

For the Fiscal Year Ended March 31, 2017

Annual Select[®] 2017

Tayca Corporation

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(Securities Code: 4027)

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Corporate Profile

The history of “Tayca Corporation” dates back to 1919, when the company was founded as “Teikoku Jinzo Fertilizer Co., Ltd.,” with sulfuric acid and superphosphate fertilizer as its key products. Ever since its foundation, based on the sulfuric acid-related technology, we have devoted ourselves to the production and marketing of various industrial chemical products, adapting ourselves to the changing needs of time and society. These products include items such as titanium dioxide, surfactants, and various types of phosphates.

At present, we utilize sulfonation, surface treatment, and dispersion technologies that we have perfected over many years to create specialty products, including conductive polymers and related products for high performance capacitors, and surface treatment products and micro titanium dioxide for cosmetics. We are likewise working actively to extend these technologies to expand our business. At the same time, we are striving to construct new businesses that will support Tayca in the future. Our targets include the environment and energy sector, the electrical and electronics sector, and the medical and health care sector, and we are working towards the early commercialization of new products in these sectors.

In 2019, Tayca will celebrate the 100th anniversary of its foundation. To mark this occasion, we defined what the ideal future for Tayca is in our “Challenge 100” vision, and ensured that it was common knowledge for all of our employees. Also, under the motto of “Let’s fly to our limitless future,” we plan on working towards revitalizing our personnel and organization and build a stronger management structure.

I. Summary of Selected Financial Data (Consolidated)

| | 147 th term Fiscal year ended March 31, 2013 | 148 th term Fiscal year ended March 31, 2014 | 149 th term Fiscal year ended March 31, 2015 | 150 th term Fiscal year ended March 31, 2016 | 151 st term Fiscal year ended March 31, 2017 |
|--|---|---|---|---|---|
| Net sales (Millions of yen) | 34,778 | 36,186 | 37,120 | 36,618 | 38,241 |
| Ordinary profit (Millions of yen) | 2,817 | 2,682 | 3,920 | 4,873 | 5,969 |
| Profit attributable to owners of parent (Millions of yen) | 1,723 | 1,667 | 2,460 | 3,218 | 4,070 |
| Comprehensive income (Millions of yen) | 2,362 | 2,723 | 4,646 | 1,852 | 5,560 |
| Net assets (Millions of yen) | 27,826 | 30,131 | 33,113 | 34,344 | 39,224 |
| Total assets (Millions of yen) | 41,173 | 42,634 | 48,126 | 48,198 | 53,975 |
| Net assets per share (Yen) | 558.51 | 604.33 | 691.58 | 723.07 | 829.60 |
| Basic earnings per share (Yen) | 34.72 | 33.61 | 50.26 | 67.64 | 86.20 |
| Diluted earnings per share (Yen) | — | — | — | — | — |
| Equity-to-asset ratio (%) | 67.3 | 70.3 | 68.4 | 70.9 | 72.3 |
| Rate of return on equity (ROE) (%) | 6.5 | 5.8 | 7.8 | 9.6 | 11.1 |
| Price-earnings ratio (PER) (Times) | 8.2 | 8.7 | 8.6 | 7.8 | 8.8 |
| Net cash provided by (used in) operating activities (Millions of yen) | (151) | 6,429 | 4,675 | 5,743 | 7,375 |
| Net cash provided by (used in) investing activities (Millions of yen) | (1,710) | (2,104) | (2,254) | (2,881) | (1,749) |
| Net cash provided by (used in) financing activities (Millions of yen) | (348) | (2,031) | (747) | (1,708) | (1,459) |
| Cash and cash equivalents at end of period (Millions of yen) | 3,229 | 5,544 | 7,334 | 8,461 | 12,614 |
| Number of employees (Persons) | 595 | 603 | 617 | 628 | 645 |

Notes: 1. “Net sales” does not include consumption taxes.

2. “Diluted earnings per share” is not provided since there are no potential shares.

II. Top Message



Tayca Corporation's 151st term (from April 1, 2016 to March 31, 2017) has ended and as such we hereby offer the following report regarding the settlement of accounts, etc.

Masao Nagita
President

III. Performance for the Current Fiscal Year

During the current fiscal year, Tayca proactively promoted sales activities in areas such as opening up new markets both in Japan and abroad and expanding business with existing customers while achieving brisk sales of specialty products such as surface treatment products for cosmetics. As a result, net sales were ¥38,241 million (up 4.4% from the previous fiscal year).

In addition, Tayca worked on reducing manufacturing costs and increasing efficiency for overall management as measures to improve profitability. As a result, operating profit was ¥5,854 million (up 23.7% from the previous fiscal year), ordinary profit was ¥5,969 million (up 22.5% from the previous fiscal year), and profit attributable to owners of parent was ¥4,070 million (up 26.5% from the previous fiscal year).

