

Financial Statements

2009



TAYCA CORPORATION

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CONSOLIDATED FIVE-YEAR SUMMARY

TAYCA CORPORATION AND CONSOLIDATED SUBSIDIARIES

	Millions of yen				
	2009	2008	2007	2006	2005
Net sales.....	¥32,351	¥32,721	¥30,351	¥27,610	¥26,067
Income before income taxes	533	1,912	1,633	1,628	1,209
Net income.....	449	1,186	1,072	961	732
Total assets	38,290	39,664	41,457	39,902	34,702
Equity	21,784	22,770	23,310	22,949	20,149
Common stock.....	9,855	9,855	9,855	9,855	9,855
Per share of common stock (in yen):					
Net income	¥ 8.98	¥ 23.66	¥ 21.39	¥ 18.77	¥ 14.17
Equity	433.56	452.57	463.56	456.99	400.92

Notes: (1) Figures for 2005 – 2009 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, 2009 and 2008

TAYCA CORPORATION

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
Current assets:			
Cash and cash equivalents	¥ 2,484	¥ 3,555	\$ 25,283
Time deposits	79	79	803
Marketable securities	14	26	143
Trade notes and accounts receivable	8,356	9,296	85,043
Inventories (Note 3)	8,179	6,966	83,239
Other current assets	586	524	5,968
Total current assets	19,699	20,448	200,483
 Property, plant and equipment:			
Land	1,274	1,346	12,971
Buildings and structures	15,598	15,479	158,750
Machinery and equipment	38,777	38,543	394,640
Vehicles	174	180	1,777
Tools, furniture and fixtures	2,689	2,433	27,369
Construction in progress	1,705	341	17,353
Less: accumulated depreciation	(46,492)	(45,017)	(473,153)
Net property, plant and equipment	13,727	13,307	139,708
 Investments and other assets:			
Investment securities	3,289	5,074	33,474
Other assets	1,503	785	15,302
Allowance for doubtful accounts	(23)	(23)	(235)
Intangible fixed assets	93	71	949
Total investments and other assets	4,862	5,907	49,490
	¥38,290	¥39,664	\$389,682

See accompanying Notes to Consolidated Financial Statements.

LIABILITIES AND EQUITY	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
Current liabilities:			
Short-term borrowings (Note 4)	¥ 477	¥ 464	\$ 4,858
Current portion of long-term debt (Note 4)	2,199	2,011	22,385
Trade notes and accounts payable.....	3,668	4,717	37,336
Accrued income taxes.....	46	603	474
Accrued expenses	71	83	723
Other current liabilities	2,894	2,579	29,455
Total current liabilities.....	9,357	10,460	95,233
Long-term liabilities:			
Long-term debt (Note 4)	4,550	4,089	46,307
Long-term accrued amount payable.....	202	—	2,065
Deferred income taxes.....	—	15	—
Liabilities for severance indemnities.....	2,393	2,110	24,357
Allowance for directors' and statutory auditors' retirement benefits.....	1	217	11
Total long-term liabilities	7,147	6,432	72,742
Equity:			
Common stock:			
Authorized — 150,000,000 shares			
Issued — 51,428,828 shares in 2009 and 2008	9,855	9,855	100,304
Capital surplus	6,767	6,767	68,868
Retained earnings.....	5,119	4,920	52,105
Unrealized gain on available-for-sale securities.....	480	1,467	4,894
Foreign currency translation adjustments	(73)	96	(744)
Treasury stock, at cost:			
1,320,476 shares in 2009 and 1,295,292 shares in 2008.....	(425)	(418)	(4,332)
Total	21,725	22,688	221,097
Minority interests (Note 2-9)	59	82	609
Total equity	21,784	22,770	221,706
	¥38,290	¥39,664	\$389,682

CONSOLIDATED STATEMENTS OF INCOME

TAYCA CORPORATION AND CONSOLIDATED SUBSIDIARIES
For the Years Ended March 31, 2009 and 2008

TAYCA CORPORATION

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
Net sales	¥32,351	¥32,721	\$329,240
Cost of sales	26,858	26,052	273,336
Gross profit.....	5,493	6,669	55,903
Selling, general and administrative expenses	4,626	4,667	47,087
Operating income.....	866	2,002	8,816
Other income (expenses):			
Interest and dividend income.....	138	130	1,411
Interest expenses.....	(163)	(167)	(1,665)
Other, net.....	(307)	(52)	(3,128)
Total other expenses.....	(332)	(89)	(3,382)
Income before income taxes and minority interests.....	533	1,912	5,433
Income taxes:			
Current.....	135	860	1,380
Deferred.....	(56)	(147)	(572)
Minority interests	4	13	46
Net income.....	¥ 449	¥ 1,186	\$ 4,578
	Yen		U.S. dollars (Note 1)
Net income per share	¥8.98	¥23.66	\$0.08

