

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

Consolidated Financial Statements

Semi-Annual (From April 1, 2013
to September 30, 2013)

Consolidated Subsidiaries:

Covalent Materials Tokuyama Corporation
Covalent Materials Nagasaki Corporation
Covalent Sales 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, 2013)

(Thousands of Yen)

Assets		Liabilities	
Current Assets	20,974,691	Current Liabilities	7,581,106
Cash and deposits	4,668,939	Trade payables (notes and accounts)	2,743,659
Trade receivables (notes and accounts)	5,579,705	Current portion of long-term loans payable	1,938,000
Inventories	7,392,597	Other	2,899,446
Deferred tax assets	1,681,847	Noncurrent Liabilities	34,122,532
Other	1,656,375	Bonds payable	25,300,000
Allowance for doubtful accounts	△ 4,774	Long-term loans payable	919,000
Noncurrent Assets	36,451,277	Accrued retirement benefit costs	2,963,361
Property, plant and equipment	25,350,826	Asset retirement obligations	238,699
Buildings	10,620,584	Deferred tax liabilities	2,780,226
Machinery	5,264,637	Other	1,921,244
Equipment	145,870	Total Liabilities	41,703,639
Land	8,398,512	Net Assets	
Lease assets	698,985	Shareholders Equity	14,865,022
Other	222,236	Paid in capital	34,942,693
Intangible assets	9,948,047	Capital surplus	40,271,024
Goodwill	9,863,558	Retained earnings	△ 60,348,695
Other	84,489	Accumulated other comprehensive income	39,175
Investments and other assets	1,152,403	Valuation difference on securities	△ 1,700
Investment securities	160,115	Foreign currency translation adjustment	40,876
Deferred tax assets	315,865	Minority Interests	818,130
Other	772,298	Net Assets	15,722,329
Allowance for doubtful accounts	△ 95,876	Total liabilities and net assets	57,425,968
Total Assets	57,425,968		

Consolidated Income Statement

(from April 1, 2013 to September 30, 2013)

(Thousands of Yen)

Net sales		14,883,021
Cost of sales		10,594,230
Gross profit		4,288,790
Selling, general and administrative expenses		3,455,878
Operating profit		832,912
Non-operating income		
Interest income	1,578	
Amortization of negative goodwill	50,691	
Other	102,007	154,277
Non-operating loss		
Interest expense	954,094	
Other	99,487	1,053,582
Recurring loss		66,392
Extraordinary gain and loss	1,684,512	
Profit before income taxes		1,618,120
Income taxes	255,115	
Adjustment to income taxes	△ 274,499	△ 19,383
Profit before minority interests		1,637,503
Minority interests in loss of consolidated subsidiaries		6,913
Net profit		1,644,417

Consolidated Cash Flow Statement

(from April 1, 2013 to September 30, 2013)

(Thousands of Yen)

Category	Amount
I Cash flow from operating activities	
Profit before income taxes	1,618,120
Depreciation	1,275,485
Amortization of goodwill	365,124
Interest expense	954,094
Change in trade receivables	△ 809,785
Change in inventories	141,491
Change in trade payables	696,448
Other	△ 1,812,847
Subtotal	2,428,131
Interest and dividend income received	10,455
Interest payments	△ 621,822
Income taxes	△ 74,767
Cash flow from operating activities	1,741,997
II Cash flow from investing activities	
Purchase of property, plant and equipment	1,727,693
Other	533,901
Cash flow from investing activities	2,261,595
III Cash flow from financing activities	
Decrease in long-term borrowings	△ 4,889,000
Repayment of lease obligations	△ 71,123
Other	△ 162,666
Cash flow from financing activities	△ 5,122,789
IV Difference in cash and deposits from currency conversion	47,473
V Change in cash and deposits	△ 1,071,722
VI Cash and deposits at beginning of period	5,639,062
VII Cash and deposits at end of period	4,567,339
※ Difference in cash and deposits from balance sheet	
Cash and deposits at end of period (balance sheet)	4,668,939
<u>Time deposits with terms extending over 3 months</u>	101,600
Cash and deposits at end of period (cash flow statement)	4,567,339