For the current fiscal year, Tayca plans to pay a year-end dividend of ¥6 per share, bringing the annual dividend to ¥12 per share when combined with the interim dividend of ¥6 per share.

Business Related to Titanium Dioxide

In regard to general usage titanium dioxide, both sales volume and net sales increased year on year owing to firm demand for paints/inks in Japan, and steady sales for exports to mostly the Southeast Asian market.

In regard to specialty use micro titanium dioxide, although sales volume rose year on year due to firm sales to cosmetics, net sales were on par with the previous fiscal year after the effect of yen appreciation. For surface treatment products, sales proceeded briskly due to the demand for cosmetics, boosted by the inbound demand of tourists to Japan, etc. and both sales volume and net sales increased year on year.

As a result of the above, net sales for this business were ¥21,215 million (up 5.1% from the previous fiscal year).

Other Business

In regard to surfactants, sales volume in Japan proceeded on par with the previous year while sales at our consolidated subsidiary in Thailand proceeded briskly, resulting in net sales rising year on year.

Sales volume and net sales of sulfuric acid were on par with the previous fiscal year.

In regard to pollution-free anti-corrosive pigment, although sales in Japan were sluggish, exports were strong, and net sales were on par with the previous fiscal year.

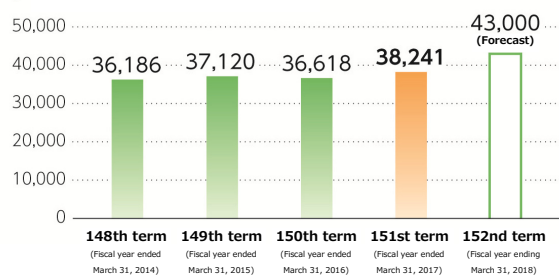
In regard to conductive polymers and related products, sales for capacitors proceeded briskly, which led to considerable year-on-year increases for both sales volume and net sales.

Net sales in the warehousing business exceeded those of the previous fiscal year due to an increase in freight handling volume.

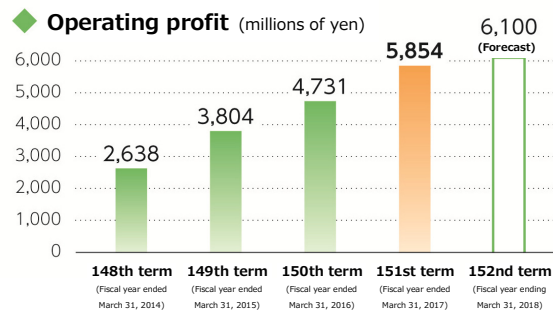
In regard to electro-ceramic products, net sales rose year on year owing to brisk sales for medical devices.

As a result of the above, net sales for this business were ¥17,026 million (up 3.6% from the previous fiscal year).

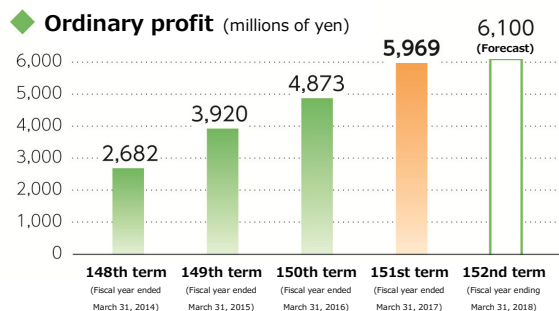
◆ **Net sales** (millions of yen)



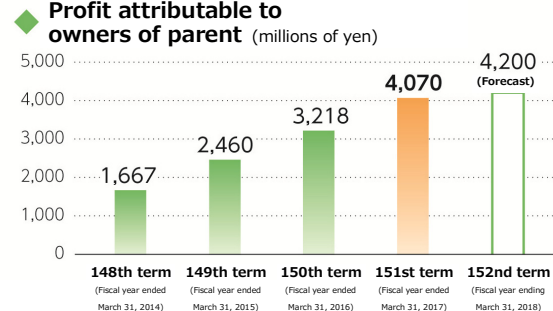
◆ **Operating profit** (millions of yen)



◆ **Ordinary profit** (millions of yen)



◆ **Profit attributable to owners of parent** (millions of yen)



IV. Forecasts for the Next Fiscal Year

In regard to the business environment surrounding the TAYCA Group, although a temporary surge in demand for general usage titanium dioxide is presently being observed, it is expected that there will be oversupply in the medium to long term. Also taking into account the rising trend of fuel prices, the situation is expected to become more difficult on the earnings front.

