income before minority interests		1,545,485
Minority interests in income		6
Net income		1,545,478

Consolidated Statement of Cash Flows

(from April 1, 2013 to March 31, 2014)

(Thousands of Yen)

Category	Amount
I Net cash provided by operating activities	
Income before income taxes	1,672,966
Depreciation and amortization	2,553,122
Amortization of goodwill	730,441
Interest expenses	1,844,530
Decrease (increase) in notes and accounts receivable-trade	(1,500,909)
Decrease (increase) in inventories	(191,434)
Increase (decrease) in notes and accounts payable-trade	940,023
Other,net	51,803
Subtotal	6,100,545
Interest and dividends income received	12,041
Interest expenses paid	(1,199,011)
Income taxes paid	(140,009)
Net cash provided by operating activities	4,773,565
II Net cash provided by investing activities	
Proceeds from sales of property, plant and equipment	1,762,620
Other,net	197,850
Net cash provided by investing activities	1,960,470
III Net cash provided by financing activities	
Repayment of long-term loans payable	(6,258,000)
Repayments of lease obligations	(178,268)
Other,net	(234,831)
Net cash provided by financing activities	(6,671,099)
IV Effect of exchange rate change on cash and cash equivalents	103,508
V Net increase (decrease) in cash and cash equivalents	166,445
VI Cash and cash equivalents at beginning of period	5,639,062
VII Cash and cash equivalents at end of period	5,805,507
※ Difference in cash and cash equivalents from balance sheet	
Cash and deposits at end of period (balance sheet)	5,907,107
<u>Time deposits with terms extending over 3 months</u>	<u>101,600</u>
Cash and cash equivalents at end of period (cash flow statement)	5,805,507