

Financial Statements

2011



TAYCA CORPORATION

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CONSOLIDATED FIVE-YEAR SUMMARY

TAYCA CORPORATION AND CONSOLIDATED SUBSIDIARIES

	Millions of yen				
	2011	2010	2009	2008	2007
Net sales.....	¥32,039	¥29,892	¥32,351	¥32,721	¥30,351
Income before income taxes and minority interests.....	2,407	1,223	533	1,912	1,633
Net income.....	1,508	797	449	1,186	1,072
Total assets.....	39,273	39,976	38,290	39,664	41,457
Net assets.....	24,220	23,088	21,784	22,770	23,310
Common stock.....	9,855	9,855	9,855	9,855	9,855
Per share of common stock (in yen):					
Net income.....	¥ 30.38	¥ 15.92	¥ 8.98	¥ 23.66	¥ 21.39
Owner's equity.....	486.14	463.55	433.56	452.57	463.56

Notes: (1) Figures for 2007 – 2011 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, 2011 and 2010

TAYCA CORPORATION

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
Current assets:			
Cash and cash equivalents	¥ 5,359	¥ 4,390	\$ 64,455
Time deposits	79	79	950
Trade notes and accounts receivable.....	9,777	9,344	117,589
Inventories (Note 3).....	7,069	7,519	85,022
Other current assets	394	429	4,738
Allowance for doubtful accounts.....	(1)	(5)	(20)
Total current assets.....	22,677	21,756	272,735
Property, plant and equipment:			
Land	1,238	1,241	14,895
Buildings and structures	16,439	16,208	197,706
Machinery and equipment.....	39,965	39,956	480,637
Vehicles.....	181	187	2,180
Tools, furniture and fixtures	2,872	2,793	34,548
Construction in progress.....	178	369	2,151
Less: accumulated depreciation.....	(49,914)	(48,430)	(600,291)
Net property, plant and equipment.....	10,961	12,327	131,828
Investments and other assets:			
Investment securities	4,488	4,755	53,979
Other assets	1,028	997	12,369
Allowance for doubtful accounts.....	(23)	(23)	(276)
Intangible fixed assets.....	139	163	1,680
Total investments and other assets.....	5,633	5,892	67,752
	¥39,273	¥39,976	\$472,316

See accompanying Notes to Consolidated Financial Statements.

LIABILITIES AND NET ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
Current liabilities:			
Short-term borrowings (Note 4)	¥ 298	¥ 396	\$ 3,583
Current portion of long-term debt (Note 4)	1,725	2,348	20,753
Trade notes and accounts payable.....	3,906	3,804	46,984
Accrued income taxes.....	637	447	7,670
Accrued expenses	75	73	909
Other current liabilities.....	2,033	2,368	24,458
Total current liabilities.....	8,677	9,439	104,359
Long-term liabilities:			
Long-term debt (Note 4)	3,610	4,636	43,427
Long-term accrued amount payable.....	145	165	1,750
Liabilities for severance indemnities.....	2,613	2,643	31,427
Allowance for directors' and statutory auditors' retirement benefits.....	5	3	66
Total long-term liabilities.....	6,375	7,448	76,671
Net assets			
Shareholder's equity			
Common stock:			
Authorized — 150,000,000 shares			
Issued — 51,428,828 shares in 2011 and 2010	9,855	9,855	118,532
Capital surplus.....	6,767	6,767	81,383
Retained earnings.....	6,926	5,666	83,298
Treasury stock, at cost:			
1,787,217 shares in 2011 and 1,776,563 shares in 2010.....	(537)	(534)	(6,466)
Total shareholder's equity	23,011	21,754	276,747
Accumulated other comprehensive income			
Unrealized gain on available-for-sale securities.....	1,180	1,310	14,193
Foreign currency translation adjustments	(58)	(49)	(708)
Total accumulated other comprehensive income.....	1,121	1,261	13,484
Minority interests	87	72	1,054
Total net assets.....	24,220	23,088	291,286
	¥39,273	¥39,976	\$472,316

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

TAYCA CORPORATION AND CONSOLIDATED SUBSIDIARIES
For the Years Ended March 31, 2011 and 2010

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, 2009	51,428	¥9,855	¥6,767	¥5,119	¥(425)	¥ 480	¥(73)	¥59	¥21,784
Net income				797					797
Cash dividends				(250)					(250)
Purchase of treasury stock					(109)				(109)
Disposal of treasury stock			(0)		0				0
Net change in the term						829	23	12	866
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

	Thousands of U.S. dollars (Note 1)							
Balance, March 31, 2010	\$118,532	\$81,383	\$68,147	\$(6,431)	\$15,763	\$(593)	\$ 873	\$277,675
Net income			18,136					18,136
Cash dividends			(2,985)					(2,985)
Purchase of treasury stock					(34)			(34)
Disposal of treasury stock								
Net change in the term					(1,570)	(115)	180	(1,505)
Balance, March 31, 2011	\$118,532	\$81,383	\$83,298	\$(6,466)	\$14,193	\$(708)	\$1,054	\$291,286