In regard to specialty use micro titanium dioxide, micro zinc oxide, and surface treatment products, as global interest has increased for ultra-violet (UV) radiation protection and because demand was strong for the above-mentioned products as a treatment for preventing damage caused by UV radiation, the market for them, both in Japan and abroad, is expected to expand. Accordingly, we are working to further expand sales of these products.

In regard to surfactants, while expansion of demand in the Japanese detergent market is not expected, growth of the detergent market in Southeast Asia has been continuing. In response to this, our consolidated subsidiaries in Thailand and Vietnam are working to expand sales in this market.

In regard to the consolidated performance for the next fiscal year, as a result of the circumstances described above, at this time, Tayca expects net sales of ¥43,000 million, operating profit of ¥6,100 million, ordinary profit of ¥6,100 million, and profit attributable to owners of parent of ¥4,200 million.

Furthermore, in regard to the dividend for the next fiscal year, at this time, Tayca is scheduled to increase the annual dividend by ¥2 per share compared to the current fiscal year, bringing the annual dividend to ¥14 per share: a combination of an interim dividend of ¥7 per share and a year-end dividend of ¥7 per share.

V. Consolidated Financial Statements

(1) Consolidated Balance Sheets

| | (Millions of yen) | | (Thousands of U.S. dollars) |
|--|-------------------------|-------------------------|-----------------------------|
| | As of March 31, 2016 | As of March 31, 2017 | As of March 31, 2017 |
| Assets | | | |
| Current assets | | | |
| Cash and deposits | 8,540 | 12,693 | 113,128 |
| Notes and accounts receivable - trade | 10,746 | 11,498 | 102,477 |
| Merchandise and finished goods | 4,703 | 4,380 | 39,037 |
| Work in process | 592 | 535 | 4,768 |
| Raw materials and supplies | 2,342 | 1,956 | 17,433 |
| Deferred tax assets | 261 | 231 | 2,058 |
| Other | 562 | 266 | 2,370 |
| Total current assets | 27,749 | 31,561 | 281,292 |
| Non-current assets | | | |
| Property, plant and equipment | | | |
| Buildings and structures, net | 4,064 | 4,242 | 37,807 |
| Machinery, equipment and vehicles, net | 4,425 | 5,118 | 45,614 |
| Land | 1,274 | 1,272 | 11,336 |
| Construction in progress | 1,675 | 483 | 4,304 |
| Other, net | 456 | 389 | 3,467 |
| Total property, plant and equipment | 11,896 | 11,507 | 102,557 |
| Intangible assets | | | |
| Other | 52 | 49 | 436 |
| Total intangible assets | 52 | 49 | 436 |
| Investments and other assets | | | |
| Investment securities | 7,665 | 10,067 | 89,723 |
| Long-term prepaid expenses | 343 | 330 | 2,941 |
| Deferred tax assets | 175 | 137 | 1,221 |
| Other | 338 | 344 | 3,065 |
| Allowance for doubtful accounts | (23) | (23) | (204) |
| Total investments and other assets | 8,499 | 10,857 | 96,764 |
| Total non-current assets | 20,449 | 22,414 | 199,768 |
| Total assets | 48,198 | 53,975 | 481,060 |

| | (Millions of yen) | | (Thousands of U.S. dollars) |
|---|-------------------------|-------------------------|-----------------------------|
| | As of March 31, 2016 | As of March 31, 2017 | As of March 31, 2017 |
| Liabilities | | | |
| Current liabilities | | | |
| Notes and accounts payable - trade | 3,479 | 3,859 | 34,393 |
| Short-term loans payable | 284 | 146 | 1,301 |
| Current portion of long-term loans payable | 625 | 516 | 4,598 |
| Income taxes payable | 907 | 1,091 | 9,723 |
| Provision for bonuses | 369 | 367 | 3,270 |
| Other | 2,490 | 2,944 | 26,238 |
| Total current liabilities | 8,156 | 8,925 | 79,545 |
| Non-current liabilities | | | |
| Long-term loans payable | 1,572 | 1,055 | 9,402 |
| Lease obligations | 203 | 179 | 1,595 |
| Deferred tax liabilities | 680 | 1,329 | 11,844 |
| Long-term accounts payable - other | 16 | 16 | 142 |
| Provision for environmental measures | 13 | 12 | 106 |
| Net defined benefit liability | 3,211 | 3,188 | 28,413 |
| Other | – | 44 | 392 |
| Total non-current liabilities | 5,696 | 5,825 | 51,916 |
| Total liabilities | 13,853 | 14,751 | 131,470 |
| Net assets | | | |
| Shareholders' equity | | | |
| Capital stock | 9,855 | 9,855 | 87,834 |
| Capital surplus | 6,766 | 6,766 | 60,303 |
| Retained earnings | 15,654 | 19,204 | 171,158 |
| Treasury shares | (1,627) | (1,780) | (15,864) |
| Total shareholders' equity | 30,649 | 34,047 | 303,449 |
| Accumulated other comprehensive income | | | |
| Valuation difference on available-for-sale securities | 3,549 | 5,104 | 45,490 |
| Deferred gains or losses on hedges | – | (42) | (374) |
| Foreign currency translation adjustment | 240 | 116 | 1,033 |
| Remeasurements of defined benefit plans | (285) | (211) | (1,880) |
| Total accumulated other comprehensive income | 3,505 | 4,967 | 44,269 |
| Non-controlling interests | 189 | 209 | 1,862 |
| Total net assets | 34,344 | 39,224 | 349,590 |
| Total liabilities and net assets | 48,198 | 53,975 | 481,060 |

