

# Financial Statements

## 2015



### TAYCA CORPORATION

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## CONSOLIDATED FIVE-YEAR SUMMARY

TAYCA CORPORATION AND CONSOLIDATED SUBSIDIARIES

	Millions of yen				
	2015	2014	2013	2012	2011
Net sales.....	<b>¥37,120</b>	¥36,186	¥34,778	¥34,480	¥32,039
Income before income taxes and minority interests.....	<b>3,838</b>	2,574	2,695	3,067	2,407
Net income.....	<b>2,460</b>	1,667	1,723	1,739	1,508
Total assets.....	<b>48,126</b>	42,634	41,173	40,970	39,273
Net assets.....	<b>33,113</b>	30,131	27,826	25,765	24,220
Common stock.....	<b>9,855</b>	9,855	9,855	9,855	9,855
Per share of common stock (in yen):					
Net income.....	<b>¥ 50.26</b>	¥ 33.61	¥ 34.72	¥ 35.04	¥ 30.38
Owner's equity.....	<b>691.58</b>	604.33	558.51	517.32	486.14

Notes: (1) Figures for 2011 – 2015 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, 2015 and 2014

## TAYCA CORPORATION

<b>ASSETS</b>	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
<b>Current assets:</b>			
Cash and cash equivalents .....	¥ 7,334	¥ 5,544	\$ 60,983
Time deposits .....	79	79	656
Trade notes and accounts receivable.....	10,684	10,268	88,834
Inventories (Note 3).....	8,418	8,665	69,994
Other current assets .....	682	485	5,673
Allowance for doubtful accounts.....	(0)	(0)	(2)
Total current assets.....	27,197	25,041	226,140
<b>Property, plant and equipment:</b>			
Land .....	1,291	1,267	10,740
Buildings and structures .....	17,112	16,938	142,283
Machinery and equipment.....	41,284	40,974	343,266
Vehicles.....	187	184	1,558
Tools, furniture and fixtures .....	3,299	3,196	27,437
Construction in progress.....	1,694	274	14,088
Less: accumulated depreciation.....	(54,172)	(53,053)	(450,426)
Net property, plant and equipment.....	10,697	9,783	88,948
<b>Investments and other assets:</b>			
Investment securities .....	9,379	6,933	77,985
Other assets .....	806	813	6,703
Allowance for doubtful accounts.....	(23)	(23)	(191)
Intangible fixed assets.....	68	85	567
Total investments and other assets.....	10,230	7,809	85,065
	¥ 48,126	¥ 42,634	\$ 400,154

See accompanying Notes to Consolidated Financial Statements.

<b>LIABILITIES AND NET ASSETS</b>	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
<b>Current liabilities:</b>			
Short-term borrowings (Note 4).....	¥ 773	¥ 465	\$ 6,431
Current portion of long-term debt (Note 4).....	689	1,488	5,731
Trade notes and accounts payable.....	3,531	3,610	29,364
Accrued income taxes.....	906	412	7,534
Accrued expenses.....	107	95	891
Other current liabilities.....	2,572	2,121	21,390
Total current liabilities.....	<b>8,580</b>	8,193	<b>71,343</b>
<b>Non-current liabilities:</b>			
Long-term debt (Note 4).....	2,170	936	18,043
Long-term accrued amount payable.....	27	27	229
Net defined benefit liabilities.....	2,855	2,590	23,740
Other non-current liabilities.....	1,379	755	11,468
Total non-current liabilities.....	<b>6,432</b>	4,309	<b>53,481</b>
<b>Net assets:</b>			
<b>Shareholder's equity:</b>			
Common stock:			
Authorized — 150,000,000 shares			
Issued — 51,428,828 shares in 2015 and 2014.....	9,855	9,855	81,948
Capital surplus.....	6,766	6,766	56,265
Retained earnings.....	12,864	11,162	106,965
Treasury stock, at cost:			
3,818,000 shares in 2015 and 1,803,000 shares in 2014.....	(1,440)	(542)	(11,978)
Total shareholder's equity.....	<b>28,047</b>	27,243	<b>233,200</b>
<b>Accumulated other comprehensive income:</b>			
Unrealized gain on available-for-sale securities.....	4,653	2,797	38,692
Foreign currency translation adjustments.....	302	64	2,514
Remeasurements of defined benefit plans.....	(76)	(115)	(639)
Total accumulated other comprehensive income.....	<b>4,879</b>	2,746	<b>40,567</b>
<b>Minority interests</b> .....	<b>187</b>	141	<b>1,561</b>
Total net assets.....	<b>33,113</b>	30,131	<b>275,330</b>
	<b>¥48,126</b>	¥42,634	<b>\$400,154</b>

