

Financial Statements

2012



TAYCA CORPORATION

Nittochi Yodoyabashi Bldg., 6-13, Kitahama 3-chome, Chuo-ku, Osaka, Japan Phone: +81-6-6208-6400 Fax: +81-6-6208-6420

CONSOLIDATED FIVE-YEAR SUMMARY

TAYCA CORPORATION AND CONSOLIDATED SUBSIDIARIES

	Millions of yen				
	2012	2011	2010	2009	2008
Net sales.....	¥34,480	¥32,039	¥29,892	¥32,351	¥32,721
Income before income taxes and minority interests.....	3,067	2,407	1,223	533	1,912
Net income.....	1,739	1,508	797	449	1,186
Total assets.....	40,970	39,273	39,976	38,290	39,664
Net assets.....	25,765	24,220	23,088	21,784	22,770
Common stock.....	9,855	9,855	9,855	9,855	9,855
Per share of common stock (in yen):					
Net income.....	¥ 35.04	¥ 30.38	¥ 15.92	¥ 8.98	¥ 23.66
Owner's equity.....	517.32	486.14	463.55	433.56	452.57

Notes: (1) Figures for 2008 – 2012 represent the results of fiscal year ended March 31, respectively.

(2) The computation of net income per share is based upon the weighted average number of shares outstanding during the period.

CONSOLIDATED BALANCE SHEETS

TAYCA CORPORATION AND CONSOLIDATED SUBSIDIARIES
March 31, 2012 and 2011

TAYCA CORPORATION

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	2012
Current assets:			
Cash and cash equivalents	¥ 5,412	¥ 5,359	\$ 65,893
Time deposits	79	79	961
Trade notes and accounts receivable.....	11,157	9,777	135,836
Inventories (Note 3).....	8,001	7,069	97,407
Other current assets	573	394	6,979
Allowance for doubtful accounts.....	(1)	(1)	(19)
Total current assets.....	25,221	22,677	307,059
Property, plant and equipment:			
Land	1,224	1,238	14,907
Buildings and structures	16,537	16,439	201,335
Machinery and equipment	39,233	39,965	477,637
Vehicles.....	180	181	2,198
Tools, furniture and fixtures	2,934	2,872	35,729
Construction in progress.....	643	178	7,836
Less: accumulated depreciation.....	(50,674)	(49,914)	(616,926)
Net property, plant and equipment.....	10,080	10,961	122,719
Investments and other assets:			
Investment securities	4,624	4,488	56,296
Other assets	871	1,028	10,612
Allowance for doubtful accounts.....	(23)	(23)	(280)
Intangible fixed assets.....	195	139	2,383
Total investments and other assets.....	5,668	5,633	69,011
	¥40,970	¥39,273	\$498,790

See accompanying Notes to Consolidated Financial Statements.

LIABILITIES AND NET ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	2012
Current liabilities:			
Short-term borrowings (Note 4)	¥ 456	¥ 298	\$ 5,554
Current portion of long-term debt (Note 4)	1,411	1,725	17,189
Trade notes and accounts payable.....	4,808	3,906	58,535
Accrued income taxes.....	764	637	9,310
Accrued expenses	118	75	1,448
Other current liabilities.....	2,398	2,033	29,194
Total current liabilities.....	9,958	8,677	121,233
Long-term liabilities:			
Long-term debt (Note 4)	2,586	3,610	31,489
Long-term accrued amount payable.....	102	145	1,252
Liabilities for severance indemnities.....	2,557	2,613	31,139
Allowance for directors' and statutory auditors' retirement benefits.....	—	5	—
Total long-term liabilities.....	5,247	6,375	63,882
Net assets			
Shareholder's equity			
Common stock:			
Authorized — 150,000,000 shares			
Issued — 51,428,828 shares in 2012 and 2011	9,855	9,855	119,989
Capital surplus.....	6,766	6,767	82,383
Retained earnings.....	8,367	6,926	101,868
Treasury stock, at cost:			
1,794,103 shares in 2012 and 1,787,217 shares in 2011	(539)	(537)	(6,571)
Total shareholder's equity	24,450	23,011	297,670
Accumulated other comprehensive income			
Unrealized gain on available-for-sale securities.....	1,333	1,180	16,239
Foreign currency translation adjustments	(107)	(58)	(1,310)
Total accumulated other comprehensive income.....	1,226	1,121	14,929
Minority interests	88	87	1,074
Total net assets.....	25,765	24,220	313,674
	¥40,970	¥39,273	\$498,790

CONSOLIDATED STATEMENTS OF INCOME

TAYCA CORPORATION AND CONSOLIDATED SUBSIDIARIES
For the Years Ended March 31, 2012 and 2011