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

(Consolidated Statements of Income)

| | (Millions of yen) | | (Thousands of U.S. dollars) |
|--|-------------------------------------|-------------------------------------|-------------------------------------|
| | Fiscal year ended March 31, 2016 | Fiscal year ended March 31, 2017 | Fiscal year ended March 31, 2017 |
| Net sales | 36,618 | 38,241 | 340,828 |
| Cost of sales | 26,769 | 27,026 | 240,873 |
| Gross profit | 9,849 | 11,215 | 99,955 |
| Selling, general and administrative expenses | | | |
| Transportation and warehousing expenses | 1,758 | 1,843 | 16,426 |
| Directors' compensations | 237 | 235 | 2,094 |
| Salaries and allowances | 737 | 758 | 6,755 |
| Provision for bonuses | 76 | 82 | 730 |
| Retirement benefit expenses | 51 | 56 | 499 |
| Welfare expenses | 167 | 175 | 1,559 |
| Rent expenses | 192 | 211 | 1,880 |
| Insurance expenses | 9 | 14 | 124 |
| Depreciation | 66 | 49 | 436 |
| Research and development expenses | 1,074 | 1,104 | 9,839 |
| Other | 745 | 830 | 7,397 |
| Total selling, general and administrative expenses | 5,117 | 5,361 | 47,780 |
| Operating profit | 4,731 | 5,854 | 52,174 |
| Non-operating income | | | |
| Interest income | 3 | 3 | 26 |
| Dividend income | 139 | 149 | 1,327 |
| Reversal of provision for environmental measures | 106 | — | — |
| Other | 73 | 48 | 427 |
| Total non-operating income | 323 | 201 | 1,791 |
| Non-operating expenses | | | |
| Interest expenses | 47 | 33 | 294 |
| Loss on abandonment of inventories | 20 | 15 | 133 |
| Foreign exchange losses | 97 | 13 | 115 |
| Other | 15 | 22 | 196 |
| Total non-operating expenses | 181 | 86 | 766 |
| Ordinary profit | 4,873 | 5,969 | 53,199 |
| Extraordinary income | | | |
| Gain on sales of investment securities | — | 22 | 196 |
| Total extraordinary income | — | 22 | 196 |
| Extraordinary losses | | | |
| Loss on retirement of non-current assets | 108 | 133 | 1,185 |
| Total extraordinary losses | 108 | 133 | 1,185 |
| Profit before income taxes | 4,765 | 5,858 | 52,210 |
| Income taxes - current | 1,469 | 1,735 | 15,463 |
| Income taxes - deferred | 53 | 18 | 160 |
| Total income taxes | 1,523 | 1,754 | 15,632 |
| Profit | 3,241 | 4,104 | 36,577 |
| Profit attributable to non-controlling interests | 23 | 34 | 303 |
| Profit attributable to owners of parent | 3,218 | 4,070 | 36,274 |

(Consolidated Statements of Comprehensive Income)

| | (Millions of yen) | (Thousands of U.S. dollars) | |
|--|-------------------------------------|-------------------------------------|-------------------------------------|
| | Fiscal year ended March 31, 2016 | Fiscal year ended March 31, 2017 | Fiscal year ended March 31, 2017 |
| Profit | 3,241 | 4,104 | 36,577 |
| Other comprehensive income | | | |
| Valuation difference on available-for-sale securities | (1,104) | 1,554 | 13,850 |
| Deferred gains or losses on hedges | — | (42) | (374) |
| Foreign currency translation adjustment | (77) | (129) | (1,149) |
| Remeasurements of defined benefit plans, net of tax | (208) | 73 | 650 |
| Total other comprehensive income | (1,389) | 1,456 | 12,976 |
| Comprehensive income | 1,852 | 5,560 | 49,554 |
| Comprehensive income attributable to | | | |
| Comprehensive income attributable to owners of parent | 1,844 | 5,532 | 49,304 |
| Comprehensive income attributable to non-controlling interests | 8 | 28 | 249 |

