

Financial Statements

2010



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				
	2010	2009	2008	2007	2006
Net sales.....	¥29,892	¥32,351	¥32,721	¥30,351	¥27,610
Income before income taxes	1,223	533	1,912	1,633	1,628
Net income.....	797	449	1,186	1,072	961
Total assets	39,976	38,290	39,664	41,457	39,902
Equity	23,088	21,784	22,770	23,310	22,949
Common stock.....	9,855	9,855	9,855	9,855	9,855
Per share of common stock (in yen):					
Net income	¥ 15.92	¥ 8.98	¥ 23.66	¥ 21.39	¥ 18.77
Equity.....	463.55	433.56	452.57	463.56	456.99

Notes: (1) Figures for 2006 – 2010 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, 2010 and 2009

TAYCA CORPORATION

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	2010
Current assets:			
Cash and cash equivalents	¥ 4,390	¥ 2,484	\$ 47,188
Time deposits	79	79	849
Marketable securities	—	14	—
Trade notes and accounts receivable.....	9,344	8,356	100,433
Inventories (Note 3).....	7,519	8,179	80,818
Other current assets	429	586	4,613
Allowance for doubtful accounts.....	(5)	—	(62)
Total current assets	21,756	19,699	233,840
Property, plant and equipment:			
Land	1,241	1,274	13,348
Buildings and structures	16,208	15,598	174,214
Machinery and equipment	39,956	38,777	429,458
Vehicles.....	187	174	2,015
Tools, furniture and fixtures	2,793	2,689	30,022
Construction in progress.....	369	1,705	3,971
Less: accumulated depreciation.....	(48,430)	(46,492)	(520,534)
Net property, plant and equipment.....	12,327	13,727	132,495
Investments and other assets:			
Investment securities	4,755	3,289	51,110
Other assets	997	1,503	10,720
Allowance for doubtful accounts.....	(23)	(23)	(247)
Intangible fixed assets.....	163	93	1,753
Total investments and other assets.....	5,892	4,862	63,337
	¥39,976	¥38,290	\$429,673

See accompanying Notes to Consolidated Financial Statements.

LIABILITIES AND EQUITY	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	2010
Current liabilities:			
Short-term borrowings (Note 4)	¥ 396	¥ 477	\$ 4,259
Current portion of long-term debt (Note 4)	2,348	2,199	25,242
Trade notes and accounts payable.....	3,804	3,668	40,888
Accrued income taxes.....	447	46	4,810
Accrued expenses	73	71	793
Other current liabilities	2,368	2,894	25,459
Total current liabilities.....	9,439	9,357	101,454
Long-term liabilities:			
Long-term debt (Note 4)	4,636	4,550	49,834
Long-term accrued amount payable.....	165	202	1,782
Liabilities for severance indemnities.....	2,643	2,393	28,407
Allowance for directors' and statutory auditors' retirement benefits.....	3	1	35
Total long-term liabilities	7,448	7,147	80,060
Equity:			
Common stock:			
Authorized — 150,000,000 shares			
Issued — 51,428,828 shares in 2010 and 2009	9,855	9,855	105,932
Capital surplus	6,767	6,767	72,732
Retained earnings	5,666	5,119	60,903
Unrealized gain on available-for-sale securities	1,310	480	14,088
Foreign currency translation adjustments	(49)	(73)	(530)
Treasury stock, at cost:			
1,776,563 shares in 2010 and 1,320,476 shares in 2009.....	(534)	(425)	(5,747)
Total.....	23,016	21,725	247,378
Minority interests (Note 2-9)	72	59	780
Total equity	23,088	21,784	248,158
	¥39,976	¥38,290	\$429,673

CONSOLIDATED STATEMENTS OF CASH FLOWS

TAYCA CORPORATION AND CONSOLIDATED SUBSIDIARIES
For the Years Ended March 31, 2010 and 2009

