

## CONSOLIDATED FINANCIAL STATEMENTS for the Year ended March 2010

May 17, 2010

Name of Listed Company: TOYO INK MFG, CO., LTD.

Listings: Tokyo Stock Exchange

Code: 4634 URL: <http://www.toyoink.co.jp/>

Representative: Kunio Sakuma, President, CEO

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Scheduled date of ordinary shareholders' meeting: June 29, 2010

Scheduled date of commencement of dividend payments: June 30, 2010

Scheduled date of submission of financial report: June 29, 2010

(Amounts of less than million yen are omitted.)

1. Consolidated business results for the year ended March, 2010 (from April 1, 2009 to March 31, 2010)

(1) Business results

(Figures in percentages denote the year-on-year change.)

| Year ended  | Net sales   |      | Operating income |       | Recurring income |       | Net income  |   |
|-------------|-------------|------|------------------|-------|------------------|-------|-------------|---|
|             | Million yen | %    | Million yen      | %     | Million yen      | %     | Million yen | % |
| March, 2010 | 226,074     | -5.7 | 13,339           | 257.3 | 13,604           | 462.0 | 6,556       | - |
| March, 2009 | 239,814     | -6.8 | 3,733            | -64.5 | 2,420            | -75.4 | -3,859      | - |

| Year ended  | Net income per share<br>(Basic) | Net income per share<br>(Diluted) | Return on equity | Recurring income/<br>Total assets | Operating income/<br>Net sales |
|-------------|---------------------------------|-----------------------------------|------------------|-----------------------------------|--------------------------------|
|             | Yen                             | Yen                               | %                | %                                 | %                              |
| March, 2010 | 21.77                           | -                                 | 4.8              | 5.2                               | 5.9                            |
| March, 2009 | -12.76                          | -                                 | -2.7             | 0.9                               | 1.6                            |

(Note) Equity in earnings of associated companies: -217 million yen (March, 2010), -11 million yen (March, 2009)

(2) Financial position

| Year ended  | Total assets | Net assets  | Net worth/Total assets | Net worth per share |
|-------------|--------------|-------------|------------------------|---------------------|
|             | Million yen  | Million yen | %                      | Yen                 |
| March, 2010 | 266,463      | 144,943     | 52.2                   | 466.41              |
| March, 2009 | 260,689      | 137,022     | 50.5                   | 435.61              |

(Note) Net worth: 139,186 million yen (March, 2010), 131,750 million yen (March, 2009)

(3) Consolidated cash flow condition

| Year ended  | Cash flows from<br>operating activities | Cash flows from<br>investing activities | Cash flows from<br>financing activities | Balance of cash and<br>cash equivalents |
|-------------|---|---|---|---|
|             | Million yen                             | Million yen                             | Million yen                             | Million yen                             |
| March, 2010 | 26,147                                  | -5,419                                  | -12,631                                 | 21,037                                  |
| March, 2009 | 7,708                                   | -11,821                                 | 6,862                                   | 12,468                                  |

2. Dividend

|                        | Dividends per share |           |           |          |        | Dividends<br>total<br>(annual) | Dividend<br>payout ratio<br>(consolidated) | Dividends/<br>Net assets |
|------------------------|---------------------|-----------|-----------|----------|--------|--------------------------------|--|--------------------------|
|                        | End of Q1           | End of Q2 | End of Q3 | Year-end | Annual |                                |  |                          |
|                        | Yen                 | Yen       | Yen       | Yen      | Yen    | Million yen                    | %  | %                        |
| March, 2009            | -                   | 5.50      | -         | 4.50     | 10.00  | 3,024                          | -  | 2.1                      |
| March, 2010            | -                   | 4.50      | -         | 5.50     | 10.00  | 3,002                          | 45.9                                       | 2.2                      |
| March, 2011 (Forecast) | -                   | 5.50      | -         | 5.50     | 11.00  |                                | 46.9                                       |                          |

3. Forecast for the year ending 31 March, 2011 (from April 1, 2010 to March 31, 2011)

(Figures in percentages denote the year-on-year change.)

|            | Net sales   |      | Operating income |      | Recurring income |      | Net income  |      | Net income per share |
|------------|-------------|------|------------------|------|------------------|------|-------------|------|----------------------|
|            | Million yen | %    | Million yen      | %    | Million yen      | %    | Million yen | %    | Yen                  |
| First half | 122,500     | 12.9 | 6,600            | 31.3 | 6,600            | 31.0 | 3,400       | 56.6 | 11.39                |
| Full-year  | 250,000     | 10.6 | 14,000           | 5.0  | 14,000           | 2.9  | 7,000       | 6.8  | 23.46                |

## 4. Others

(1) Important changes of subsidiaries during the term: No

(2) Changes in accounting policies

1) Change due to the modification in accounting methods: Yes

2) Any other changes: No

(Note) For details, refer to “Important Matters for the Consolidated Financial Statements” on page 17.

(3) Number of shares issued (Common stock)

1) Number of shares issued (including treasury stock):

March, 2010 303,108,724 shares      March, 2009 303,108,724 shares

2) Number of treasury shares at the end of the period:

March, 2010 4,687,741 shares      March, 2009 655,559 shares

(Note) For the number of shares that is the basis for computing (consolidated) net income per share, refer to “Per Share Information” on page 36.

Reference: Financial summary (non-consolidated)

(Amounts of less than million yen are omitted.)

1. Non-consolidated business results for the year ended March, 2010 (from April 1, 2009 to March 31, 2010)

(1) Results of operations

(Percentages show year-on-year rates.)

| Year ended  | Net sales   |      | Operating income |   | Recurring income |       | Net income  |   |
|-------------|-------------|------|------------------|---|------------------|-------|-------------|---|
|             | Million yen | %    | Million yen      | % | Million yen      | %     | Million yen | % |
| March, 2010 | 161,674     | -2.0 | 6,660            | – | 8,971            | 865.7 | 3,971       | – |
| March, 2009 | 164,920     | -8.8 | -1,362           | – | 929              | -86.5 | -3,271      | – |

| Year ended  | Net income per share<br>(Basic) | Net income per share<br>(Diluted) |
|-------------|---------------------------------|-----------------------------------|
|             | Yen                             | Yen                               |
| March, 2010 | 13.19                           | –                                 |
| March, 2009 | -10.82                          | –                                 |

(2) Financial conditions

| Year ended  | Total assets | Net assets  | Net worth/Total assets | Net worth per share |
|-------------|--------------|-------------|------------------------|---------------------|
|             | Million yen  | Million yen | %                      | Yen                 |
| March, 2010 | 225,001      | 127,900     | 56.8                   | 428.59              |
| March, 2009 | 221,472      | 124,624     | 56.3                   | 412.04              |

(Note) Net worth: 127,900 million yen (March, 2010), 124,624 million yen (March, 2009)

\* Explanation about the proper use of financial forecasts and other important notes

The above forecasts are based on the information available on the date these materials are released and incorporate assumptions about uncertainties that may affect future earnings. Actual earnings could differ materially from these forecasts due to various factors in the future. For notes about assumptions of earnings forecasts and the use of earnings forecasts, refer to page 8 of the attachment.

## 1. Operating Results

### (1) Analysis of operating results

(Million yen)

|                 | Net sales | Operating income | Recurring income | Net income |
|-----------------|-----------|------------------|------------------|------------|
| March, 2010     | 226,074   | 13,339           | 13,604           | 6,556      |
| March, 2009     | 239,814   | 3,733            | 2,420            | -3,859     |
| Growth rate (%) | -5.7      | 257.3            | 462.0            | —          |

During the consolidated fiscal year under review, the global economy was unable to escape from the worldwide economic downturn triggered by the so-called Lehman shock, and the year began in uncertain circumstances. Emerging economies, such as China, are recovering rapidly, while the recovery in economies in Europe and the United States are being hampered by the credit crunch and the worsening employment situation. In Japan, too, there is still a strong sense of excess facilities and workers, despite an improvement in business confidence. Consequently, the management environment remained severe.

In the operating environment surrounding the Toyo Ink Group, demand for printing inks remained weak in Japan. This was accompanied by an unprecedented drop in demand for electronics materials, such as LCD-related products, during the first half of the consolidated fiscal year under review.

In this operating environment, the Group adopted the slogan of “Return to the basics of manufacturing and prevail against adverse conditions with new models,” and reviewed its three-year medium-term management plan SCC-I (Specialty Chemical Maker Challenge I), launched in fiscal 2008. We subsequently announced the “SCC-I Revival Plan,” which primarily calls for structural reform and innovation (growth in profits from new businesses), and took steps advance our model of an aggressive manufacturing company, while implementing comprehensive cost cutting measures.

With respect to structural reform, the Group actively implemented SCM (supply chain management) to improve procurement processes, mostly in Japan, introduce innovations to production processes for an enhanced direct first run rate, and manufacture the right products with the right materials in the right volumes. In addition, the Group slashed total fixed costs, reduced its expenses and investments to improve its cash flows, trained employees so that they can perform tasks, implemented work sharing programs with flexible transfers, and integrated affiliates for even more efficient business operations.

Among other developments, we expanded sales of adhesives for solar batteries in the environment-related field, and in the secondary battery-related field, the Group is pioneering and developing products that take advantage of its core technologies. In addition, we took steps to boost the use of new natural materials in our products, practiced manufacturing based on local production for local consumption, and enhanced the transparency of environmental performance with the LCA (life cycle assessment).

Looking at existing businesses, in the printing inks business, the Group continued to respond to the structural economic downturn in Japan, while expanding businesses in emerging markets such as China and India. We also began preparing to set up a business base in Brazil.

In the polymer chemicals segment, sales of electronics materials expanded in Asia. In the chemical and media materials segment, sales of LCD-related products expanded, mostly in Taiwan and South Korea. We also advanced global sales business of plastic colorants. In addition, as in the previous consolidated fiscal year, we announced newly developed and marketed products at the Group’s private show, and received positive reviews.