(3) Consolidated Statements of Changes in Equity

Fiscal year ended March 31, 2016

(Millions of yen)

| | Shareholders' equity | | | | |
|--|----------------------|-----------------|-------------------|-----------------|----------------------------|
| | Capital stock | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of current period | 9,855 | 6,766 | 12,864 | (1,440) | 28,047 |
| Changes of items during period | | | | | |
| Dividends of surplus | | | (428) | | (428) |
| Profit attributable to owners of parent | | | 3,218 | | 3,218 |
| Purchase of treasury shares | | | | (186) | (186) |
| Net changes of items other than shareholders' equity | | | | | |
| Total changes of items during period | – | – | 2,789 | (186) | 2,602 |
| Balance at end of current period | 9,855 | 6,766 | 15,654 | (1,627) | 30,649 |

| | Accumulated other comprehensive income | | | | Non-controlling interests | Total net assets |
|--|---|---|---|--|---------------------------|------------------|
| | Valuation difference on available-for-sale securities | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | | |
| Balance at beginning of current period | 4,653 | 302 | (76) | 4,879 | 187 | 33,113 |
| Changes of items during period | | | | | | |
| Dividends of surplus | | | | | | (428) |
| Profit attributable to owners of parent | | | | | | 3,218 |
| Purchase of treasury shares | | | | | | (186) |
| Net changes of items other than shareholders' equity | (1,104) | (61) | (208) | (1,374) | 2 | (1,371) |
| Total changes of items during period | (1,104) | (61) | (208) | (1,374) | 2 | 1,230 |
| Balance at end of current period | 3,549 | 240 | (285) | 3,505 | 189 | 34,344 |

Fiscal year ended March 31, 2017

(Millions of yen)

| | Shareholders' equity | | | | |
|--|----------------------|-----------------|-------------------|-----------------|----------------------------|
| | Capital stock | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of current period | 9,855 | 6,766 | 15,654 | (1,627) | 30,649 |
| Changes of items during period | | | | | |
| Dividends of surplus | | | (519) | | (519) |
| Profit attributable to owners of parent | | | 4,070 | | 4,070 |
| Purchase of treasury shares | | | | (152) | (152) |
| Net changes of items other than shareholders' equity | | | | | |
| Total changes of items during period | — | — | 3,550 | (152) | 3,397 |
| Balance at end of current period | 9,855 | 6,766 | 19,204 | (1,780) | 34,047 |

| | Accumulated other comprehensive income | | | | | Non-controlling interests | Total net assets |
|--|---|------------------------------------|---|---|--|---------------------------|------------------|
| | Valuation difference on available-for-sale securities | Deferred gains or losses on hedges | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | | |
| Balance at beginning of current period | 3,549 | — | 240 | (285) | 3,505 | 189 | 34,344 |
| Changes of items during period | | | | | | | |
| Dividends of surplus | | | | | | | (519) |
| Profit attributable to owners of parent | | | | | | | 4,070 |
| Purchase of treasury shares | | | | | | | (152) |
| Net changes of items other than shareholders' equity | 1,554 | (42) | (124) | 73 | 1,461 | 19 | 1,481 |
| Total changes of items during period | 1,554 | (42) | (124) | 73 | 1,461 | 19 | 4,879 |
| Balance at end of current period | 5,104 | (42) | 116 | (211) | 4,967 | 209 | 39,224 |

Fiscal year ended March 31, 2017

(Thousands of U.S. dollars)

| | Shareholders' equity | | | | |
|--|----------------------|-----------------|-------------------|-----------------|----------------------------|
| | Capital stock | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of current period | 87,834 | 60,303 | 139,518 | (14,500) | 273,163 |
| Changes of items during period | | | | | |
| Dividends of surplus | | | (4,625) | | (4,625) |
| Profit attributable to owners of parent | | | 36,274 | | 36,274 |
| Purchase of treasury shares | | | | (1,354) | (1,354) |
| Net changes of items other than shareholders' equity | | | | | |
| Total changes of items during period | — | — | 31,639 | (1,354) | 30,276 |
| Balance at end of current period | 87,834 | 60,303 | 171,158 | (15,864) | 303,449 |

| | Accumulated other comprehensive income | | | | | Non-controlling interests | Total net assets |
|--|---|------------------------------------|---|---|--|---------------------------|------------------|
| | Valuation difference on available-for-sale securities | Deferred gains or losses on hedges | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | | |
| Balance at beginning of current period | 31,631 | — | 2,139 | (2,540) | 31,238 | 1,684 | 306,096 |
| Changes of items during period | | | | | | | |
| Dividends of surplus | | | | | | | (4,625) |
| Profit attributable to owners of parent | | | | | | | 36,274 |
| Purchase of treasury shares | | | | | | | (1,354) |
| Net changes of items other than shareholders' equity | 13,850 | (374) | (1,105) | 650 | 13,021 | 169 | 13,199 |
| Total changes of items during period | 13,850 | (374) | (1,105) | 650 | 13,021 | 169 | 43,484 |
| Balance at end of current period | 45,490 | (374) | 1,033 | (1,880) | 44,269 | 1,862 | 349,590 |