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

TAYCA CORPORATION AND CONSOLIDATED SUBSIDIARIES
For the Years Ended March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
Operating activities:			
Income before income taxes and minority interests	¥2,407	¥1,223	\$28,947
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	2,750	3,073	33,077
Loss on disposal of property, plant and equipment	165	141	1,988
Interest and dividend income	(99)	(98)	(1,199)
Interest expense	145	169	1,755
Changes in assets and liabilities:			
Increase in trade notes and accounts receivable	(436)	(977)	(5,249)
Decrease in inventories	447	669	5,376
Increase in trade notes and accounts payable	108	114	1,299
Other	(3)	499	(40)
Subtotal	5,484	4,816	65,957
Interest and dividend income, received	99	98	1,199
Interest expense, paid	(147)	(169)	(1,777)
Income taxes, paid and refund	(676)	83	(8,132)
Net cash provided by operating activities	4,760	4,828	57,246
Investing activities:			
Payments for acquisition of property, plant and equipment	(1,664)	(2,430)	(20,023)
Payments for purchases of investment securities	(14)	(166)	(179)
Proceeds from sales of investment securities	—	45	—
Other	(107)	(158)	(1,296)
Net cash used in investing activities	(1,787)	(2,711)	(21,499)
Financing activities:			
Net decrease in short-term borrowings	(93)	(96)	(1,123)
Proceeds from long-term debt	700	2,530	8,418
Repayment of long-term debt	(2,348)	(2,295)	(28,243)
Payments for purchases of treasury stock	(2)	(109)	(34)
Proceeds from sales of treasury stock	—	0	—
Dividends paid	(246)	(249)	(2,969)
Dividends paid to minority shareholders	(6)	—	(76)
Net cash used in financing activities	(1,998)	(221)	(24,029)
Effect of exchange rate change on cash and cash equivalents	(5)	9	(63)
Net increase in cash and cash equivalents	969	1,906	11,653
Cash and cash equivalents at beginning of year	4,390	2,484	52,801
Cash and cash equivalents at end of year	¥5,359	¥4,390	\$64,455

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

TAYCA CORPORATION AND CONSOLIDATED SUBSIDIARIES
For the Years Ended March 31, 2011 and 2010

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 ¥83.15 to \$1, the approximate rate of exchange at March 31, 2011. 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, 2011 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. 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

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

Effective from the year ended March 31, 2011, 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.

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.

In addition, the consolidated balance sheet as of March 31, 2010 and the consolidated statements of changes in net assets for the fiscal years ended March 31, 2010 have been modified to conform with the new presentation rules of 2011.

3. Inventories

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

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Finished goods and merchandise.....	¥4,565	¥4,526	\$54,908
Raw materials and supplies.....	1,931	2,398	23,229
Work in process	572	594	6,884
	¥7,069	¥7,519	\$85,022

4. Short-term borrowings and long-term debt

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Short-term borrowings.....	¥ 298	¥ 396	\$ 3,583
Current portion of long-term debt....	1,725	2,348	20,753
Long-term debt.....	3,610	4,636	43,427
	¥5,634	¥7,381	\$67,764

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

5. Segment information

Effective from the fiscal year ended March 31, 2011, the Company has adopted the "Accounting Standard for Disclosure about Segments of an Enterprise and Related Information" (ASBJ statement No.17, issued on March 27, 2009) and "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No.20 issued on March 21, 2008).

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, 2011	Millions of yen			
	Titanium dioxide and its derivatives	Others	Adjustments	Consolidated
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

For the year ended March 31, 2010	Millions of yen			
	Titanium dioxide and its derivatives	Others	Adjustments	Consolidated
Sales:				
Sales to outside customers	¥16,937	¥12,954	¥ —	¥29,892
Inter-segment sales and transfers.....	—	661	(661)	—
Total	16,937	13,615	(661)	29,892
Segment profit or loss.....	¥ 443	¥ 986	¥ (1)	¥ 1,428
Segment assets.....	¥20,020	¥10,318	¥9,637	¥39,976
Depreciation and amortization	¥ 2,026	¥ 952	¥ 94	¥ 3,073
Amount of increase in tangible and intangible fixed assets.....	¥ 887	¥ 908	¥ 30	¥ 1,826

For the year ended March 31, 2011	Thousands of U.S. dollars			
	Titanium dioxide and its derivatives	Others	Adjustments	Consolidated
Sales:				
Sales to outside customers	\$213,495	\$171,831	\$ —	\$385,327
Inter-segment sales and transfers.....	—	7,437	(7,437)	—
Total	213,495	179,269	(7,437)	385,327
Segment profit or loss.....	\$ 14,662	\$ 17,874	\$ 178	\$ 32,715
Segment assets.....	\$224,742	\$122,148	\$125,426	\$472,316
Depreciation and amortization	\$ 21,785	\$ 11,104	\$ 187	\$ 33,077
Amount of increase in tangible and intangible fixed assets.....	\$ 9,333	\$ 8,303	\$ 270	\$ 17,908

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, 2011.

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends paid	¥ 297	\$ 3,581
Transfer of general reserve	1,000	12,026

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
TAYCA CORPORATION

We have audited the accompanying consolidated balance sheets of TAYCA CORPORATION and consolidated subsidiaries as of March 31, 2011 and 2010, and the related consolidated statements of income, comprehensive income, changes in net assets and cash flows for the years then ended expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently 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 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 our 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 financial position of TAYCA CORPORATION and consolidated subsidiaries as of March 31, 2011 and 2010, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2011 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.

Koel Audit Corporation

Osaka, Japan
June 23, 2011