As a result of these activities, sales in the consolidated fiscal year under review stood at 226,074 million yen, a 5.7% year-on-year decrease primarily attributable to sluggish demand. In contrast, profits increased significantly, as operating income increased 257.3% from a year earlier to 13,339 million yen, while recurring income surged 462.0%, to 13,604 million yen. Net income in the consolidated fiscal year stood at 6,556 million yen, compared to a net loss of 3,859 million yen in the previous year.

## Results by Segment

## (i) By business category

(Million yen)

|                                     | Net sales     |                   |            | Operating income |                   |            |
|-------------------------------------|---------------|-------------------|------------|------------------|-------------------|------------|
|                                     | Previous term | Term under review | Change (%) | Previous term    | Term under review | Change (%) |
| Printing inks                       | 104,836       | 96,848            | -7.6       | 4,862            | 8,773             | 80.4       |
| Graphic arts machinery and supplies | 27,095        | 24,281            | -10.4      | 883              | 433               | -51.0      |
| Polymer chemicals                   | 52,093        | 50,510            | -3.0       | 3,031            | 6,832             | 125.4      |
| Chemicals and media materials       | 54,771        | 53,325            | -2.6       | 5,693            | 6,865             | 20.6       |
| Others                              | 6,554         | 5,931             | -9.5       | 56               | 58                | 4.6        |
| Subtotal                            | 245,351       | 230,898           | -5.9       | 14,527           | 22,963            | 58.1       |
| Eliminations or corporate           | -5,536        | -4,823            | -          | -10,793          | -9,623            | -          |
| Total consolidated                  | 239,814       | 226,074           | -5.7       | 3,733            | 13,339            | 257.3      |

a. Printing Inks Segment

The performance of offset inks has suffered since the Lehman shock, with domestic sales of the mainstay sheet-fed inks and web offset inks struggling in a printing market experiencing a structural downturn. In addition, inks for newspapers also continued to suffer as the fall in color advertisements, the number of subscriptions, and the number of pages continued. In contrast, sales of UV inks for paper containers and labels were steady. The Group also stepped up the development of energy-saving UV inks, such as LED curable inks. Overseas, despite the recovery in China and Southeast Asia, the negative results in the first half of the consolidated fiscal year under review – when the Group was most severely impacted by the massive global economic downturn – could not be fully offset, and the full-year sales fell significantly in this segment in comparison with the previous consolidated fiscal year.

With respect to gravure inks, domestic sales of inks for publishing and construction materials decreased, as did sales of solvents, but demand for the mainstay inks for food packaging remained steady, and sales expanded for non-toluene inks and water-based inks due to rising needs among customers for eco-friendly products. Overseas, sales volumes were down in the first half of the consolidated fiscal year, but in the second half, demand started to recover in China and Southeast Asia for inks for food packaging.

As a result, overall sales in the printing inks segment during the consolidated fiscal year under review declined 7.6% from a year earlier, to 96,848 million yen. However, the Group sought to cut cost both in Japan and overseas, mostly in the areas of production and logistics, and as a consequence profits increased. Operating income stood at 8,773 million yen, a year-on-year increase of 80.4%.

b. Graphic Arts Machinery and Supplies Segment

Sales for graphic arts machinery remained weak as investments in both small and large machines for commercial and newspaper printing were cut back due to the sluggishness of the domestic printing market.

With respect to graphic arts supplies, sales of POD (print-on-demand) and CTP (computer-to-plate) supplies soared. However, the performance of other supplies suffered in a weak printing market amid intensifying price competition.

Consequently, both sales and profits fell in this segment in the consolidated fiscal year under review. Sales stood at 24,281 million yen, a 10.4% year-on-year decline, and operating income came to 433 million yen, a 51.0% fall.

c. Polymer Chemicals Segment

Sales of can coatings (finishes) for drink cans were weak in Japan, reflecting a relatively cold summer. In addition, the recovery in demand overseas was not sufficient to compensate for the fall in sales in the first half of the consolidated fiscal year under review.

With respect to resins, sales of high-function products continued to grow. In contrast, sales of resins for construction purposes were sluggish due to the weak housing demand.

For adhesives, sales for packaging remained steady. Demand for adhesive compounds struggled, given the weak performance of products for displays and electronics in the first half of the fiscal year. In the second half, however, demand rapidly recovered while expansion of sales also progressed.

Among coating materials, sales of marking films (sticking paints) remained disappointing, given weak demand for advertisements. On the other hand, sales of coating materials for electronics, such as the electromagnetic shield films that we started to market in the previous consolidated fiscal year, expanded for use in LCD television sets and cell phones.

As a result, overall sales in the polymer chemicals segment in the consolidated fiscal year under review declined 3.0% from a year earlier, to 50,510 million yen. However, operating income in this segment rose 125.4% year on year, to 6,832 million yen, thanks to the expansion of high-function product sales and significant cost reductions.

#### d. Chemicals and Media Materials Segment

In this segment, sales of commodity-type pigments in both Japan and overseas remained weak because of the low demand for printing inks. On the other hand, demand for high-function pigments rapidly recovered in China and Japan, mostly for use in LCD products.

With respect to plastic colorants, sales in Japan for containers remained steady, while demand for plastic colorants for consumer electronics rapidly recovered overseas. However, sales of plastic colorants for automobiles were not sufficient to offset the weak performance in the first half.

Performance of LCD color filter materials was sluggish in the first half, but demand later recovered rapidly, mostly for television applications as demand was stimulated in China. Sales in Japan also benefited from the Eco-Point reward subsidies for eco-friendly consumer electronics products. Sales of inkjet materials were also low in the first half of the consolidated fiscal year, given the decline in advertising demand and in-house production at machinery manufacturers. However, the second half saw a sustained rise in sales as we successfully achieved differentiation based on product quality. We are also making progress with the development of inkjet materials for the POD market, which looks set to expand further.

Consequently, sales in the chemicals and media materials segment overall declined 2.6% from a year earlier, to 53,325 million yen. However, operating income in the segment increased 20.6% year on year, to 6,865 million yen, because of the expansion of high-function product sales and vigorous cost-cutting measures.

#### e. Others

This segment benefited from strong sales of products using bamboo grass extracts, such as drinks, soaps, masks, and animal feeds. Unfortunately, sales of other products were disappointing. As a result, overall sales in this segment in the consolidated fiscal year dropped 9.5% year on year, to 5,931 million yen, while operating income increased a modest 4.6%, to 58 million yen.

#### (ii) By geographical area

(Million yen)

|                           | Net sales     |                   |            | Operating income (loss) |                   |            |
|---------------------------|---------------|-------------------|------------|-------------------------|-------------------|------------|
|                           | Previous term | Term under review | Change (%) | Previous term           | Term under review | Change (%) |
| Japan                     | 184,466       | 180,666           | -2.1       | 501                     | 10,260            | 1,947.7    |
| Asia – Oceania            | 64,142        | 58,304            | -9.1       | 3,221                   | 3,096             | -3.9       |
| Europe                    | 4,370         | 3,262             | -25.3      | -518                    | -372              | –          |
| The Americas              | 7,049         | 5,873             | -16.7      | -75                     | -228              | –          |
| Subtotal                  | 260,029       | 248,107           | -4.6       | 3,129                   | 12,757            | 307.7      |
| Eliminations or corporate | -20,214       | -22,032           | –          | 604                     | 581               | –          |
| Total consolidated        | 239,814       | 226,074           | -5.7       | 3,733                   | 13,339            | 257.3      |

#### a. Japan

Sales of offset inks, commodity-type pigments for printing inks, graphic arts machinery and supplies struggled throughout the consolidated fiscal year under review, a reflection of the difficulties besetting the Japanese printing market. In addition, demand for can coatings (finishes) and plastic colorants remained low, although evidence suggests that a recovery is underway.

In contrast, domestic demand and exports of color filter materials for electronics and LCD, high-function pigments, adhesives, and coating materials have improved rapidly, and sales have also continued to expand. In addition, sales of gravure inks for packaging and adhesives remained steady throughout the term. Moreover, the Group is in the process of developing new products such as functional adhesives for automobiles, adhesives and sheets for medical use, as well as adhesives and sealants for solar batteries.

As a consequence, sales in Japan in the consolidated fiscal year under review declined 2.1% from a year earlier, to 180,666 million yen. However, operating income climbed 1947.7%, to 10,260 million yen, thanks to the expansion of high-function product sales and intense cost-cutting initiatives.

#### b. Asia, Oceania

Overseas, because of the difference in settlement dates, the period covered in the consolidated fiscal year is from January 1 to December 31. As a result, the first half was the period in which the Group was hit hardest by the negative effects of the global economic downturn, and sales of our major products in Asia and Oceania consequently fell across the board. In the second half, however, a rapid recovery took place, as sales of offset inks and gravure inks picked up in China and Southeast Asia. Demand for LCD color filter materials in Taiwan was also favorable, as were sales of high-function adhesives in South Korea. In addition, sales rose in India, while the Group built a new plant in Shanghai, China, to further streamline production of plastics colorants, demand for which is rising.

As a result, sales in Asia and Oceania declined 9.1% from the previous year, to 58,304 million yen, largely because of the sluggish performance in the first half of the year. Also, despite the expansion of high-function product sales and intense cost-cutting measures, operating income declined 3.9% from a year earlier, to 3,096 million yen.

#### c. Europe

In Europe, where the Group aggressively undertook structural reforms to shift its mainstay product from commodity-type pigments to high-function products, sales of mainstay high-function pigments remained weak because of the poor economy in the first half as well as production adjustments to shrink inventories. In addition, the performance of offset inks and plastic colorants, as area of sales focus for the Group in Europe, was sluggish given the slow pace of recovery in the region.