# CONSOLIDATED STATEMENTS OF INCOME

TAYCA CORPORATION AND CONSOLIDATED SUBSIDIARIES  
For the Years Ended March 31, 2015 and 2014

## TAYCA CORPORATION

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
<b>Net sales</b> .....	<b>¥37,120</b>	¥36,186	<b>\$308,639</b>
<b>Cost of sales</b> .....	<b>28,396</b>	28,810	<b>236,104</b>
Gross profit .....	<b>8,723</b>	7,376	<b>72,534</b>
<b>Selling, general and administrative expenses</b> .....	<b>4,919</b>	4,737	<b>40,903</b>
Operating income .....	<b>3,804</b>	2,638	<b>31,631</b>
<b>Other income (expenses):</b>			
Interest and dividend income .....	<b>143</b>	127	<b>1,191</b>
Interest expense .....	<b>(57)</b>	(78)	<b>(478)</b>
Other, net .....	<b>(51)</b>	(113)	<b>(426)</b>
Total other income (expenses) .....	<b>34</b>	(64)	<b>285</b>
<b>Income before income taxes and minority interests</b> .....	<b>3,838</b>	2,574	<b>31,917</b>
<b>Income taxes:</b>			
Current .....	<b>1,280</b>	833	<b>10,647</b>
Deferred .....	<b>63</b>	51	<b>529</b>
Total income taxes .....	<b>1,344</b>	884	<b>11,177</b>
<b>Income before minority interests</b> .....	<b>2,494</b>	1,690	<b>20,739</b>
<b>Minority interests</b> .....	<b>34</b>	22	<b>283</b>
<b>Net income</b> .....	<b>¥ 2,460</b>	¥ 1,667	<b>\$ 20,456</b>
	Yen		U.S. dollars (Note 1)
<b>Net income per share</b> .....	<b>¥50.26</b>	¥33.61	<b>\$0.41</b>

See accompanying Notes to Consolidated Financial Statements.

# CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

TAYCA CORPORATION AND CONSOLIDATED SUBSIDIARIES  
For the Years Ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
<b>Income before minority interests</b> .....	<b>¥2,494</b>	¥1,690	<b>\$20,739</b>
<b>Other comprehensive income:</b>			
Unrealized gain on available-for-sale securities .....	<b>1,856</b>	929	<b>15,435</b>
Foreign currency translation adjustments .....	<b>257</b>	103	<b>2,138</b>
Remeasurements of defined benefit plans .....	<b>38</b>	—	<b>316</b>
Total other comprehensive income .....	<b>2,151</b>	1,032	<b>17,890</b>
<b>Total comprehensive income</b> .....	<b>¥4,646</b>	¥2,723	<b>\$38,630</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the parent .....	<b>¥4,592</b>	¥2,685	<b>\$38,186</b>
Minority interests .....	<b>53</b>	37	<b>444</b>