(4) Consolidated Statements of Cash Flows

| | (Millions of yen) | | (Thousands of U.S. dollars) |
|---|-------------------------------------|-------------------------------------|-------------------------------------|
| | Fiscal year ended March 31, 2016 | Fiscal year ended March 31, 2017 | Fiscal year ended March 31, 2017 |
| Cash flows from operating activities | | | |
| Profit before income taxes | 4,765 | 5,858 | 52,210 |
| Depreciation | 1,886 | 2,043 | 18,208 |
| Loss on retirement of non-current assets | 108 | 133 | 1,185 |
| Increase (decrease) in net defined benefit liability | 59 | 83 | 739 |
| Interest and dividend income | (143) | (153) | (1,363) |
| Interest expenses | 47 | 33 | 294 |
| Decrease (increase) in notes and accounts receivable - trade | (138) | (774) | (6,898) |
| Decrease (increase) in inventories | 753 | 758 | 6,755 |
| Increase (decrease) in notes and accounts payable - trade | (4) | 398 | 3,547 |
| Increase (decrease) in accrued consumption taxes | (262) | 245 | 2,183 |
| Other, net | 80 | 259 | 2,308 |
| Subtotal | 7,152 | 8,886 | 79,197 |
| Interest and dividend income received | 143 | 153 | 1,363 |
| Interest expenses paid | (47) | (33) | (294) |
| Income taxes paid | (1,504) | (1,630) | (14,527) |
| Net cash provided by (used in) operating activities | 5,743 | 7,375 | 65,730 |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | (2,786) | (1,489) | (13,270) |
| Purchase of investment securities | (12) | (163) | (1,452) |
| Proceeds from sales of investment securities | — | 30 | 267 |
| Other, net | (82) | (126) | (1,122) |
| Net cash provided by (used in) investing activities | (2,881) | (1,749) | (15,588) |
| Cash flows from financing activities | | | |
| Net increase (decrease) in short-term loans payable | (432) | (131) | (1,167) |
| Proceeds from long-term loans payable | 40 | — | — |
| Repayments of long-term loans payable | (686) | (623) | (5,552) |
| Purchase of treasury shares | (186) | (152) | (1,354) |
| Cash dividends paid | (427) | (518) | (4,616) |
| Dividends paid to non-controlling interests | (5) | (8) | (71) |
| Other, net | (10) | (25) | (222) |
| Net cash provided by (used in) financing activities | (1,708) | (1,459) | (13,003) |
| Effect of exchange rate change on cash and cash equivalents | (25) | (13) | (115) |
| Net increase (decrease) in cash and cash equivalents | 1,127 | 4,153 | 37,014 |
| Cash and cash equivalents at beginning of period | 7,334 | 8,461 | 75,409 |
| Cash and cash equivalents at end of period | 8,461 | 12,614 | 112,424 |

VI. Segment Information

1. Overview of reportable segments

The reportable segments are constituent units of Tayca for which separate financial information is available. The Board of Directors periodically examines these segments for the purpose of deciding the allocation of management resources and evaluating operating performance.

Tayca's reportable segments are its core businesses: Business Related to Titanium Dioxide and Other Business. Business Related to Titanium Dioxide involves the production of products related to titanium dioxide, etc., at the factory in the Okayama region, and Other Business primarily involves the production of products, etc., centered on sulfonation at the Osaka Factory.

Main products belonging to each segment are as follows:

(1) Business Related to Titanium Dioxide:

Titanium dioxide, micro titanium dioxide, micro zinc oxide, surface treatment products, photocatalytic titanium dioxide, etc.

(2) Other Business:

Surfactants, sulfuric acid, pollution-free anti-corrosive pigment, conductive polymers and related products, electro-ceramic products, etc.

2. Calculation method for net sales, profit or loss, assets, liabilities, and other items by reportable segment

Segment profit of reportable segment is calculated on an operating profit basis.

Inter-segment sales or transfers are based on actual market prices.