As a result, sales in Europe in the consolidated fiscal year dropped a substantial 25.3% from a year earlier, to 3,262 million yen. As a result of exhaustive efforts to reduce costs, however, the operating loss was reduced to 372 million yen, compared with 518 million yen in the previous consolidated fiscal year.

#### d. The Americas

Although these regions are in the process of recovering from the global recession, the pace of recovery is slow. Consequently, sales of our mainstay products – including offset inks, gravure inks for construction materials, plastic colorants for automobiles, among others – remained weak.

As a result, sales in these regions in the consolidated fiscal year under review dropped significantly, falling 16.7% year on year, to 5,873 million yen. In addition, the Group posted expenses associated with the opening of a new manufacturing base in the State of Texas, so that it recorded an operating loss of 228 million yen, compared to an operating loss of 75 million yen in the previous consolidated fiscal year.

**(2) Analysis of financial position**

## (i) Assets, liabilities, and net assets

(Million yen)

|              | End of previous fiscal year | End of fiscal year under review | Change |
|--------------|-----------------------------|---------------------------------|--------|
| Total assets | 260,689                     | 266,463                         | 5,773  |
| Liabilities  | 123,666                     | 121,519                         | -2,146 |
| Net assets   | 137,022                     | 144,943                         | 7,920  |

The year-end total assets in the consolidated fiscal year under review stood at 266,463 million yen, an increase of 5,773 million yen from the beginning of the consolidated fiscal year. Liabilities at the end of the consolidated fiscal year were 121,519 million yen, a decrease of 2,146 million yen from the beginning of the consolidated fiscal year. Net assets increased 7,920 million yen from the beginning of the consolidated fiscal year, to 144,943 million yen.

Because of the recovery of sales in the second half of the consolidated fiscal year under review, accounts receivable and accounts payable increased. Also, investment securities and net unrealized gains (losses) on available-for-sale securities rose, while deferred tax assets decreased. Moreover, property, plant, and equipment declined due to the reduction in capital investment. Meanwhile, interest-bearing liabilities fell on cuts in investments and the rise in profits, while cash and deposits also increased.

## (ii) Cash flows

(Million yen)

|                                      | Previous term | Term under review | Change  |
|--------------------------------------|---------------|-------------------|---------|
| Cash flows from operating activities | 7,708         | 26,147            | 18,438  |
| Cash flows from investing activities | -11,821       | -5,419            | 6,402   |
| Cash flows from financing activities | 6,862         | -12,631           | -19,494 |
| Balance of cash and cash equivalents | 12,468        | 21,037            | 8,569   |

Cash and cash equivalents (hereinafter referred to as "cash") at the end of the consolidated fiscal year under review increased by 8,569 million yen from the beginning of the consolidated fiscal year, to 21,037 million yen.

Cash provided by operating activities stood at 26,147 million yen, an increase of 18,438 million yen from a year earlier. This is primarily due to a significant increase in net income before taxes and other adjustments, in addition to the reduction in inventory. In addition, there have been changes in cash associated with the increase in accounts receivable and accounts payable as sales have recovered.

Cash used in investment activities were 5,419 million yen, a decrease of 6,402 million yen from a year earlier, mainly because of the significant reduction in the acquisition of property, plant, and equipment.

Cash used in financial activities stood at 12,631 million yen, in comparison to cash generated of 6,862 million yen in the previous consolidated fiscal year. This is primarily a reflection of the progress in repaying interest-bearing liabilities. As a result, the balance of interest-bearing liabilities at the end of the consolidated fiscal year declined 7,655 million yen from the beginning of the consolidated fiscal year, to 67,141 million yen.

Trends in Group cash flows are as follows:

|  | Term ended<br>March 2007 | Term ended<br>March, 2008 | Term ended<br>March, 2009 | Term ended<br>March, 2010 |
|--|--------------------------|---------------------------|---------------------------|---------------------------|
| Capital adequacy ratio (%)                           | 50.7                     | 51.8                      | 50.5                      | 52.2                      |
| Market value-based capital adequacy ratio (%)        | 43.3                     | 35.4                      | 23.1                      | 47.0                      |
| Ratio of interest-bearing debt to cash flows (years) | 3.1                      | 6.8                       | 9.7                       | 2.6                       |
| Interest coverage ratio (times)                      | 19.3                     | 8.2                       | 6.6                       | 24.1                      |

Capital adequacy ratio: Shareholders' equity / total assets

Market value-based capital adequacy ratio: Market capitalization / total assets

Ratio of interest-bearing debt to cash flows: Interest-bearing debt / cash flows

Interest coverage ratio: Cash flows / interest payments

- (Notes)
1. Each indicator is calculated using consolidated financial data.
  2. Market capitalization is computed based on the number of shares issued excluding treasury stock.
  3. Cash flows denote cash flows from operating activities.
  4. Interest-bearing debt denotes all debts and discounted notes receivable recorded in consolidated balance sheets that pay interest.

### (3) Forecasts for the next fiscal year

(Million yen)

|                         | Net sales | Operating income | Recurring income | Net income |
|-------------------------|-----------|------------------|------------------|------------|
| Term ending March, 2011 | 250,000   | 14,000           | 14,000           | 7,000      |
| Term ended March, 2010  | 226,074   | 13,339           | 13,604           | 6,566      |
| Growth rate (%)         | 10.6      | 5.0              | 2.9              | 6.8        |

Looking at the global economy in the next consolidated fiscal year, conditions are expected to remain challenging in Japan, Europe, and North America, while emerging markets such as China and India should enjoy continued growth. With respect to the operating environment surrounding the Group, despite an anticipated increase in demand in the display- and electronics-related markets, demand in the Japanese printing inks market is likely to remain weak, while there are concerns that soaring raw material prices and the appreciation of the Japanese currency will put pressures on profits.

Although the management environment is expected to be severe in the next consolidated fiscal year, the Group plans to aggressively tackle the issues described in “(3) Medium- to long-term management strategy” and “(4) Our challenges” in “3. Management policy,” discussed later. We plan to encourage sales growth through innovation, expand our areas of business, and boost profitability through structural reforms, to continue to improve our performance.

With the above measures, we expect to post net sales of 250,000 million yen in the next consolidated fiscal year, up 10.6% from a year earlier; operating income of 14,000 million yen, rising 5.0% year on year; recurring income of 1,400 million yen, up 2.9%; and net income of 7,000 million yen, up 6.8%.

### (4) Basic policy on profit distribution and dividends for the term under review and next term

The Company's basic policy on profit distribution is to continue to pay stable dividends to shareholders while enhancing retained earnings to bolster its operating base. The Company plans to appropriate retained earnings for capital expenditure in basic and growth businesses and for R&D that will contribute to future increases in earnings.

Given this basic policy, the Company plans to pay 5.5 yen per share as a year-end dividend (10 yen for the full year) for the term under review.

For details, please refer to the Notice of Dividends Paid from Retained Earnings, announced separately today.

The Company plans to pay an annual dividend of 11 yen per share (an interim dividend of 5.5 yen and a year-end dividend of 5.5 yen) for the next term.

## 2. Group Overview

Disclosure is omitted since there have been no major changes in the “Flow of Business Transactions Chart (The Content of Business)” and “The Status of Affiliated Companies” since the most recent asset securities report submitted on June 26, 2009.

## 3. Management Policy

### (1) Basic management policy

All corporate activities of the Group are guided by a corporate philosophy of “People-oriented management,” a corporate policy of “Aiming to be a company creating new values for human culture throughout the world,” and guiding principles that call for customer satisfaction, employee satisfaction, and community satisfaction.

As a manufacturer in the 21st century, we will consistently propose and provide new value for ever-changing living from consumers’ perspective, will consider harmony with the environment centered on the conservation of energy and materials, as well as a commitment to safety and security, and will fulfill the corporate social responsibility of a chemical corporation. Through these activities we will aspire to maximize the satisfaction of all stakeholders. To this end, we will establish a healthy and robust operating base and enhance corporate value with the development of environmentally friendly products, the proactive disclosure of information in IR and PR activities, appropriate internal controls and corporate governance, and management focused on efficiency and performance.

### (2) Target management indicators

The Group, which has entered its second century, has adopted the corporate vision set out in SCC2017, which describes the direction we seek to take over the period from fiscal 2008 to fiscal 2016, ending March 31, 2017. SCC stands for “Specialty Chemical maker Challenge.” Under this corporate vision, we will continue to reform our business and profit structures to increase not only sales and profit but also ROA and ROE, as a company creating high added value.

### (3) Medium- to long-term management strategy

Under SCC2017, we aim to evolve into a specialty chemical maker that is able to make a global contribution, based on a firm corporate policy. We will achieve the goals in SCC2017 in three three-year medium-term management plans, named SCC-I, II, and III. The medium-term management plan SCC-I from FY2008 is the first step.

In fiscal 2009, the second year of the Group’s medium-term management plan SCC-I, the Group kept the basic policy in the SCC-I unchanged, while adopting the SCC-I Revival Plan, which principally aims to achieve structural reform and innovation (growth of profits from new businesses). The Group began rapidly adopting the new plan to respond to the global economic downturn. As we enter fiscal 2010, the final year of our medium-term management plan SCC-I, we will continue to pursue the basic policies described below.

First, we will tenaciously pursue product development, market exploration, and marketing-led business expansion and create new revenue growth. Specifically, we will focus on expanding operations into growth areas and developing new products for rapidly changing markets. Globally, we will develop production bases in growth areas in China, Southeast Asia, India, and other emerging countries, achieving growth by organically using these facilities. To develop changing and niche markets, we will focus on electronics, displays, automobiles, and environment and energy-related materials.