TAYCA CORPORATION

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	2010
Operating activities:			
Adjustments to reconcile net income to net cash provided by operating activities:			
Income before income taxes	¥1,223	¥ 533	\$13,155
Depreciation and amortization	3,073	2,760	33,037
Loss on disposal of property, plant and equipment	141	146	1,523
Interest and dividend income	(98)	(138)	(1,061)
Interest expense	169	163	1,817
Changes in assets and liabilities:			
Increase in notes and accounts receivable, trade	(977)	890	(10,501)
Increase in inventories.....	669	(1,256)	7,199
(Decrease) increase in notes and accounts payable, trade.....	114	(955)	1,227
Other	499	278	5,370
Subtotal.....	4,816	2,422	51,768
Interest and dividend income, received.....	98	138	1,061
Interest expense, paid.....	(169)	(162)	(1,823)
Income taxes, paid	83	(910)	895
Net cash provided by operating activities.....	4,828	1,487	51,902
Investing activities:			
Payments for acquisition of property, plant and equipment	(2,430)	(3,013)	(26,128)
Payments for purchases of investment securities.....	(166)	(15)	(1,792)
Proceeds from sales of investment securities	45	28	484
Other	(158)	(80)	(1,705)
Net cash used in investing activities	(2,711)	(3,080)	(29,141)
Financing activities:			
Net increase in short-term borrowings.....	(96)	112	(1,041)
Proceeds from long-term debt.....	2,530	2,800	27,192
Repayment of long-term debt.....	(2,295)	(2,114)	(24,674)
Payments for purchases of treasury stock	(109)	(8)	(1,177)
Proceeds from sales of treasury stock.....	0	0	4
Dividends paid.....	(249)	(249)	(2,683)
Net cash provided by (used in) financing activities	(221)	540	(2,379)
Effect of exchange rate change on cash and cash equivalents			
	9	(18)	105
Net (decrease) increase in cash and cash equivalents	1,906	(1,071)	20,486
Cash and cash equivalents at beginning of year	2,484	3,555	26,702
Cash and cash equivalents at end of year.....	¥4,390	¥2,484	\$47,188

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

TAYCA CORPORATION AND CONSOLIDATED SUBSIDIARIES
For the Years Ended March 31, 2010 and 2009

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 ¥93.04 to \$1, the approximate rate of exchange at March 31, 2010. 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, 2010 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.

In fiscal 2009, the Company has changed the useful lives of certain tangible fixed assets based on the reassessment of the useful lives in light of the change in the Japanese Corporate Tax Law (the "Tax Law"). The effect of this change was to decrease both operating income and income before income taxes and minority interests by ¥93 million.

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. Transitional obligations in the amount of ¥1,222 million are charged to expenses using the straight-line method over 10 years.

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 subsidiaries are 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

Adoption of "Accounting Standard for Leases Transactions"

In fiscal 2009, in accordance with the Accounting Standard (ASBJ Statement No.13, issued by the Accounting standards Board of Japan on March 30, 2007), (ASBJ Guidelines No.16, issued by the Accounting standards Board of Japan on March 30, 2007), finance leases which do not transfer ownership have been accounted for as purchase and sale transactions, while they had been accounted for in the same manner as operating leases with disclosures of certain "as if capitalized" information until fiscal 2008. There was no effect on profit or loss from this change.

Adoption of "Practical Solutions on the Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements"

In fiscal 2009, the Company has adopted "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements (ASBJ Practical Issues Task Force No.18, issued by the Accounting Standard Board of Japan on May 17, 2006). There was no effect on profit or loss from this change.

Changes in accounting policies for construction revenues and cost of completed works

Effective from the year ended March 31, 2010, with regard to accounting standards for the recognition of revenues resulting from construction work undertaken for customers on a subcontractor basis, the Company and its consolidated domestic subsidiaries have adopted the "Accounting Standard for Construction Contracts" (ASBJ Statement No.15, issued on December 27, 2007) and the "Guidance on Accounting Standard for Construction Contracts" (ASBJ Guidance No.18, issued on December 27, 2007).

The percentage-of-completion method is applied to contracts for which construction started before the end of the fiscal year and the percentage of construction already completed by the end of the reporting period can be estimated fairly reliably. Otherwise the completed-contract method is applied. The percentage of completion at the end of the reporting period is measured by the proportion of the cost incurred to

the estimated total cost.

The effect of this change was immaterial to net sales, operating income, income before income taxes and minority interests, and segment information.

