

9th Fiscal Year (From April 1, 2014)
to March 31, 2015)

Consolidated Financial Statements

Semi-Annual (From April 1, 2014)
to September 30, 2014)

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 September 30, 2014)

(Thousands of Yen)

Assets		Liabilities	
Current Assets Cash and deposits Notes and accounts receivable-trade Inventories Advance payments-trade Accounts receivable-other Prepaid expenses Deferred tax assets Other Allowance for doubtful accounts	21,430,639 5,044,941 6,181,460 7,491,135 103,184 297,398 583,099 1,577,569 155,046 (3,197)	Current Liabilities Notes and accounts payables-trade Lease obligations Accounts payable-facilities Accounts payable-other Income taxes payable Accrued expenses Provision for directors' bonuses Other	5,418,201 2,573,547 141,126 234,861 568,428 258,050 1,071,819 19,157 551,210
Noncurrent Assets Property, plant and equipment Buildings and structures Machinery, equipment and vehicles Tools, furniture and fixtures Land Lease assets Construction in progress Intangible assets Goodwill Other Investments and other assets Investment securities Long-term loans receivable Deferred tax assets Other Allowance for doubtful accounts	33,340,005 23,724,157 10,049,409 4,589,576 180,169 7,949,655 639,788 315,558 8,404,869 8,325,255 79,614 1,210,978 181,751 76,227 347,290 691,198 (85,489)	Noncurrent Liabilities Bonds payable Lease obligations Net defined benefit liability Provision for directors' retirement benefits Asset retirement obligations Deferred tax liabilities Other	32,518,262 23,529,000 523,886 3,941,717 1,115 226,763 2,469,654 1,826,126
		Total Liabilities	37,936,464
		Net Assets	
		Shareholders Equity Capital stock Capital surplus Retained earnings	16,364,588 34,942,693 40,268,632 (58,846,738)
		Valuation and translation adjustments Valuation difference on available-for-sale securities Foreign currency translation adjustment Remeasurements of defined benefit plans	(359,172) 1,549 161,315 (522,037)
		Minority Interests	828,765
		Net Assets	16,834,181
Total Assets	54,770,645	Total liabilities and net assets	54,770,645

※ An audit report has not yet been received for the financials noted above

Consolidated Statement of Income

(from April 1, 2014 to September 30, 2014)

(Thousands of Yen)

Net sales		16,240,201
Cost of sales		10,694,034
Gross profit		5,546,166
Selling, general and administrative expenses		3,274,203
Operating income		2,271,963
Non-operating income		
Interest income	2,024	
Amortization of negative goodwill	26,243	
Other	90,464	118,733
Non-operating expenses		
Interest expenses	850,249	
Other	115,098	965,348
Ordinary income		1,425,347
Extraordinary income and loss		340,947
Income before income taxes		1,766,295
Income taxes-current	174,781	
Income taxes-deferred	(191,961)	(17,180)
Income before minority interests		1,783,475
Minority interests in income		3,714
Net income		1,779,761

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Consolidated Statement of Cash Flows

(from April 1, 2014 to September 30, 2014)

(Thousands of Yen)

Category	Amount
I Net cash provided by operating activities	
Income before income taxes	1,766,295
Depreciation and amortization	1,104,906
Amortization of goodwill	333,010
Interest expenses	850,249
Decrease (increase) in notes and accounts receivable-trade	(98,516)
Decrease (increase) in inventories	218,816
Increase (decrease) in notes and accounts payable-trade	(315,727)
Other,net	(736,991)
Subtotal	3,122,042
Interest and dividends income received	14,943
Interest expenses paid	(604,857)
Income taxes paid	(319,210)
Net cash provided by operating activities	2,212,918
II Net cash provided by investing activities	
Proceeds from sales of property, plant and equipment	818,592
Other,net	(559,679)
Net cash provided by investing activities	258,913
III Net cash provided by financing activities	
Repayment of long-term loans payable	(1,488,000)
Redemption of bonds	(1,771,000)
Repayments of lease obligations	(79,255)
Other,net	(36,293)
Net cash provided by financing activities	(3,374,548)
IV Effect of exchange rate change on cash and cash equivalents	40,550
V Net increase (decrease) in cash and cash equivalents	(862,166)
VI Cash and cash equivalents at beginning of period	5,805,507
VII Cash and cash equivalents at end of period	4,943,341
※ Difference in cash and cash equivalents from balance sheet	
Cash and deposits at end of period (balance sheet)	5,044,941
Time deposits with terms extending over 3 months	101,600
Cash and cash equivalents at end of period (cash flow statement)	4,943,341

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