Second, we will create next-generation supply chain management (SCM) in order to ensure that we a manufacturer that is responding to prevailing demand. Specifically, we will manufacture the right categories of products using the right materials in the right quantities based on a commitment to conserving energy and materials, as well as to ensuring safety and security, and will thereby build a production system that will enable us to improve efficiency and at the same time to manufacture products that will meet diverse needs and reduce pressure on the environment. We will also promote cost cutting using a unique approach from the perspective of total SCM.

We will build a management system that emphasizes harmony with the environment, risk response, and global coexistence, and will manage our Company with an emphasis on corporate social responsibility (CSR). To address diversifying risks, we will bolster our risk management system in terms of both prevention and response and will execute a transformation to network-type management.

**(4) Our challenges**

Under the medium-term management plans described above, we recognize that our challenge in executing our profit plan for fiscal 2010 is: (1) to make a new start at resuming growth through marketing-oriented technology development, development of pioneering businesses, and the expansion of sales areas; (2) to further enhance the Group's profitability through the redistribution of manufacturing materials based on strengthening of the inter-Group network, collaboration of raw materials procurement, and improvements in technological capacity; and, (3) to strive to shift to a next-generation management system that seeks to upgrade brand power and to enhance the satisfaction of three groups – customers (CS or customer satisfaction), employees (ES or employee satisfaction), and society (SS or societal satisfaction).

To address these issues and achieve our goals, we plan to institute the following measures in our businesses:

In the offset ink business, the Group will seek to further streamline SCM, upgrade our ability to make proposals with high-function and eco-friendly products, and collaborate with other companies to change the Group's profit structure to one in which profits are produced irrespective of fluctuations in sales volume. In addition, we will advance our global development by strengthening product marketability in China, India, Brazil, and other countries and areas, as well as upgrading output.

In the gravure ink business, the Group plans to continue to encourage the efficient use of resources in the areas of manufacturing, sales, and technology, while conducting activities to boost new product sales, expand business in growth markets, offer total solutions consisting of inks, precision plate-making, and adhesives, and associate our brand with environmentally friendly technologies.

In the polymer chemicals business, the Group will continue its market-oriented marketing approach. We will market as a group our high-function and polymer products in the fields of display, electronics, automobiles, and environmental energy, while striving to create new profit opportunities by entering new markets. In addition, the Group plans to optimize its global production system at its six bases: Japan, Thailand, Malaysia, Shanghai (China), South Korea, and Texas (USA).

In the chemicals and media materials business, we will continue to construct a global SCM system through the collaboration of overseas production bases. In addition, the Group plans to advance its development of environmental energy products, such as materials for secondary batteries. In the media materials business, we will strive to be the industry's leading brand in LCD color filter materials, while making ink jet-related products more eco-friendly in the development process, and further expanding panel-related materials, such as functional coating materials used in touch screens.

The Group is also planning to adopt a holding company structure, to strengthen the value-creation functions of each of these businesses, and to fully achieve Group synergies.

## 4. Consolidated Financial Statements

## (1) Consolidated Balance Sheet

(Million yen)

|  | As of March 31, 2009 | As of March 31, 2010 |
|--|----------------------|----------------------|
| (Assets)                                   |                      |                      |
| Current assets                             |                      |                      |
| Cash and bank deposits                     | *2 12,964            | *2 21,037            |
| Notes and accounts receivable              | 74,701               | 78,520               |
| Marketable securities                      | 372                  | 696                  |
| Goods and products                         | 23,384               | 21,624               |
| Work-in-process                            | 1,412                | 1,323                |
| Raw material and supplies                  | 10,750               | 9,980                |
| Deferred income tax assets                 | 2,510                | 2,280                |
| Others                                     | 2,114                | 2,159                |
| Allowance for doubtful receivables         | -645                 | -711                 |
| Total current assets                       | 127,564              | 136,912              |
| Fixed assets                               |                      |                      |
| Property, plant and equipment              |                      |                      |
| Building and structures                    | *2 81,022            | *2 81,388            |
| Accumulated depreciation                   | -46,455              | -48,467              |
| Building and structures (net amount)       | 34,566               | 32,920               |
| Machinery and vehicles                     | *2 131,477           | *2 130,614           |
| Accumulated depreciation                   | -104,814             | -107,508             |
| Machinery and vehicles (net amount)        | 26,663               | 23,106               |
| Tools, furniture and fixtures              | 19,460               | 19,938               |
| Accumulated depreciation                   | -16,445              | -17,318              |
| Tools, furniture and fixtures (net amount) | 3,014                | 2,620                |
| Land                                       | *2 26,572            | *2 26,674            |
| Leased assets                              | 56                   | 77                   |
| Accumulated depreciation                   | -12                  | -32                  |
| Leased assets (net amount)                 | 43                   | 44                   |
| Construction in progress                   | 1,351                | 1,294                |
| Total property, plant and equipment        | 92,211               | 86,661               |
| Intangible fixed assets                    | 275                  | 297                  |
| Investments and other assets               |                      |                      |
| Investment in securities                   | *1 24,855            | *1 30,794            |
| Deferred income tax assets                 | 5,237                | 1,194                |
| Others                                     | *2 11,297            | 11,273               |
| Allowance for doubtful receivables         | -753                 | -669                 |
| Total investments and other assets         | 40,638               | 42,592               |
| Total fixed assets                         | 133,125              | 129,551              |
| Total assets                               | 260,689              | 266,463              |

(Million yen)

|   | As of March 31, 2009 | As of March 31, 2010 |
|---|----------------------|----------------------|
| (Liabilities)   |                      |                      |
| Current liabilities                                   |                      |                      |
| Notes and accounts payable                            | 33,417               | 36,610               |
| Short-term loans payable                              | 30,016               | *2 16,341            |
| Accrued income taxes                                  | 604                  | 1,365                |
| Others  | 12,312               | 12,619               |
| Total current liabilities                             | 76,350               | 66,937               |
| Long-term liabilities                                 |                      |                      |
| Long-term loans payable                               | 44,104               | 50,317               |
| Deferred income tax liabilities                       | 1,444                | 2,225                |
| Liability for employees' retirement benefits          | 1,315                | 1,325                |
| Liability for directors' retirement benefits          | 228                  | –                    |
| Provision for environmental measures                  | –                    | 339                  |
| Others  | 222                  | 375                  |
| Total long-term liabilities                           | 47,315               | 54,582               |
| Total liabilities                                     | 123,666              | 121,519              |
| (Net assets)  |                      |                      |
| Shareholders' equity                                  |                      |                      |
| Common stock  | 31,733               | 31,733               |
| Capital surplus                                       | 32,920               | 32,920               |
| Retained earnings                                     | 79,827               | 83,661               |
| Treasury stock, at cost                               | -252                 | -1,718               |
| Total shareholders' equity                            | 144,229              | 146,596              |
| Valuation and translation adjustment                  |                      |                      |
| Net unrealized gains on available-for-sale securities | -3,756               | -112                 |
| Foreign currency translation adjustments              | -8,722               | -7,297               |
| Total valuation and translation adjustment            | -12,478              | -7,409               |
| Minority interests                                    | 5,272                | 5,756                |
| Total net assets                                      | 137,022              | 144,943              |
| Total of liabilities and net assets                   | 260,689              | 266,463              |

## (2) Consolidated Statements of Income

(Million yen)

|  | From April 1, 2008<br>to March 31, 2009 | From April 1, 2009<br>to March 31, 2010 |
|--|---|---|
| Net sales  | 239,814                                 | 226,074                                 |
| Cost of sales  | *1 194,134                              | *1 174,050                              |
| Gross profit   | 45,679                                  | 52,024                                  |
| Selling, general and administrative expenses             |   |   |
| Packing expenses and freight charge                      | 6,062                                   | 5,703                                   |
| Salaries and allowance                                   | 10,308                                  | 9,644                                   |
| Bonuses  | 2,407                                   | 2,382                                   |
| Welfare expenses   | 2,560                                   | 2,255                                   |
| Depreciation expenses                                    | 1,653                                   | 1,289                                   |
| Research and development expenses                        | *1 2,700                                | *1 2,631                                |
| Others   | 16,253                                  | 14,777                                  |
| Total selling, general and administrative expenses       | 41,946                                  | 38,684                                  |
| Operating income   | 3,733                                   | 13,339                                  |
| Non-operating income                                     |   |   |
| Interest income  | 191                                     | 134                                     |
| Dividend income  | 534                                     | 465                                     |
| Income from lease and rent                               | 234                                     | 260                                     |
| Purchase rebates   | 221                                     | –                                       |
| Gain on foreign currency exchange                        | –                                       | 475                                     |
| Others   | 829                                     | 952                                     |
| Total non-operating income                               | 2,011                                   | 2,288                                   |
| Non-operating expenses                                   |   |   |
| Interest expenses  | 1,225                                   | 1,070                                   |
| Depreciation expenses of rental assets                   | –                                       | 249                                     |
| Foreign exchange losses                                  | 1,324                                   | –                                       |
| Investment loss according to the equity method           | 11                                      | 217                                     |
| Others   | 763                                     | 485                                     |
| Total non-operating expenses                             | 3,324                                   | 2,022                                   |
| Recurring income   | 2,420                                   | 13,604                                  |
| Extraordinary profit                                     |   |   |
| Gain on sales of property, plant and equipment           | *2 244                                  | *2 15                                   |
| Gain on sales of investment securities                   | –                                       | 12                                      |
| Gain on reversal of environmental expenses               | 210                                     | –                                       |
| Others   | 2                                       | –                                       |
| Total extraordinary profit                               | 456                                     | 27                                      |
| Extraordinary loss                                       |   |   |
| Loss on disposals and sale of fixed assets               | *3 451                                  | *3 628                                  |
| Loss on valuation of investment securities               | 3,478                                   | –                                       |
| Provision for environmental measures                     | –                                       | 339                                     |
| Loss on re-appraisal of inventory assets                 | 511                                     | –                                       |
| Loss on discontinued operations                          | 290                                     | –                                       |
| Others   | 46                                      | 142                                     |
| Total extraordinary loss                                 | 4,778                                   | 1,109                                   |
| Income (loss) before income taxes and minority interests | -1,900                                  | 12,523                                  |
| Income taxes, current                                    | 1,269                                   | 2,050                                   |
| Income taxes, deferred                                   | 79                                      | 3,251                                   |
| Total income taxes                                       | 1,349                                   | 5,301                                   |
| Minority interests                                       | 609                                     | 666                                     |
| Net income (loss)  | -3,859                                  | 6,556                                   |