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, 2015 and 2014

## 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	Accumulated remeasurements of defined benefit plans	Minority interests	Total net assets
<b>Balance at April 1, 2013</b> .....	51,428	¥9,855	¥6,766	¥ 9,792	¥ (540)	¥1,868	¥ (24)	¥ —	¥107	¥ 27,826
Net income.....				1,667						1,667
Cash dividends .....				(297)						(297)
Purchase of treasury stock.....					(1)					(1)
Net change in the term .....						929	88	(115)	33	935
<b>Balance at April 1, 2014</b> .....	<b>51,428</b>	<b>9,855</b>	<b>6,766</b>	<b>11,162</b>	<b>(542)</b>	<b>2,797</b>	<b>64</b>	<b>(115)</b>	<b>141</b>	<b>30,131</b>
Cumulative effect of changes in accounting policies.....				(262)						(262)
<b>Restated balance at April 1, 2014</b> .....		<b>9,855</b>	<b>6,766</b>	<b>10,900</b>	<b>(542)</b>	<b>2,797</b>	<b>64</b>	<b>(115)</b>	<b>141</b>	<b>29,868</b>
Net income.....				2,460						2,460
Cash dividends .....				(496)						(496)
Purchase of treasury stock.....					(898)					(898)
Net change in the term .....						1,856	237	38	46	2,179
<b>Balance at March 31, 2015</b> .....		<b>¥9,855</b>	<b>¥6,766</b>	<b>¥12,864</b>	<b>¥(1,440)</b>	<b>¥4,653</b>	<b>¥302</b>	<b>¥ (76)</b>	<b>¥187</b>	<b>¥ 33,113</b>

  

	Thousands of U.S. dollars (Note 1)									
<b>Balance at April 1, 2014</b> .....	<b>\$81,948</b>	<b>\$56,265</b>	<b>\$ 92,815</b>	<b>\$ (4,509)</b>	<b>\$ 23,257</b>	<b>\$ 536</b>	<b>\$ (956)</b>	<b>\$1,172</b>	<b>\$250,529</b>	
Cumulative effect of changes in accounting policies.....				(2,180)						(2,180)
<b>Restated balance at April 1, 2014</b> .....	<b>81,948</b>	<b>56,265</b>	<b>90,635</b>	<b>(4,509)</b>	<b>23,257</b>	<b>536</b>	<b>(956)</b>	<b>1,172</b>	<b>248,348</b>	
Net income.....				20,456						20,456
Cash dividends .....				(4,125)						(4,125)
Purchase of treasury stock.....					(7,468)					(7,468)
Net change in the term .....						15,435	1,977	316	389	18,119
<b>Balance at March 31, 2015</b> .....	<b>\$81,948</b>	<b>\$56,265</b>	<b>\$106,965</b>	<b>\$(11,978)</b>	<b>\$38,692</b>	<b>\$2,514</b>	<b>\$(639)</b>	<b>\$1,561</b>	<b>\$275,330</b>	

See accompanying Notes to Consolidated Financial Statements.