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

TAYCA CORPORATION AND CONSOLIDATED SUBSIDIARIES
For the Years Ended March 31, 2009 and 2008

	Millions of yen									
	Number of shares of common stock (Thousands)	Common stock	Capital surplus	Retained earnings	Unrealized gain on available- for-sale securities	Foreign currency translation adjustments	Treasury stock	Total	Minority interests	Total equity
Balance, March 31, 2007	51,428	¥9,855	¥6,767	¥3,985	¥2,997	¥ 55	¥(411)	¥23,249	¥61	¥23,310
Net income.....				1,186				1,186		1,186
Cash dividends.....				(250)				(250)		(250)
Purchase of treasury stock.....							(7)	(7)		(7)
Disposal of treasury stock.....			(0)				0	0		0
Net change in the term.....					(1,530)	41		(1,489)	20	(1,468)
Balance, March 31, 2008	51,428	¥9,855	¥6,767	¥4,920	¥1,467	¥ 96	¥(418)	¥22,688	¥82	¥22,770
Net income.....				449				449		449
Cash dividends.....				(250)				(250)		(250)
Purchase of treasury stock.....							(8)	(8)		(8)
Disposal of treasury stock.....			(0)				1	0		0
Net change in the term.....					(986)	(169)		(1,155)	(22)	(1,177)
Balance, March 31, 2009	51,428	¥9,855	¥6,767	¥5,119	¥ 480	¥ (73)	¥(425)	¥21,725	¥59	¥21,784
	Thousands of U.S. dollars (Note 1)									
Balance, March 31, 2008		\$100,304	\$68,872	\$50,077	\$14,932	\$ 978	\$(4,259)	\$230,906	\$835	\$231,741
Net income.....				4,578				4,578		4,578
Cash dividends.....				(2,551)				(2,551)		(2,551)
Purchase of treasury stock.....							(86)	(86)		(86)
Disposal of treasury stock.....			(3)				13	9		9
Net change in the term.....					(10,037)	(1,722)		(11,759)	(226)	(11,986)
Balance, March 31, 2009		\$100,304	\$68,868	\$52,105	\$ 4,894	\$ (744)	\$(4,332)	\$221,097	\$609	\$221,706

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

TAYCA CORPORATION AND CONSOLIDATED SUBSIDIARIES
For the Years Ended March 31, 2009 and 2008

TAYCA CORPORATION

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
Operating activities:			
Adjustments to reconcile net income to net cash provided by operating activities:			
Income before income taxes	¥ 533	¥1,912	\$ 5,433
Depreciation and amortization	2,760	2,620	28,091
Loss on disposal of property, plant and equipment	146	140	1,489
Interest and dividend income	(138)	(130)	(1,411)
Interest expense	163	167	1,665
Changes in assets and liabilities:			
Increase in notes and accounts receivable, trade	890	932	9,064
Increase in inventories	(1,256)	(1,089)	(12,784)
(Decrease) increase in notes and accounts payable, trade	(955)	48	(9,726)
Other	278	266	2,830
Subtotal	2,422	4,868	24,651
Interest and dividend income, received	138	130	1,411
Interest expense, paid	(162)	(183)	(1,656)
Income taxes, paid	(910)	(657)	(9,264)
Net cash provided by operating activities	1,487	4,157	15,141
Investing activities:			
Payments for acquisition of property, plant and equipment	(3,013)	(1,906)	(30,666)
Payments for purchases of investment securities	(15)	(14)	(155)
Proceeds from sales of investment securities	28	550	291
Other	(80)	(118)	(822)
Net cash used in investing activities	(3,080)	(1,488)	(31,353)
Financing activities:			
Net increase in short-term borrowings	112	171	1,139
Proceeds from long-term debt	2,800	1,580	28,495
Repayment of long-term debt	(2,114)	(2,293)	(21,519)
Payments for purchases of treasury stock	(8)	(7)	(86)
Proceeds from sales of treasury stock	0	0	9
Dividends paid	(249)	(250)	(2,543)
Net cash provided by (used in) financing activities	540	(800)	5,496
Effect of exchange rate change on cash and cash equivalents	(18)	48	(187)
Net (decrease) increase in cash and cash equivalents	(1,071)	1,917	(10,902)
Cash and cash equivalents at beginning of year	3,555	1,638	36,186
Cash and cash equivalents at end of year	¥2,484	¥3,555	\$25,283

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

TAYCA CORPORATION AND CONSOLIDATED SUBSIDIARIES
For the Years Ended March 31, 2009 and 2008

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 ¥98.26 to \$1, the approximate rate of exchange at March 31, 2009. 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, 2009 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.