## (3) Consolidated Statements of Changes in Net Assets

(Million yen)

|   | From April 1, 2008<br>to March 31, 2009 | From April 1, 2009<br>to March 31, 2010 |
|---|---|---|
| <b>Shareholders' equity</b>   |   |   |
| Common stock  |   |   |
| Balance at the end of previous period                                   | 31,733                                  | 31,733                                  |
| Changes of items during the period                                      |   |   |
| Total changes of items during the period                                | –                                       | –                                       |
| Balance at the end of the period  | 31,733                                  | 31,733                                  |
| Capital surplus   |   |   |
| Balance at the end of previous period                                   | 32,922                                  | 32,920                                  |
| Changes of items during the period                                      |   |   |
| Sales of treasury stock   | -1                                      | –                                       |
| Total changes of items during the period                                | -1                                      | –                                       |
| Balance at the end of the period  | 32,920                                  | 32,920                                  |
| Retained earnings   |   |   |
| Balance at the end of previous period                                   | 87,058                                  | 79,827                                  |
| Increase/decrease due to changes in accounting at overseas subsidiaries | -38                                     | –                                       |
| Changes of items during the period                                      |   |   |
| Dividends from surplus  | -3,327                                  | -2,722                                  |
| Net income (loss)   | -3,859                                  | 6,556                                   |
| Sales of treasury stock   | -4                                      | -0                                      |
| Total changes of items during the period                                | -7,191                                  | 3,833                                   |
| Balance at the end of the period  | 79,827                                  | 83,661                                  |
| Treasury stock, at cost   |   |   |
| Balance at the end of previous period                                   | -249                                    | -252                                    |
| Changes of items during the period                                      |   |   |
| Purchases of treasury stock   | -30                                     | -1,467                                  |
| Sales of treasury stock   | 28                                      | 1                                       |
| Total changes of items during the period                                | -2                                      | -1,466                                  |
| Balance at the end of the period  | -252                                    | -1,718                                  |
| Total shareholders' equity  |   |   |
| Balance at the end of previous period                                   | 151,464                                 | 144,229                                 |
| Increase/decrease due to changes in accounting at overseas subsidiaries | -38                                     | –                                       |
| Changes of items during the period                                      |   |   |
| Dividends from surplus  | -3,327                                  | -2,722                                  |
| Net income (loss)   | -3,859                                  | 6,556                                   |
| Purchases of treasury stock   | -30                                     | -1,467                                  |
| Sales of treasury stock   | 22                                      | 0                                       |
| Total changes of items during the period                                | -7,196                                  | 2,367                                   |
| Balance at the end of the period  | 144,229                                 | 146,596                                 |

(Million yen)

|   | From April 1, 2008<br>to March 31, 2009 | From April 1, 2009<br>to March 31, 2010 |
|---|---|---|
| <b>Valuation and translation adjustment</b>                             |   |   |
| Net unrealized gains on available-for-sale securities                   |   |   |
| Balance at the end of previous period                                   | -541                                    | -3,756                                  |
| Changes of items during the period                                      |   |   |
| Net changes except for shareholders' equity                             | -3,214                                  | 3,643                                   |
| Total changes of items during the period                                | -3,214                                  | 3,643                                   |
| Balance at the end of the period  | -3,756                                  | -112                                    |
| Foreign currency translation adjustments                                |   |   |
| Balance at the end of previous period                                   | 1,838                                   | -8,722                                  |
| Changes of items during the period                                      |   |   |
| Net changes except for shareholders' equity                             | -10,560                                 | 1,425                                   |
| Total changes of items during the period                                | -10,560                                 | 1,425                                   |
| Balance at the end of the period  | -8,722                                  | -7,297                                  |
| Total valuation and translation adjustment                              |   |   |
| Balance at the end of previous period                                   | 1,296                                   | -12,478                                 |
| Changes of items during the period                                      |   |   |
| Net changes except for shareholders' equity                             | -13,775                                 | 5,069                                   |
| Total changes of items during the period                                | -13,775                                 | 5,069                                   |
| Balance at the end of the period  | -12,478                                 | -7,409                                  |
| Minority interests  |   |   |
| Balance at the end of previous period                                   | 7,732                                   | 5,272                                   |
| Changes of items during the period                                      |   |   |
| Net changes except for shareholders' equity                             | -2,459                                  | 483                                     |
| Total changes of items during the period                                | -2,459                                  | 483                                     |
| Balance at the end of the period  | 5,272                                   | 5,756                                   |
| Total net assets  |   |   |
| Balance at the end of previous period                                   | 160,493                                 | 137,022                                 |
| Increase/decrease due to changes in accounting at overseas subsidiaries | -38                                     | -                                       |
| Changes of items during the period                                      |   |   |
| Dividends from surplus  | -3,327                                  | -2,722                                  |
| Net income (loss)   | -3,859                                  | 6,556                                   |
| Purchases of treasury stock   | -30                                     | -1,467                                  |
| Sales of treasury stock   | 22                                      | 0                                       |
| Net changes except for shareholders' equity                             | -16,235                                 | 5,552                                   |
| Total changes of items during the period                                | -23,431                                 | 7,920                                   |
| Balance at the end of the period  | 137,022                                 | 144,943                                 |

**(4) Consolidated Statements of Cash Flows**

(Million yen)

|   | From April 1, 2008<br>to March 31, 2009 | From April 1, 2009<br>to March 31, 2010 |
|---|---|---|
| <b>Cash flows from operating activities</b>   |   |   |
| Income (loss) before income taxes and minority interests                                    | -1,900                                  | 12,523                                  |
| Depreciation and amortization   | 12,848                                  | 10,899                                  |
| Interest and dividend income  | -725                                    | -600                                    |
| Interest expenses   | 1,225                                   | 1,070                                   |
| Gain/loss on sale of property, plant and equipment (- is gain)                              | -224                                    | -                                       |
| Loss on disposals of property, plant and equipment  | 307                                     | 450                                     |
| Gain/loss on valuation of investment securities (- is gain)                                 | 3,478                                   | -                                       |
| Equity/loss in earnings of associated companies (- is equity)                               | 11                                      | 217                                     |
| Gain on reversal of environmental expenses  | -210                                    | -                                       |
| Increase/decrease in notes and accounts receivable<br>(- is increases)                      | 7,974                                   | -3,010                                  |
| Increase/decrease in inventories (- is increases)   | -319                                    | 3,401                                   |
| Increase/decrease in notes and accounts payable<br>(- is decreases)                         | -9,027                                  | 2,344                                   |
| Others  | -2,325                                  | 828                                     |
| <b>Subtotal</b>   | <b>11,112</b>                           | <b>28,124</b>                           |
| Interest and dividend received  | 764                                     | 605                                     |
| Interest paid   | -1,168                                  | -1,085                                  |
| Income taxes paid   | -2,999                                  | -1,497                                  |
| <b>Net cash provided by operating activities</b>  | <b>7,708</b>                            | <b>26,147</b>                           |
| <b>Cash flows from investing activities</b>   |   |   |
| Increase in time deposits   | -323                                    | -498                                    |
| Income on certificate of deposit repayment  | 446                                     | 776                                     |
| Purchases of property, plant and equipment  | -9,953                                  | -5,038                                  |
| Proceeds from sales of property, plant and equipment  | 568                                     | 43                                      |
| Purchases of investment securities  | -1,419                                  | -1,189                                  |
| Proceeds from sales of investment securities  | 193                                     | 513                                     |
| Payments of loans receivable  | -                                       | -15                                     |
| Collection of loans receivable  | -                                       | 211                                     |
| Purchase of investments in subsidiaries   | -1,648                                  | -                                       |
| Purchase of investments in subsidiaries<br>involving a change in the scope of consolidation | -6                                      | -                                       |
| Income on acquisition of a subsidiary<br>involving a change in the scope of consolidation   | 56                                      | -                                       |
| Others  | 266                                     | -221                                    |
| <b>Net cash used in investing activities</b>  | <b>-11,821</b>                          | <b>-5,419</b>                           |
| <b>Cash flows from financing activities</b>   |   |   |
| Increase/decrease in short-term loans payable, net<br>(- is decrease)                       | 594                                     | -1,259                                  |
| Proceeds from long-term loans payable   | 25,093                                  | 6,408                                   |
| Repayments of long-term loans payable   | -850                                    | -13,201                                 |
| Repayments of convertible bonds   | -14,303                                 | -100                                    |
| Purchase of treasury stock  | -                                       | -1,467                                  |
| Dividends paid  | -3,327                                  | -2,721                                  |
| Dividends paid to minority interests  | -353                                    | -276                                    |
| Others  | 9                                       | -13                                     |
| <b>Net cash provided by (used in) financing activities</b>                                  | <b>6,862</b>                            | <b>-12,631</b>                          |
| Foreign currency translation adjustments<br>on cash and cash equivalents                    | -2,367                                  | 472                                     |
| <b>Net increase (decrease) in cash and cash equivalents<br/>(- is decrease)</b>             | <b>381</b>                              | <b>8,569</b>                            |
| Cash and cash equivalents, beginning of period  | 12,086                                  | 12,468                                  |
| Cash and cash equivalents, end of period  | *1 12,468                               | *1 21,037                               |