3. Information about net sales, profit or loss, assets, liabilities, and other items by reportable segment

Fiscal year ended March 31, 2016

| | Reportable segment | | | Adjustment (Notes) | Amount recorded on the consolidated financial statements |
|--|---|----------------|--------|-----------------------|--|
| | Business Related to Titanium Dioxide | Other Business | Total | | |
| Net sales | | | | | |
| Net sales to external customers | 20,191 | 16,426 | 36,618 | — | 36,618 |
| Inter-segment sales or transfers | — | 777 | 777 | (777) | — |
| Total | 20,191 | 17,204 | 37,395 | (777) | 36,618 |
| Segment profit | 2,966 | 1,781 | 4,747 | (15) | 4,731 |
| Segment assets | 19,346 | 12,686 | 32,033 | 16,165 | 48,198 |
| Other items | | | | | |
| Depreciation | 1,266 | 611 | 1,877 | 8 | 1,886 |
| Increase in property, plant and equipment and intangible assets | 2,004 | 1,251 | 3,256 | 7 | 3,263 |

Notes: 1. Details of "Adjustment" are as follows:

- (1) The adjustment of negative ¥15 million on segment profit represents inter-segment transaction eliminations.
 - (2) The adjustment of ¥16,165 million on segment assets includes negative ¥268 million of elimination of inter-segment receivables by offsetting and ¥16,433 million of corporate assets that are not allocated to reportable segments.
2. Segment profit is adjusted to operating profit in the consolidated financial statements.

Fiscal year ended March 31, 2017

(Millions of yen)

| | Reportable segment | | | Adjustment (Notes) | Amount recorded on the consolidated financial statements |
|--|---|----------------|--------|-----------------------|--|
| | Business Related to Titanium Dioxide | Other Business | Total | | |
| Net sales | | | | | |
| Net sales to external customers | 21,215 | 17,026 | 38,241 | — | 38,241 |
| Inter-segment sales or transfers | — | 639 | 639 | (639) | — |
| Total | 21,215 | 17,665 | 38,881 | (639) | 38,241 |
| Segment profit | 3,789 | 2,050 | 5,840 | 13 | 5,854 |
| Segment assets | 18,702 | 12,676 | 31,379 | 22,596 | 53,975 |
| Other items | | | | | |
| Depreciation | 1,350 | 699 | 2,050 | (7) | 2,043 |
| Increase in property, plant and equipment and intangible assets | 1,095 | 912 | 2,007 | (4) | 2,003 |

Notes: 1. Details of “Adjustment” are as follows:

- (1) The adjustment of ¥13 million on segment profit represents inter-segment transaction eliminations.
 - (2) The adjustment of ¥22,596 million on segment assets includes negative ¥692 million of elimination of inter-segment receivables by offsetting and ¥23,288 million of corporate assets that are not allocated to reportable segments.
2. Segment profit is adjusted to operating profit in the consolidated financial statements.

VII. History

| | |
|----------------|--|
| December 1919 | Teikoku Synthetic Fertilizer Co., Ltd. was founded for the production of superphosphate fertilizers. |
| November 1920 | Osaka Factory was built for the production of superphosphate fertilizers and lead-chamber sulfuric acid. |
| October 1938 | Equipment was installed in Osaka Factory to produce sulfuric acid by the Lurgi Contact Process, and production of dilute sulfuric acid began. |
| June 1939 | Production of fluorides, mainly artificial cryolite, began at Osaka Factory. |
| March 1942 | Okayama Factory was built for the production of fluorides. |
| April 1942 | Teikoku Synthetic Fertilizer Co., Ltd. was renamed Teikoku Kako Co., Ltd. |
| June 1944 | A plant in Owada, where sulfuric acid was produced by the Monsanto Contact Process, was acquired. |
| August 1945 | Production of fluorides at Osaka and Okayama Factories was discontinued. |
| April 1951 | Production of titanium dioxide at Okayama Factory began. |
| June 1961 | Production of surfactants at Osaka Factory began. |
| July 1965 | Production of superphosphate fertilizers was discontinued. |
| April 1967 | Warehousing business (Funamachi Warehousing) started in the Osaka Factory premises. |
| April 1969 | Hyakushima Warehouse, now parts of Tayca Warehousing Co., Ltd., was built in the Owada Factory premises, where a warehousing business started. |
| November 1969 | In order to join the Western Japan Sulfuric Acid Center of Dowa Mining Co., Ltd., Owada Factory discontinued its operation and removed its production equipment. |
| June 1973 | To integrate warehousing operations, Tayca Warehousing Co., Ltd., wholly owned by the company, was established. |
| October 1981 | Production of condensed phosphates (K-White, K-Bond and K-Fresh) at Osaka Factory began. |
| June 1984 | Tayca Trading Co., Ltd., wholly owned by the company, was established with the principal objective of selling chemicals. |
| August 1989 | Teikoku Kako Co., Ltd. was renamed Tayca Corporation, marking the 70th anniversary of its foundation. |
| February 1994 | Tayca obtained ISO 9002 certification for the production of phosphoric acid (Osaka Factory), titanium dioxide products (Okayama Factory) and related products. |
| January 1996 | In stride with advances in the surface treatment field, Tayca opened its Osafune, Okayama Factory (current Osafune, Kumayama Factory) and production commenced. |
| April 1997 | Tayca's development division became a separate entity, and TFT Corporation, wholly owned by the company, was established to manufacture and sell electro-ceramic products. |
| August 2000 | Tayca obtained ISO 14001 certification at Osaka Factory and Okayama Factory. |
| October 2001 | TAYCA (Thailand) Co., Ltd. was established in Chonburi, Thailand to manufacture surfactants. |
| September 2006 | To expand surface treatment business, Tayca opened its Kumayama Factory in Akaiwa-shi, Okayama and production commenced. |
| February 2014 | TAYCA (VIETNAM) CO., LTD. was established in Dong Nai, Vietnam to manufacture surfactants. |