# CONSOLIDATED STATEMENTS OF CASH FLOWS

TAYCA CORPORATION AND CONSOLIDATED SUBSIDIARIES  
For the Years Ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
<b>Operating activities:</b>			
Income before income taxes and minority interests .....	<b>¥ 3,838</b>	¥ 2,574	<b>\$ 31,917</b>
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization .....	<b>1,814</b>	1,965	<b>15,085</b>
Loss on disposal of property, plant and equipment.....	<b>84</b>	108	<b>700</b>
Interest and dividend income .....	<b>(143)</b>	(127)	<b>(1,191)</b>
Interest expense .....	<b>57</b>	78	<b>478</b>
Changes in assets and liabilities:			
(Increase) decrease in trade notes and accounts receivable.....	<b>(349)</b>	518	<b>(2,908)</b>
(Increase) decrease in inventories.....	<b>295</b>	1,689	<b>2,453</b>
Increase (decrease) in trade notes and accounts payable.....	<b>(166)</b>	63	<b>(1,380)</b>
Other.....	<b>(48)</b>	273	<b>(402)</b>
Subtotal .....	<b>5,382</b>	7,144	<b>44,752</b>
Interest and dividend income, received .....	<b>143</b>	127	<b>1,191</b>
Interest expense, paid.....	<b>(57)</b>	(83)	<b>(479)</b>
Income taxes, paid and refund.....	<b>(792)</b>	(759)	<b>(6,591)</b>
Net cash provided by operating activities .....	<b>4,675</b>	6,429	<b>38,872</b>
<b>Investing activities:</b>			
Payments for acquisition of property, plant and equipment .....	<b>(2,213)</b>	(1,810)	<b>(18,406)</b>
Payments for purchases of investment securities .....	<b>(11)</b>	(62)	<b>(98)</b>
Proceeds from sales of investment securities .....	<b>59</b>	—	<b>496</b>
Other.....	<b>(88)</b>	(231)	<b>(736)</b>
Net cash used in investing activities.....	<b>(2,254)</b>	(2,104)	<b>(18,745)</b>
<b>Financing activities:</b>			
Net increase (decrease) in short-term borrowings.....	<b>255</b>	(260)	<b>2,124</b>
Proceeds from long-term debt .....	<b>1,900</b>	—	<b>15,797</b>
Repayment of long-term debt .....	<b>(1,503)</b>	(1,468)	<b>(12,503)</b>
Payments for purchases of treasury stock.....	<b>(898)</b>	(1)	<b>(7,468)</b>
Dividends paid .....	<b>(494)</b>	(296)	<b>(4,112)</b>
Dividends paid to minority shareholders.....	<b>(6)</b>	(4)	<b>(53)</b>
Net cash used in financing activities .....	<b>(747)</b>	(2,031)	<b>(6,215)</b>
<b>Effect of exchange rate change on cash and cash equivalents .....</b>	<b>117</b>	21	<b>974</b>
<b>Net increase in cash and cash equivalents .....</b>	<b>1,790</b>	2,314	<b>14,886</b>
<b>Cash and cash equivalents at beginning of year .....</b>	<b>5,544</b>	3,229	<b>46,097</b>
<b>Cash and cash equivalents at end of year.....</b>	<b>¥ 7,334</b>	¥ 5,544	<b>\$ 60,983</b>

See accompanying Notes to Consolidated Financial Statements.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

TAYCA CORPORATION AND CONSOLIDATED SUBSIDIARIES  
For the Years Ended March 31, 2015 and 2014

## 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 ¥120.27 to \$1, the approximate rate of exchange at March 31, 2015. 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, 2015 include the accounts of the Company and its 6 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) Retirement Benefits

##### (1) Method of attributing benefits to periods of service

When calculating retirement benefit obligations, the straight-line basis was used for attributing expected retirement benefits to the periods of service until the close of the fiscal year ended March 31, 2015.

##### (2) Method of expenses for actuarial gains and losses

Actuarial gains and losses are amortized on a straight-line basis over certain periods within the average remaining service lives of employees (mainly 10 years) from the year following that in which they arise.

### 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) Changes in Accounting Policy

Effective from the fiscal year ended March 31, 2015, the Company and its consolidated domestic subsidiaries have applied the "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, May 17, 2012 ("Statement No. 26")) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, March 26, 2015 ("Guidance No. 25")), in accordance with the provisions stated in Article 35 of Statement No. 26 and Article 67 of Guidance No. 25. As a result, the determination of retirement benefit obligations and current service cost have been changed as follows: The method of attributing expected benefit to periods of service has been changed from a straight-line basis to a benefit formula basis, and determining the discount rate has been changed to use a single weighted-average discount rate that reflects the periods until the expected payment of retirement benefits and the amount of the retirement benefits for each period.

In accordance with the transitional treatment stated in Article 37 of Statement No. 26, the effect of changing the determination of retirement benefit obligations and current service cost has been recognized in retained earnings at the beginning of the fiscal year ended March 31, 2015.

As a result of the application, net defined benefit liabilities increased by ¥407 million (US\$3,385 thousand) and retained earnings decreased by ¥262 million (US\$2,180 thousand) at the beginning of the fiscal year ended March 31, 2015. The effect of this change on consolidated operating income and income before income taxes and minority interests for the fiscal year ended March 31, 2015 was immaterial.

### 13) Standards Issued but Not Yet Adopted

- Accounting Standard for Business Combinations (ASBJ Statement No. 21, September 13, 2013)
- Accounting Standard for Consolidated Financial Statement (ASBJ Statement No. 22, September 13, 2013)
- Accounting Standard for Business Divestitures (ASBJ Statement No. 7, September 13, 2013)
- Accounting Standard for Earnings Per Share (ASBJ Statement No. 2, September 13, 2013)
- Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, September 13, 2013)
- Guidance on Accounting Standard for Earnings Per Share (ASBJ Guidance No. 4, September 13, 2013)

(1) *Summary*

Under the revised accounting standards, the following have been predominantly amended.