**(5) Notes on assumption of going business**

Not applicable

**(6) Important Matters for the Consolidated Financial Statements**

| From April 1, 2008<br>to March 31, 2009   | From April 1, 2009<br>to March 31, 2010   |
|---|---|
| <p>1. Scope of consolidation</p> <p>The Company had 67 consolidated subsidiaries; all of the subsidiaries were consolidated.</p> <p>Names of major consolidated subsidiaries:<br/>Matsui Kagaku Co., Ltd.; Toyo B-Net Co., Ltd.; Toyo-Morton, Ltd.; Toyo Ink Chushikoku Co., Ltd.; Tianjin Toyo Ink Co., Ltd.; Toyo Ink (Thailand) Co., Ltd.; Toyo Ink Europe Specialty Chemicals S.A.; Sam Young Ink &amp; Paint Mfg. Co., Ltd.; Toyo Ink Mfg. America, LLC</p> <p>During the consolidated fiscal year under review, the Company consolidated two subsidiaries and deconsolidated three subsidiaries.</p> <ul style="list-style-type: none"> <li>- Toyo Ink Joto Hanbai Co., Ltd., which was an equity method affiliate (the company name was changed in July 2008 to Toyo Ink Graphics Co., Ltd.) became a consolidated subsidiary in the consolidated fiscal year as all of its voting rights were acquired by the Company. In addition, Hanil Toyo Co., Ltd. became a consolidated subsidiary as the Company acquired the majority of its voting rights.</li> <li>- Toyo Ink Tokyo Hanbai Co., Ltd., which had been a consolidated subsidiary until the previous consolidated fiscal year, merged in the consolidated fiscal year with Toyo Ink Joto Hanbai Co., Ltd., and was removed from the scope of consolidation. In addition, Toyo Seihan Co., Ltd. was removed from the scope of consolidation because it merged with Toyo Prepress Co., Ltd.</li> <li>- Toyo Ink Europe Holding S.A.S., which had been a consolidated subsidiary until the previous consolidated fiscal year, was liquidated in the fiscal year, and for that reason was removed from the scope of consolidation.</li> </ul> <p>During the consolidated fiscal year under review, the Company renamed the following consolidated subsidiaries.</p> <ul style="list-style-type: none"> <li>- Toyo Ink Europe Specialty Chemicals S.A. (Formerly Francolor Pigments S.A.)</li> <li>- Toyo Ink Mfg. America, LLC (Formerly Toyo Color America, LLC)</li> <li>- Toyo Ink Graphics Co., Ltd. (Formerly Toyo Ink Joto Hanbai Co., Ltd.)</li> <li>- Shenzhen Toyo Ink Co., Ltd. (Formerly Toyo Ink (Shenzhen) Co., Ltd.)</li> </ul> | <p>1. Scope of consolidation</p> <p>The Company had 67 consolidated subsidiaries; all of the subsidiaries were consolidated.</p> <p>Names of major consolidated subsidiaries:<br/>Matsui Kagaku Co., Ltd.; Toyo B-Net Co., Ltd.; Toyo-Morton, Ltd.; Toyo Ink Chushikoku Co., Ltd.; Tianjin Toyo Ink Co., Ltd.; Toyochem Specialty Chemical SDN. BHD.; Toyo Ink (Thailand) Co., Ltd.; Toyo Ink Chemicals Taiwan Co., Ltd.; Toyo Ink Europe Specialty Chemicals S.A.; Toyo Ink Mfg. America, LLC</p> <p>During the consolidated fiscal year under review, the Company consolidated two subsidiaries and deconsolidated two subsidiaries.</p> <ul style="list-style-type: none"> <li>- In the consolidated fiscal year under review, TOYO INK BRASIL LTDA. and Toyo Ink Technologies, LLC. were established, and each became a consolidated subsidiary of the Company.</li> <li>- SHANGHAI TOYO PLASTIC COLORANT, which had been a consolidated subsidiary until the previous consolidated fiscal year, merged in the consolidated fiscal year under review with SHANGHAI TOYO INK MFG. CO., LTD., and was removed from the scope of consolidation.</li> <li>- TOYO INK (SHANGHAI) RHQ CO., LTD., which had been a consolidated subsidiary until the previous consolidated fiscal year, was liquidated in the fiscal year under review, and for that reason was removed from the scope of consolidation.</li> </ul> <p>During the consolidated fiscal year under review, the Company renamed the following consolidated subsidiary.</p> <ul style="list-style-type: none"> <li>- Toyochem Specialty Chemical SDN. BHD. (Formerly T.I.P.P. (MALAYSIA) SDN. BHD.)</li> </ul> |

| From April 1, 2008<br>to March 31, 2009  | From April 1, 2009<br>to March 31, 2010   |
|--|---|
| <p>2. Application of the equity method<br/>The equity method is applied to investments in eight affiliates.<br/>Names of major subsidiaries<br/>NIPPON POLYMER IND. CO., LTD., Sumika Polymer Compounds Europe Ltd.<br/>During the consolidated fiscal year under review, the Company made one company equity method affiliates and excluded two companies from its equity method affiliates.</p> <ul style="list-style-type: none"> <li>- Sumika Polymer Compounds (Thailand) Co., Ltd. was founded during the consolidated fiscal year under review and included in equity method affiliates.</li> <li>- Toyo Ink Joto Hanbai Co., Ltd., which was an equity method affiliate, became a consolidated subsidiary in the consolidated fiscal year under review as all of its voting rights were acquired by the Company. In addition, Haniil Toyo Co., Ltd. became a consolidated subsidiary as the Company acquired the majority of its voting rights.</li> </ul> <p>3. Fiscal year end of consolidated subsidiaries<br/>All overseas consolidated subsidiaries settle their accounts on December 31, which is within three months of the consolidated settlement day. The Company therefore carried out no provisional settlement of accounts.<br/>In connection with this, significant transactions accrued until the consolidated settlement day were adjusted for consolidation.</p> <p>4. Accounting standards<br/>(1) Important appraisal standards and appraisal method for assets<br/>1) Securities<br/>For those with market value<br/>Stated at market value based on market prices, etc., as of the period-end (Unrealized valuation gains or losses are reported in the shareholders' equity, and sales costs are determined by the moving average method.)<br/>For those without market value<br/>Stated at cost as determined by the moving average method.<br/>2) Derivatives<br/>Market value method<br/>3) Inventories<br/>Products, work-in-process and raw material<br/>In principal, the cost method based on the gross average method is applied to the Company and its domestic consolidated subsidiaries.<br/>(The value in the balance sheet is calculated by the method of book value devaluation based on lowering of profitability)<br/>Overseas consolidated subsidiaries mainly use the gross average method or the lower-of-cost-or-market method according to the first-in, first-out method.<br/>Goods and supplies<br/>In principal, the last cost method was applied to the Company and its domestic consolidated subsidiaries.<br/>(The value in the balance sheet is calculated by the method of book value devaluation based on lowering of profitability)<br/>Overseas consolidated subsidiaries mainly use the gross average method or the lower-of-cost-or-market method according to the first-in, first-out method.</p> | <p>2. Application of the equity method<br/>The equity method is applied to investments in eight affiliates.<br/>Names of major subsidiaries<br/>NIPPON POLYMER IND. CO., LTD., Sumika Polymer Compounds Europe Ltd.</p> <p>3. Fiscal year end of consolidated subsidiaries<br/>Same as at left</p> <p>4. Accounting standards<br/>(1) Important appraisal standards and appraisal method for assets<br/>1) Securities<br/>For those with market value<br/>Same as at left<br/><br/>For those without market value<br/>Same as at left<br/>2) Derivatives<br/>Same as at left<br/>3) Inventories<br/>Products, work-in-process and raw material<br/>In principal, the cost method based on the gross average method is applied to the Company and its domestic consolidated subsidiaries.<br/>(The value in the balance sheet is calculated by the method of book value devaluation based on lowering of profitability)<br/>Overseas consolidated subsidiaries mainly use the gross average method or the lower-of-cost-or-market method according to the first-in, first-out method.<br/>Goods and supplies<br/>In principal, the last cost method was applied to the Company and its domestic consolidated subsidiaries.<br/>(The value in the balance sheet is calculated by the method of book value devaluation based on lowering of profitability)<br/>Overseas consolidated subsidiaries mainly use the gross average method or the lower-of-cost-or-market method according to the first-in, first-out method.</p> |