TAYCA CORPORATION

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	2012
Net sales	¥34,480	¥32,039	\$419,777
Cost of sales	26,312	24,796	320,342
Gross profit	8,167	7,243	99,435
Selling, general and administrative expenses	4,704	4,523	57,278
Operating income	3,462	2,720	42,156
Other income (expenses):			
Interest and dividend income	112	99	1,368
Interest expense	(102)	(145)	(1,252)
Other, net	(404)	(267)	(4,925)
Total other expenses	(395)	(313)	(4,809)
Income before income taxes and minority interests	3,067	2,407	37,347
Income taxes:			
Current	1,181	859	14,388
Deferred	136	19	1,659
Total income taxes	1,318	879	16,048
Income before minority interests	1,749	1,527	21,299
Minority interests	10	19	127
Net income	¥ 1,739	¥ 1,508	\$ 21,171
		Yen	U.S. dollars (Note 1)
Net income per share	¥35.04	¥30.38	\$0.42

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

TAYCA CORPORATION AND CONSOLIDATED SUBSIDIARIES
For the Years Ended March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	2012
Income before minority interests	¥1,749	¥1,527	\$21,299
Other comprehensive income			
Unrealized gain on available-for-sale securities	153	(130)	1,871
Foreign currency translation adjustments	(56)	(11)	(689)
Total other comprehensive income	97	(141)	1,182
Total comprehensive income	1,846	1,385	22,481
Total comprehensive income attributable to:			
Owners of the parent	1,844	1,367	22,450
Minority interests	2	18	30

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

TAYCA CORPORATION AND CONSOLIDATED SUBSIDIARIES
For the Years Ended March 31, 2012 and 2011

TAYCA CORPORATION

	Millions of yen								
	Number of shares of common stock (Thousands)	Common stock	Capital surplus	Retained earnings	Treasury stock	Unrealized gain on available-for-sale securities	Foreign currency translation adjustments	Minority interests	Total net assets
Balance, March 31, 2010	51,428	¥9,855	¥6,767	¥5,666	¥(534)	¥1,310	¥ (49)	¥72	¥23,088
Net income				1,508					1,508
Cash dividends				(248)					(248)
Purchase of treasury stock					(2)				(2)
Disposal of treasury stock									
Net change in the term						(130)	(9)	15	(125)
Balance, March 31, 2011	51,428	¥9,855	¥6,767	¥6,926	¥(537)	¥1,180	¥ (58)	¥87	¥24,220
Net income				1,739					1,739
Cash dividends				(297)					(297)
Purchase of treasury stock					(2)				(2)
Disposal of treasury stock			(0)		0				0
Net change in the term						153	(48)	0	105
Balance, March 31, 2012	51,428	¥9,855	¥6,767	¥8,367	¥(539)	¥1,333	¥(107)	¥88	¥25,765

	Thousands of U.S. dollars (Note 1)							
Balance, March 31, 2011	\$119,989	\$82,383	\$ 84,323	\$(6,546)	\$14,367	\$ (717)	\$1,067	\$294,867
Net income			21,171					21,171
Cash dividends			(3,626)					(3,626)
Purchase of treasury stock				(27)				(27)
Disposal of treasury stock			(0)	2				2
Net change in the term					1,871	(592)	7	1,286
Balance, March 31, 2012	\$119,989	\$82,383	\$101,868	\$(6,571)	\$16,239	\$(1,310)	\$1,074	\$313,674

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

TAYCA CORPORATION AND CONSOLIDATED SUBSIDIARIES
For the Years Ended March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	2012
Operating activities:			
Income before income taxes and minority interests	¥3,067	¥2,407	\$37,347
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	2,490	2,750	30,319
Loss on disposal of property, plant and equipment	338	165	4,123
Interest and dividend income	(112)	(99)	(1,368)
Interest expense	102	145	1,252
Changes in assets and liabilities:			
(Increase) decrease in trade notes and accounts receivable	(1,411)	(436)	(17,185)
(Increase) decrease in inventories	(942)	447	(11,473)
Increase (decrease) in trade notes and accounts payable	944	108	11,495
Other	(58)	(3)	(708)
Subtotal	4,419	5,484	53,801
Interest and dividend income, received	112	99	1,368
Interest expense, paid	(96)	(147)	(1,180)
Income taxes, paid and refund	(1,056)	(676)	(12,866)
Net cash provided by operating activities	3,377	4,760	41,122
Investing activities:			
Payments for acquisition of property, plant and equipment	(1,613)	(1,664)	(19,647)
Payments for purchases of investment securities	(11)	(14)	(134)
Other	(206)	(107)	(2,513)
Net cash used in investing activities	(1,831)	(1,787)	(22,295)
Financing activities:			
Net increase (decrease) in short-term borrowings	168	(93)	2,048
Proceeds from long-term debt	393	700	4,784
Repayment of long-term debt	(1,731)	(2,348)	(21,074)
Payments for purchases of treasury stock	(2)	(2)	(27)
Proceeds from sales of treasury stock	0	—	2
Dividends paid	(298)	(246)	(3,636)
Dividends paid to minority shareholders	(3)	(6)	(37)
Net cash used in financing activities	(1,473)	(1,998)	(17,941)
Effect of exchange rate change on cash and cash equivalents	(19)	(5)	(239)
Net increase in cash and cash equivalents	53	969	645
Cash and cash equivalents at beginning of year	5,359	4,390	65,247
Cash and cash equivalents at end of year	¥5,412	¥5,359	\$65,893