VIII. Corporate Data

Basic Information (as of June 28, 2017)

| | |
|----------------------------|---|
| Trade name: | Tayca Corporation |
| Established: | December 22, 1919 |
| Listed market: | The First Section of the Tokyo Stock Exchange (Securities Code: 4027) |
| Listed: | May 1924 |
| Business year: | From April 1 to March 31 of the following year |
| Capital stock: | 9,855,953,999 yen |
| Number of employees: | 471 persons |
| Head office: | 3-6-13 Kitahama, Chuo-ku, Osaka |
| Telephone: | +81-6-6208-6400 |
| Consolidated subsidiaries: | Tayca Warehousing Co., Ltd. Tayca Trading Co., Ltd. TFT Corporation Tayca M&M Corporation TAYCA (Thailand) Co., Ltd. TAYCA (VIETNAM) CO., LTD. |

Directors and Audit & Supervisory Board Members (as of June 28, 2017)

| | |
|-------------------------|-------------------|
| President | Masao Nagita |
| Managing Director | Hirofumi Yamazaki |
| Managing Director | Takeshi Hemmi |
| Director Senior Advisor | Manabu Kiyono |
| Director | Masaaki Tozawa |
| Director | Masahiko Nishino |
| Director | Takeshi Ikegami |
| Director* | Hitoshi Tanaka |
| Director* | Mamiko Ozaki |
| Auditor (Standing)** | Norikatsu Okada |
| Auditor (Standing) | Akira Miyazaki |
| Auditor** | Hiroyuki Yamada |
| Auditor** | Koji Yamamoto |

* Outside Director ** Outside Auditor

Stock Status (as of March 31, 2017)

| | |
|------------------------------------|--------------------|
| Total number of authorized shares: | 150,000,000 shares |
| Total number of issued shares: | 51,428,828 shares |
| Number of shareholders: | 3,538 |

Major shareholders (Top 10)

| Name | Number of shares held (Thousands) | Shareholding ratio (%) |
|---|--------------------------------------|------------------------|
| MITSUI & CO., LTD. | 3,568 | 6.93 |
| KBL EPB S.A. 107704 | 3,307 | 6.43 |
| Mitsubishi Corporation | 3,260 | 6.34 |
| Yamada Sangyo Co., Ltd. | 2,940 | 5.71 |
| Trust & Custody Services Bank, Ltd. as trustee for Mizuho Bank Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd. | 2,018 | 3.92 |
| Tayca Corporation Trading-Partner Shareholding Association | 1,885 | 3.66 |
| NIPPON TOCHI-TATEMONO Co., Ltd. | 1,389 | 2.70 |
| Japan Trustee Services Bank, Ltd. (Trust account) | 1,245 | 2.42 |
| Kansai Paint Co., Ltd. | 1,224 | 2.38 |
| Sojitz Corporation | 1,000 | 1.94 |

* In addition to shares described above, Tayca Corporation holds 4,400 thousand shares as treasury shares.

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* The financial statements in this Annual Select are stated in Japanese yen with amounts of less than one million yen omitted. As a result, the totals shown do not necessarily agree with the sums of the individual amounts. The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of investors outside Japan. Such translation is carried out at the rate of ¥112.20 = U.S. \$1, the approximate rate of exchange at March 31, 2017, and the resultant amounts are shown with amounts of less than 1,000 U.S. dollars omitted.

* While every best effort has been made to provide a translation meeting the quality standards required of professionals, the Company does not guarantee it is 100% accurate. Therefore, please verify the original Japanese text for any final judgments made based on this information.