| From April 1, 2008<br>to March 31, 2009   | From April 1, 2009<br>to March 31, 2010 |                   |                        |                  |                               |                   |  |                         |                   |                        |                  |                               |                   |
|---|---|-------------------|------------------------|------------------|-------------------------------|-------------------|--|-------------------------|-------------------|------------------------|------------------|-------------------------------|-------------------|
| <p>(Change in accounting policies)<br/>Starting in the consolidated fiscal year under review, the “Accounting Standard for Measurement of Inventories” (Accounting Standards Board of Japan, Standard No. 9, announced on July 5, 2006) is applied.<br/>As a result of the above, operating income decreased 43 million yen and recurring income also declined 44 million yen, while net loss before taxes and other adjustments increased 556 million yen.<br/>The impacts on segment information are described in the corresponding parts of the segment.</p> <p>(2) Depreciation method of important depreciable fixed assets</p> <p>1) Property, plant and equipment (excluding leased assets)<br/>In particular, the constant percentage method was applied to the Company and its domestic consolidated subsidiaries, except for buildings (not including associated facilities) acquired on or after April 1, 1998, for which the straight-line method was applied.<br/>In principal, the straight-line method was applied to overseas consolidated subsidiaries.<br/>Major useful lives:<br/> <table border="0" data-bbox="255 913 734 996"> <tr> <td>Building and structures</td> <td>Eight to 50 years</td> </tr> <tr> <td>Machinery and vehicles</td> <td>Four to 15 years</td> </tr> <tr> <td>Tools, furniture and fixtures</td> <td>Three to 15 years</td> </tr> </table> </p> <p>(Additional information)<br/>Change in service life of property, plant and equipment<br/>The Company has changed the service life of machinery and vehicles of the Company and its domestic subsidiaries to better reflect the actual situation, starting in the consolidated fiscal year under review to coincide with the fiscal 2008 amendments to the Corporate Tax Law on legal service life.<br/>As a result, operating income declined 210 million yen and recurring income decreased 208 million yen, while the net loss before taxes and other adjustments increased 208 million yen.<br/>The impacts on segment information are described in the corresponding parts of the segment.</p> <p>2) Leased assets<br/>Financing lease transactions that do not involve a transfer of ownership<br/>Calculation method for the equivalent of depreciation cost<br/>The depreciation method for assets is to use the lease period as useful lives, calculating the residual value of such assets as zero.<br/>Of financing lease transactions that do not involve a transfer of ownership, lease transactions that started on or before March 31, 2008 use the accounting method for normal lease transactions.</p> | Building and structures                 | Eight to 50 years | Machinery and vehicles | Four to 15 years | Tools, furniture and fixtures | Three to 15 years | <p>(2) Depreciation method of important depreciable fixed assets</p> <p>1) Property, plant and equipment (excluding leased assets)<br/>In particular, the constant percentage method was applied to the Company and its domestic consolidated subsidiaries, except for buildings (not including associated facilities) acquired on or after April 1, 1998, for which the straight-line method was applied.<br/>In principal, the straight-line method was applied to overseas consolidated subsidiaries.<br/>Major useful lives:<br/> <table border="0" data-bbox="901 913 1380 996"> <tr> <td>Building and structures</td> <td>Eight to 50 years</td> </tr> <tr> <td>Machinery and vehicles</td> <td>Four to 15 years</td> </tr> <tr> <td>Tools, furniture and fixtures</td> <td>Three to 15 years</td> </tr> </table> </p> <p>2) Leased assets<br/>Same as at left</p> | Building and structures | Eight to 50 years | Machinery and vehicles | Four to 15 years | Tools, furniture and fixtures | Three to 15 years |
| Building and structures   | Eight to 50 years                       |                   |                        |                  |                               |                   |  |                         |                   |                        |                  |                               |                   |
| Machinery and vehicles  | Four to 15 years                        |                   |                        |                  |                               |                   |  |                         |                   |                        |                  |                               |                   |
| Tools, furniture and fixtures   | Three to 15 years                       |                   |                        |                  |                               |                   |  |                         |                   |                        |                  |                               |                   |
| Building and structures   | Eight to 50 years                       |                   |                        |                  |                               |                   |  |                         |                   |                        |                  |                               |                   |
| Machinery and vehicles  | Four to 15 years                        |                   |                        |                  |                               |                   |  |                         |                   |                        |                  |                               |                   |
| Tools, furniture and fixtures   | Three to 15 years                       |                   |                        |                  |                               |                   |  |                         |                   |                        |                  |                               |                   |

| From April 1, 2008<br>to March 31, 2009   | From April 1, 2009<br>to March 31, 2010  |
|---|--|
| <p>(3) Important standards for appropriation of allowances</p> <p>1) Allowance for doubtful receivables<br/>We record an allowance based on historical percentage for ordinary receivables and an estimated amount for specific uncollectible receivables.</p> <p>2) Liability for retirement benefits to employees<br/>We record an amount recognized to have accrued at the end of fiscal year based on estimated amounts of retirement benefit obligations and pension assets at the end of the fiscal year.<br/>Past service costs are posted in expenses based on the straight-line method for a fixed period of years (13 years) within the average remaining service years of employees when costs accrue from their service.<br/>Unrecognized actuarial differences are posted in expenses after the consolidated fiscal year following their accruals based on the straight-line method for a fixed period of years (13 years) within the average remaining service years of employees.</p> <p>3) Liability for retirement benefits to directors and corporate auditors<br/>One domestic consolidated subsidiary posted an allowance for retirement benefits to be paid to officers at the end of the consolidated fiscal year pursuant to the internal rules.</p> | <p>(3) Important standards for appropriation of allowances</p> <p>1) Allowance for doubtful receivables<br/>Same as at left</p> <p>2) Liability for retirement benefits to employees<br/>We record an amount recognized to have accrued at the end of fiscal year based on estimated amounts of retirement benefit obligations and pension assets at the end of the fiscal year.<br/>Past service costs are posted in expenses based on the straight-line method for a fixed period of years (13 years) within the average remaining service years of employees when costs accrue from their service.<br/>Unrecognized actuarial differences are posted in expenses after the consolidated fiscal year following their accruals based on the straight-line method for a fixed period of years (13 years) within the average remaining service years of employees.</p> <p>(Change in accounting policies)<br/>Starting in the consolidated fiscal year under review, the Partial Amendments of Accounting Standard for Retirement Benefits (Part 3) (Accounting Standards Board of Japan, Standard No. 19, announced on July 31, 2008) is applied.<br/>Since actuarial differences are depreciated starting in the following consolidated fiscal year, this change does not influence operating income, recurring income, or net income before taxes and other adjustments.<br/>The unaccounted balance of the difference in the retirement benefit liabilities that arises due to the application of the accounting standard is 343 million yen.</p> <p>4) Provision for environmental measures<br/>The estimated treatment and disposal cost for PCB waste, stipulated as mandatory in the Act on Special Measures concerning Promotion of Proper Treatment of PCB Wastes, is posted.</p> <p>(Additional information)<br/>The treatment and disposal cost for PCB wastes had previously been accounted for when the cost arose, but since the monetary importance of the cost has increased, the estimated cost is posted as allowance starting in the consolidated fiscal year under review.<br/>As a result, net income before taxes and other adjustments decreased 339 million yen.</p> |

| From April 1, 2008<br>to March 31, 2009  | From April 1, 2009<br>to March 31, 2010  |
|--|--|
| <p>(4) Standards for translating significant foreign currency-denominated assets or liabilities into Japanese yen<br/>Foreign currency-denominated monetary receivables and payables are translated into Japanese yen at the spot exchange rates on the consolidated settlement day. The effect of exchange rate changes is posted as a translation gain or loss. In connection with this, assets and liabilities of overseas consolidated subsidiaries are translated into Japanese yen at the spot exchange rates on their settlement day. Revenues and expenses are translated into Japanese yen at the average rate during the year. The effect of exchange rate changes is posted in foreign currency translation adjustments and minority interests in the section of net assets.</p> <p>(5) Significant hedge accounting</p> <p>1) Hedge accounting<br/>Among interest swap transactions, those that satisfy special transaction requirements are processed.</p> <p>2) Hedging method and hedging target<br/>Hedging method: Interest swap transactions<br/>Hedging target: Long-term borrowings</p> <p>3) Hedging policy<br/>The Company engages in interest swap transactions to prevent the risk of payable interest rate fluctuations and to fix payable interest cash flow.</p> <p>4) Assessing hedging effectiveness<br/>Assessing hedging effectiveness is omitted because interest swap transactions have satisfied requirements for special transactions.</p> <p>(6) Other important matters for production of the consolidated financial statements<br/>Accounting treatment of consumption tax, etc.<br/>Amounts shown are exclusive of consumption tax and local consumption tax.</p> <p>5. Valuation of assets and liabilities of consolidated subsidiaries<br/>All assets and liabilities of consolidated subsidiaries are valued with the mark-to-market method.</p> <p>6. Amortization of goodwill and negative goodwill<br/>Goodwill and negative goodwill are equally amortized individually over a reasonable period of up to 20 years. Those for which a reasonable period cannot be estimated are amortized equally over a period of five years.</p> <p>7. Cash and cash equivalents<br/>In preparing the consolidated cash flow statements, cash on hand, readily available deposits, and short-term liquid investments with maturities not exceeding three months at the time of purchase and little risk of changing values are considered to be cash and cash equivalents.</p> | <p>(4) Standards for translating significant foreign currency-denominated assets or liabilities into Japanese yen<br/>Same as at left</p> <p>(5) Significant hedge accounting</p> <p>1) Hedge accounting<br/>Same as at left</p> <p>2) Hedging method and hedging target<br/>Same as at left</p> <p>3) Hedging policy<br/>Same as at left</p> <p>4) Assessing hedging effectiveness<br/>Same as at left</p> <p>(6) Other important matters for production of the consolidated financial statements<br/>Accounting treatment of consumption tax, etc.<br/>Same as at left</p> <p>5. Valuation of assets and liabilities of consolidated subsidiaries<br/>Same as at left</p> <p>6. Amortization of goodwill and negative goodwill<br/>Same as at left</p> <p>7. Cash and cash equivalents<br/>Same as at left</p> |