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

TAYCA CORPORATION AND CONSOLIDATED SUBSIDIARIES
For the Years Ended March 31, 2012 and 2011

TAYCA CORPORATION

1. Basis of presenting consolidated financial statements

The accompanying consolidated financial statements of TAYCA CORPORATION (the "Company") and its subsidiaries have been prepared in accordance with the provisions set forth in the Japanese Securities and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards. In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and principally operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥82.14 to \$1, the approximate rate of exchange at March 31, 2012. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. Summary of significant accounting policies

1) Principles of consolidation

The consolidated financial statements as of March 31, 2012 include the accounts of the Company and its 5 subsidiaries.

All significant intercompany balances and transactions have been eliminated in consolidation. All subsidiaries are consolidated on the basis of their results for fiscal years ended December 31.

2) Cash and cash equivalents

For the purposes of the consolidated statements of cash flows, cash and cash equivalents include cash-on-hand and in banks and other highly liquid investments with maturities of three months or less when purchased.

3) Inventories

Inventories are stated at the lower of cost or net selling value, cost being determined by the moving-average method.

4) Securities

Securities other than those of unconsolidated subsidiaries and affiliates are classified into three categories: trading securities, held-to-maturity debt securities or other securities. Trading securities are carried at fair value. Gain or loss, both realized and unrealized is credited or charged to income. Held-to-maturity debt securities are carried at amortized cost. Marketable securities classified as other securities are carried at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in equity. Cost of securities sold is determined by the moving average method. Non-marketable securities classified as other securities are carried at cost.

5) Property, plant, and equipment

Property, plant, and equipment are stated at cost. Depreciation of property, plant, and equipment of the Company and its domestic consolidated subsidiaries is computed substantially by the declining-balance method, while the straight-line method is applied to buildings acquired by the domestic companies after April 1, 1998, and is principally applied to the property, plant and equipment of foreign subsidiary.

6) Liabilities for severance indemnities

The Company and its domestic consolidated subsidiaries (excluding one subsidiary) made provisions for liabilities for severance indemnities in an amount deemed necessary at the term-end,

based on the estimated amounts of projected benefit obligations and the fair value of the plan assets.

Actuarial gains/losses are recognized in income/expenses using the straight-line method over 10 years, which is shorter than the average of the estimated remaining service lives commencing with the following period. Foreign subsidiary is outside the scope of application.

7) Income taxes

Current income taxes are provided for based on amounts currently payable for each year. Deferred income taxes arising from temporary differences in the recognition of assets and liabilities for tax and financial reporting purposes are reflected in the consolidated financial statements.

8) Appropriations of retained earnings

Appropriations of retained earnings are reflected in the financial statements for the following year upon Board of Directors' or shareholders' approval.

9) Research and development costs

Research and development costs are charged to income as incurred.

10) Foreign currency transaction

All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the current exchange rates at the balance sheet date.

Revenue and expense items denominated in foreign currencies are translated using the rate on the date of the transaction. Related exchange gains or losses are credited or charged to income as incurred.

11) Foreign currency financial statements

The balance sheet accounts of the foreign subsidiary is translated into Japanese yen at the current exchange rates as of the balance sheet date except for equity, which is translated at the historical rate. Revenue and expense accounts of the foreign subsidiary is translated into Japanese yen at the current exchange rates.

Differences arising from such translation are shown as "Foreign currency translation adjustments" in a separate component of equity.

12) Accounting Change

Application of "Accounting Standard for Asset Retirement Obligations"

Effective from the fiscal year ended March 31, 2011, the Company and its consolidated domestic subsidiaries have adopted "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No.18, issued on March 31, 2008) and the "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No.21, issued on March 31, 2008). There was no effect on profit or loss from this change.