1. How the changes of the shares in subsidiaries, over which the Company continues to control, should be treated by the Company when additional stock of a subsidiary is acquired.
2. Accounting treatment of acquisition related costs
3. Presentation of net income and minority interests
4. Provisional accounting treatments for business combination

(2) *Effective date*

These standards are effective from the beginning of the fiscal year ending on or after March 31, 2016.

Provisional accounting treatments for business combination are scheduled to apply on or after the beginning of the fiscal year ending March 31, 2016.

(3) *Impact of adoption*

The Company and its consolidated subsidiaries are currently in the process of estimating the effects these new standards on the consolidated financial statements.

### 3. Inventories

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

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Finished goods and merchandise.....	¥5,262	¥4,997	\$43,757
Raw materials and supplies.....	2,612	3,061	21,718
Work in process .....	543	606	4,518
	¥8,418	¥8,665	\$69,994

### 4. Short-term borrowings and long-term debt

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Short-term borrowings.....	¥ 773	¥ 465	\$ 6,431
Current portion of long-term debt.....	689	1,488	5,731
Long-term debt.....	2,170	936	18,043
	¥3,632	¥2,889	\$30,205

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

For the year ended March 31, 2015	Millions of yen			
	Titanium dioxide and its derivatives	Others	Adjustments	Consolidated
Sales:				
Sales to outside customers .....	¥19,646	¥17,473	¥ —	¥37,120
Inter-segment sales and transfers.....	—	698	(698)	—
Total .....	19,646	18,172	(698)	37,120
Segment profit or loss.....	¥ 2,178	¥ 1,625	¥ (0)	¥ 3,804
Segment assets.....	¥19,503	¥12,639	¥15,984	¥48,126
Depreciation and amortization .....	¥ 1,173	¥ 630	¥ 10	¥ 1,814
Amount of increase in tangible and intangible fixed assets...	¥ 1,495	¥ 1,131	¥ (15)	¥ 2,611

For the year ended March 31, 2014	Millions of yen			
	Titanium dioxide and its derivatives	Others	Adjustments	Consolidated
Sales:				
Sales to outside customers .....	¥20,689	¥15,497	¥ —	¥36,186
Inter-segment sales and transfers.....	—	672	(672)	—
Total .....	20,689	16,170	(672)	36,186
Segment profit or loss.....	¥ 1,579	¥ 1,056	¥ 3	¥ 2,638
Segment assets.....	¥19,757	¥11,006	¥11,870	¥42,634
Depreciation and amortization .....	¥ 1,297	¥ 642	¥ 25	¥ 1,965
Amount of increase in tangible and intangible fixed assets...	¥ 978	¥ 464	¥ (15)	¥ 1,427

For the year ended March 31, 2015	Thousands of U.S. dollars			
	Titanium dioxide and its derivatives	Others	Adjustments	Consolidated
Sales:				
Sales to outside customers .....	\$163,350	\$145,288	\$ —	\$308,639
Inter-segment sales and transfers.....	—	5,811	(5,811)	—
Total .....	163,350	151,099	(5,811)	308,639
Segment profit or loss.....	\$ 18,115	\$ 13,517	\$ (1)	\$ 31,631
Segment assets.....	\$162,161	\$105,089	\$132,903	\$400,154
Depreciation and amortization .....	\$ 9,759	\$ 5,238	\$ 87	\$ 15,085
Amount of increase in tangible and intangible fixed assets...	\$ 12,434	\$ 9,410	\$ (132)	\$ 21,712

## 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 26, 2015.

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends paid .....	¥ 190	\$ 1,583
Transfer of general reserve .....	1,300	10,809

# 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, 2015, and the consolidated statements of income, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the year 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, 2015, and their financial performance and cash flows for the year 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, 2015 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, 2015