3. Inventories

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

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Finished goods and merchandise.....	¥4,526	¥5,445	\$48,648
Raw materials and supplies.....	2,398	2,201	25,774
Work in process	594	532	6,394
	¥7,519	¥8,179	\$80,818

4. Short-term borrowings and long-term debt

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Short-term borrowings.....	¥ 396	¥ 477	\$ 4,259
Current portion of long-term debt....	2,348	2,199	25,242
Long-term debt.....	4,636	4,550	49,834
	¥7,381	¥7,227	\$79,337

Loans from banks due through 2036, with interest rates at 1.2% to 4.9%.

5. Segment information

Industry segment information

The Companies operate principally in three industrial segments.

Each segment has the following main products:

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

Other chemicals: Surfactants, Sulfuric acid, Aluminum triphosphate

Others: Business warehouses, Electro-ceramics products

	Millions of yen				
	Titanium dioxide and its derivatives	Other chemicals	Others	Elimination of inter-segment items	Consolidated total
For the year ended March 31, 2010					
Sales:					
Sales to outside customers	¥16,937	¥11,463	¥1,491	¥ —	¥29,892
Inter-segment sales and transfers.....	784	2,959	1,810	(5,554)	—
Total	17,722	14,423	3,301	(5,554)	29,892
Operating expenses.....	17,279	13,496	3,264	(5,576)	28,463
Operating income.....	¥ 443	¥ 927	¥ 36	¥ 21	¥ 1,428
Identifiable assets at March 31, 2010	¥20,107	¥ 9,411	¥2,442	¥8,015	¥39,976
Depreciation.....	¥ 1,987	¥ 798	¥ 154	¥ 133	¥ 3,073
Capital expenditures	¥ 887	¥ 793	¥ 115	¥ 58	¥ 1,854

	Millions of yen				
	Titanium dioxide and its derivatives	Other chemicals	Others	Elimination of inter-segment items	Consolidated total
For the year ended March 31, 2009					
Sales:					
Sales to outside customers	¥18,044	¥12,540	¥1,765	¥ —	¥32,351
Inter-segment sales and transfers.....	855	3,710	2,054	(6,620)	—
Total	18,899	16,250	3,820	(6,620)	32,351
Operating expenses.....	18,909	15,421	3,776	(6,621)	31,484
Operating income (loss).....	¥ (9)	¥ 829	¥ 44	¥ 1	¥ 866
Identifiable assets at March 31, 2009	¥21,125	¥ 9,236	¥2,604	¥5,324	¥38,290
Depreciation.....	¥ 1,866	¥ 688	¥ 173	¥ 31	¥ 2,760
Capital expenditures	¥ 2,251	¥ 1,186	¥ 53	¥ 90	¥ 3,581

	Thousands of U.S. dollars				
	Titanium dioxide and its derivatives	Other chemicals	Others	Elimination of inter-segment items	Consolidated total
For the year ended March 31, 2010					
Sales:					
Sales to outside customers	\$182,047	\$123,212	\$16,026	\$ —	\$321,285
Inter-segment sales and transfers.....	8,433	31,811	19,459	(59,704)	—
Total	190,480	155,024	35,485	(59,704)	321,285
Operating expenses.....	185,716	145,059	35,090	(59,933)	305,932
Operating income.....	\$ 4,764	\$ 9,965	\$ 394	\$ 229	\$ 15,353
Identifiable assets at March 31, 2010	\$216,118	\$101,150	\$26,253	\$86,151	\$429,673
Depreciation.....	\$ 21,363	\$ 8,584	\$ 1,657	\$ 1,432	\$ 33,037
Capital expenditures	\$ 9,537	\$ 8,530	\$ 1,238	\$ 624	\$ 19,931

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 29, 2010.

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends paid	¥248	\$2,668

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors of
TAYCA CORPORATION

We have audited the accompanying consolidated balance sheets of TAYCA CORPORATION and consolidated subsidiaries at March 31, 2010 and 2009, and the related consolidated statements of income, changes in equity and cash flows for the years ended March 31, 2010 and 2009, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express our opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of TAYCA CORPORATION and consolidated subsidiaries as of March 31, 2010 and 2009, and the consolidated results of their operations and their cash flows for the years ended March 31, 2010 and 2009, in conformity with accounting principles generally accepted in Japan.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Koel Audit Corporation

Osaka, Japan
June 24, 2010