Application of "Accounting Standard for Presentation of Comprehensive Income"

Effective from the fiscal year ended March 31, 2011, the Company has adopted "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No.25, issued on June 30, 2010) and "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No.22, revised on June 30, 2010).

As a result of the adoption of these standards, the Company has presented the consolidated statement of comprehensive income in the consolidated financial statements for the fiscal year ended March 31, 2011.

Application of "Accounting Standard for Accounting Changes and Error Corrections" and others

Effective from the year ended March 31, 2012, the Company and its domestic consolidated subsidiaries have applied the "Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Statement No.24, issued on December 4, 2009) and the "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No.24, issued on December 4, 2009).

3. Inventories

At the end of each fiscal year, inventories consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Finished goods and merchandise.....	¥5,127	¥4,565	\$62,419
Raw materials and supplies.....	2,349	1,931	28,606
Work in process	524	572	6,381
	¥8,001	¥7,069	\$97,407

4. Short-term borrowings and long-term debt

	Millions of yen		Thousands of U.S. dollars
	2011	2011	2012
Short-term borrowings.....	¥ 456	¥ 298	\$ 5,554
Current portion of long-term debt....	1,411	1,725	17,189
Long-term debt.....	2,586	3,610	31,489
	¥4,454	¥5,634	\$54,233

Loans from banks due through 2036, with interest rates at 0.6% to 4.9%.

5. Segment information

Industry segment information

The Companies operate principally in two industrial segments.

Each segment has the following main products:

Titanium dioxide and its derivatives: Titanium dioxide, Micro titanium dioxide, Surface treatment business

Others: Surfactants, Sulfuric acid, Aluminum triphosphate

Business warehouses, Electro-ceramics products

	Millions of yen			
	Titanium dioxide and its derivatives	Others	Adjustments	Consolidated
For the year ended March 31, 2012				
Sales:				
Sales to outside customers	¥20,622	¥13,857	¥ —	¥34,480
Inter-segment sales and transfers.....	—	666	(666)	—
Total	20,622	14,524	(666)	34,480
Segment profit or loss.....	¥ 2,791	¥ 665	¥ 5	¥ 3,462
Segment assets.....	¥20,955	¥ 9,487	¥10,527	¥40,970
Depreciation and amortization	¥ 1,640	¥ 811	¥ 37	¥ 2,490
Amount of increase in tangible and intangible fixed assets.....	¥ 942	¥ 921	¥ 81	¥ 1,946

	Millions of yen			
	Titanium dioxide and its derivatives	Others	Adjustments	Consolidated
For the year ended March 31, 2011				
Sales:				
Sales to outside customers	¥17,752	¥14,287	¥ —	¥32,039
Inter-segment sales and transfers.....	—	618	(618)	—
Total	17,752	14,906	(618)	32,039
Segment profit or loss.....	¥ 1,219	¥ 1,486	¥ 14	¥ 2,720
Segment assets.....	¥18,687	¥10,156	¥10,429	¥39,273
Depreciation and amortization	¥ 1,811	¥ 923	¥ 15	¥ 2,750
Amount of increase in tangible and intangible fixed assets.....	¥ 776	¥ 690	¥ 22	¥ 1,489

	Thousands of U.S. dollars			
	Titanium dioxide and its derivatives	Others	Adjustments	Consolidated
For the year ended March 31, 2012				
Sales:				
Sales to outside customers	\$251,066	\$168,710	\$ —	\$419,777
Inter-segment sales and transfers.....	—	8,116	(8,116)	—
Total	251,066	176,826	(8,116)	419,777
Segment profit or loss.....	\$ 33,981	\$ 8,107	\$ 67	\$ 42,156
Segment assets.....	\$255,120	\$115,501	\$128,168	\$498,790
Depreciation and amortization	\$ 19,972	\$ 9,885	\$ 461	\$ 30,319
Amount of increase in tangible and intangible fixed assets.....	\$ 11,477	\$ 11,219	\$ 994	\$ 23,691

6. Subsequent event

Undisposed deficits at the end of the term under review were disposed through reversal of general reserve, as approved by the General Meeting of Shareholders held on June 28, 2012.

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends paid	¥ 297	\$ 3,625
Transfer of general reserve	1,300	15,826

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
TAYCA CORPORATION

We have audited the accompanying consolidated financial statements of TAYCA CORPORATION and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2012 and 2011, and the consolidated statements of income, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of TAYCA CORPORATION and its consolidated subsidiaries as at March 31, 2012 and 2011, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2012 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Hoel Audit Corporation

Osaka, Japan
June 20, 2012