The company has adopted "Accounting Standard for Measurement of Inventories" (Accounting Standards Board of Japan ("ASBJ") Statement No.9, July 5, 2006) from the consolidated fiscal year beginning April 1, 2007.

The effect of this change was to decrease operating income by ¥121 million and income before income taxes and minority interests by ¥90 million.

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 (\$956 thousand).

In fiscal 2008, in accordance with the Tax Law revised in 2007, the Company and its domestic consolidated subsidiaries adopted the new method of depreciation based on the Tax Law for the tangible fixed assets acquired on or after April 1, 2007. The effect of this change was to decrease both operating income and income before income taxes and minority interests by ¥51 million.

In fiscal 2008, in accordance with the revised Tax Law, for the tangible fixed assets acquired on or before March 31, 2007, the Company started to depreciate the remaining balance of the assets over a five year period using straight-line method from the following fiscal year after the book value of the assets decreases to 5% of the acquisition costs under the method of depreciation based on the Tax Law before revision. The effect of this change was to decrease both operating income and income before income taxes and minority interests by ¥223 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) Presentation of equity

The Company and its domestic consolidated subsidiaries have adopted the new accounting standard for presentation of equity in the year ended March 31, 2008. Under this accounting standard, minority interests are presented as components of equity.

10) Research and development costs

Research and development costs are charged to income as incurred.

11) 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.

12) 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.

13) 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.

3. Inventories

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

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Finished goods and merchandise.....	¥5,445	¥4,701	\$55,419
Raw materials and supplies.....	2,201	1,800	22,405
Work in process	532	464	5,414
	¥8,179	¥6,966	\$83,239

4. Short-term borrowings and long-term debt

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Short-term borrowings.....	¥ 477	¥ 464	\$ 4,858
Current portion of long-term debt....	2,199	2,011	22,385
Long-term debt.....	4,550	4,089	46,307
	¥7,227	¥6,565	\$73,551

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:

<i>Titanium dioxide and its derivatives:</i>	Titanium dioxide, Micro titanium dioxide, Surface treatment business
<i>Other chemicals:</i>	Surfactants, Sulfuric acid, Aluminum triphosphate
<i>Others:</i>	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, 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.....	¥ (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

	Millions of yen				
	Titanium dioxide and its derivatives	Other chemicals	Others	Elimination of inter-segment items	Consolidated total
For the year ended March 31, 2008					
Sales:					
Sales to outside customers	¥19,161	¥11,722	¥1,838	¥ —	¥32,721
Inter-segment sales and transfers.....	967	3,633	1,998	(6,599)	—
Total	20,128	15,355	3,836	(6,599)	32,721
Operating expenses.....	19,088	14,575	3,681	(6,626)	30,719
Operating income.....	¥ 1,039	¥ 780	¥ 155	¥ 27	¥ 2,002
Identifiable assets at March 31, 2008	¥20,927	¥ 8,885	¥2,593	¥7,258	¥39,664
Depreciation.....	¥ 1,777	¥ 646	¥ 167	¥ 28	¥ 2,620
Capital expenditures	¥ 1,035	¥ 449	¥ 216	¥ 49	¥ 1,750

	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, 2009					
Sales:					
Sales to outside customers	\$183,638	\$127,629	\$17,972	\$ —	\$329,240
Inter-segment sales and transfers.....	8,707	37,758	20,908	(67,374)	—
Total	192,345	165,387	38,881	(67,374)	329,240
Operating expenses.....	192,440	156,944	38,430	(67,391)	320,423
Operating income.....	\$ (94)	\$ 8,442	\$ 450	\$ 17	\$ 8,816
Identifiable assets at March 31, 2009	\$214,993	\$ 94,000	\$26,505	\$54,183	\$389,682
Depreciation.....	\$ 18,995	\$ 7,009	\$ 1,767	\$ 319	\$ 28,091
Capital expenditures	\$ 22,911	\$ 12,073	\$ 545	\$ 921	\$ 36,451

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, 2009.

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends paid	¥250	\$2,549

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, 2009 and 2008, and the related consolidated statements of income, changes in equity and cash flows for the years ended March 31, 2009 and 2008, 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, 2009 and 2008, and the consolidated results of their operations and their cash flows for the years ended March 31, 2009 and 2008, 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 23, 2009