## Changes to Basis of Presenting Consolidated Financial Statements

| From April 1, 2008<br>to March 31, 2009  | From April 1, 2009<br>to March 31, 2010   |
|--|---|
| <p>(Consolidated Balance Sheet)</p> <p>With the application of the “Cabinet Office Ordinance Partially Revising Regulation for Terminology, Forms and Preparation Methods of Financial Statements” (Cabinet Office Ordinance No. 50, August 7, 2008), what was categorized as “inventories” in the previous consolidated fiscal year is now separately categorized as “merchandise and products,” “work in progress,” and “raw materials and inventories of merchandise and supplies.” “Merchandise and products,” “work in progress,” and “raw materials and inventories of merchandise and supplies” included in “inventories” in the previous consolidated fiscal year were 26,142 million yen, 1,936 million yen, and 11,139 million yen, respectively.</p> <p>(Consolidated Statement of Income)</p> <p>“Purchase rebates,” which had been included in “Other” of Non-operating income in the previous consolidated fiscal year, now exceed 10/100 of the total amount of non-operating income, and for that reason are listed under the independent category starting in the consolidated fiscal year under review. “Purchase rebates” included in “Other” of Non-operating income in the previous consolidated fiscal year was 229 million yen.</p> <p>“Gain on sales of investment securities,” which had been listed under an independent category in the previous consolidated fiscal year (2 million yen in the consolidated fiscal year under review) is less than 10/100 of the total amount of extraordinary profit, and for that reason listed under “Other” of extraordinary profit.</p> <p>“Loss on valuation of investment securities,” which had been included in “Other” of Extraordinary loss in the previous consolidated fiscal year, now exceeds 10/100 of the total extraordinary loss, and for that reason is listed under the independent category starting in the consolidated fiscal year under review. The “Loss on valuation of investment securities” included in “Other” in Extraordinary loss in the previous consolidated fiscal year was 45 million yen.</p> | <p>(Consolidated Income Statement)</p> <p>“Purchase rebates,” which had been listed under an independent category in the previous consolidated fiscal year (211 million yen in the consolidated fiscal year under review) are less than 10/100 of the total amount of non-operating income, and for that reason listed under “Other” of Non-operating income.</p> <p>“Depreciation expenses of rental assets,” which had been included in “Other” of Non-operating expenses in the previous consolidated fiscal year, now exceed 10/100 of the total amount of non-operating expenses, and for that reason are listed under the independent category starting in the consolidated fiscal year under review. “Depreciation expenses of rental assets” included in “Other” of Non-operating expenses in the previous consolidated fiscal year were 232 million yen.</p> <p>“Proceeds from sale of investment securities,” which had been included in “Other” of Extraordinary profit in the previous consolidated fiscal year, now exceed 10/100 of the total amount of extraordinary profit, and for that reason are listed under the independent category starting in the consolidated fiscal year under review. “Gain on sales of investment securities” included in “Other” of Extraordinary profit in the previous consolidated fiscal year was 2 million yen.</p> <p>The “loss on valuation of investment securities,” which had been listed under an independent category in the previous consolidated fiscal year (37 million yen in the consolidated fiscal year under review) is less than 10/100 of the total amount of extraordinary loss, and for that reason is listed under “Other” of extraordinary loss.</p> |

| From April 1, 2008<br>to March 31, 2009   | From April 1, 2009<br>to March 31, 2010  |
|---|--|
| <p>(Consolidated Statement of Cash Flow)</p> <p>Since “gain on sales of investment securities, net” (¥0 million for the consolidated fiscal year under review), which had been posted separately in the preceding consolidated fiscal year, became insignificant, the amount was posted in “others” in cash flow from operating activities in the consolidated fiscal year under review.</p> <p>“Loss (gain) on valuation of investment securities” which had been posted in “others” in cash flow from operating activities in the preceding consolidated fiscal year, became significant, the account title was separately posted in the consolidated fiscal year under review. In connection with this, “lss (gain) on valuation of investment securities” for the preceding consolidated fiscal year stood at ¥45 million.</p> <p>“Purchase of investments in subsidiaries,” which had been posted in “purchases of investment securities” in the preceding consolidated fiscal year, became significant, the account title was separately posted in the consolidated fiscal year under review. In connection with this, “purchase of investments in subsidiaries” for the preceding consolidated fiscal year stood at ¥16 million.</p> | <p>(Consolidated Statement of Cash Flow)</p> <p>Since “gain on sale of property, plant and equipment” (¥5 million for the consolidated fiscal year under review), which had been posted separately in the preceding consolidated fiscal year, became insignificant, the amount was posted in “others” in cash flow from operating activities in the consolidated fiscal year under review.</p> <p>Since “loss (gain) on valuation of investment securities” (¥37 million for the consolidated fiscal year under review), which had been posted separately in the preceding consolidated fiscal year, became insignificant, the amount was posted in “others” in cash flow from operating activities in the consolidated fiscal year under review.</p> <p>“Payments of loans receivable,” which had been posted in “others” in cash flow from investing activities in the preceding consolidated fiscal year, became significant, the account title was separately posted in the consolidated fiscal year under review. In connection with this, “pyments of loans receivable” for the preceding consolidated fiscal year stood at ¥7 million.</p> <p>“Collection of loans receivable,” which had been posted in “others” in cash flow from investing activities in the preceding consolidated fiscal year, became significant, the account title was separately posted in the consolidated fiscal year under review. In connection with this, “clection of loans receivable” for the preceding consolidated fiscal year stood at ¥15 million.</p> <p>“Purchase of treasury stock,” which had been posted in “others” in cash flow from financing activities in the preceding consolidated fiscal year, became significant, the account title was separately posted in the consolidated fiscal year under review. In connection with this, “prchase of treasury stock” for the preceding consolidated fiscal year stood at ¥30 million.</p> |

Explanatory Notes to Consolidated Financial Statements  
(Notes to Consolidated Balance Sheet)

(Million yen)

| As of March 31, 2009   | As of March 31, 2010   |
|--|--|
| *1. Shares of affiliates   | *1. Shares of affiliates   |
| Investment securities (stocks) 2,753   | Investment securities (stocks) 2,589   |
| *2. Assets pledged as collateral and secured debt  | *2. Assets pledged as collateral and secured debt  |
| Assets pledged as collateral   | Assets pledged as collateral   |
| Building and structures 321  | Building and structures 340  |
| Land 724   | Land 773   |
| Others 113   | Others 113   |
| Total 1,159  | Total 1,227  |
| Secured debt   | Secured debt   |
| Short-term loans payable   | Short-term loans payable 40  |
| 3. Liabilities on guarantee  | 3. Liabilities on guarantee  |
| The Company extends a guarantee over borrowings from financial institutions, etc. The foreign currency-denominated conversion amount of the yen is based on the exchange rate on the consolidated settlement date. | The Company extends a guarantee over borrowings from financial institutions, etc. The foreign currency-denominated conversion amount of the yen is based on the exchange rate on the consolidated settlement date. |
| ZHUHAI SUMIKA POLYMER COMPOUNDS Co., Ltd. (RMB 39,577,000, etc.) 679   | Sumika Polymer Compounds America, Inc. (US\$7,200,000) 669   |
| Sumika Polymer Compounds America, Inc. (US\$6,075,000) 596   | ZHUHAI SUMIKA POLYMER COMPOUNDS Co., Ltd. (US\$2,745,000, etc.) 418  |
| Others: six companies 587  | Others: five companies 446   |
| Employees (housing loans) 1,042  | Employees (housing loans) 845  |
| Total 2,907  | Total 2,380  |
| 4. Discounts on notes and accounts receivable 340  | 4. Discounts on notes and accounts receivable 225  |
| Endorsement of notes and accounts receivable 427   | Endorsement of notes and accounts receivable 87  |

## (Notes to Consolidated Statement of Income)

(Million yen)

| From April 1, 2008 to March 31, 2009  | From April 1, 2009 to March 31, 2010  |
|---|---|
| *1. Research and development expenses included in selling, general and administrative expenses and manufacturing cost for the year were ¥7,134 million. | *1. Research and development expenses included in selling, general and administrative expenses and manufacturing cost for the year were ¥7,099 million. |
| *2. Significant components of loss on sales of fixed assets   | *2. Significant components of loss on sales of fixed assets   |
| Building and structures 131   | Machinery and vehicles 9  |
| Others 112  | Others 5  |
| Total 244   | Total 15  |
| *3. Details of loss on disposals and sale of fixed assets are as follows:   | *3. Details of loss on disposals and sale of fixed assets are as follows:   |
| Building and structures 204   | Building and structures 181   |
| Machinery and vehicles 192  | Machinery and vehicles 360  |
| Others 54   | Others 86   |
| Total 451   | Total 628   |

(Notes to Consolidated Statement of Changes in Net Assets)

From April 1, 2008 to March 31, 2009

## 1. Matters concerning the type and the number of shares issued and treasury stock

(Thousand shares)

|                          | At the end of<br>previous period | Increase | Decrease | At the end of<br>this period |
|--------------------------|----------------------------------|----------|----------|------------------------------|
| Shares issued            |                                  |          |          |                              |
| Common stock             | 303,108                          | –        | –        | 303,108                      |
| Total                    | 303,108                          | –        | –        | 303,108                      |
| Treasury stock           |                                  |          |          |                              |
| Common stock (Note 1, 2) | 624                              | 102      | 71       | 655                          |
| Total                    | 624                              | 102      | 71       | 655                          |

(Notes) 1. An increase of 102,000 own shares of common stock was attributed to the purchasing shares of less than one unit.

2. A decrease of 71,000 own shares of common stock was attributed to the request for sale of shares of less than one unit.

## 2. Matters concerning dividend

## (1) Dividend payments

| Resolution   | Type of stock   | Total amount of<br>dividends (million yen) | Dividend per<br>share (yen) | Record date        | Effective date   |
|--|-----------------|--|-----------------------------|--------------------|------------------|
| Ordinary meeting of<br>shareholders on June 27, 2008 | Common<br>stock | 1,663                                      | 5.50                        | March 31, 2008     | June 30, 2008    |
| Board of directors' meeting on<br>November 7, 2008   | Common<br>stock | 1,663                                      | 5.50                        | September 30, 2008 | December 5, 2008 |

## (2) Dividends with a record date in the fiscal year but an effective date in the following fiscal year

| Resolution   | Type of<br>stock | Total amount of<br>dividends (million yen) | Source of<br>dividends | Dividend per<br>share (yen) | Record date    | Effective date |
|--|------------------|--|------------------------|-----------------------------|----------------|----------------|
| Ordinary meeting of<br>shareholders on June 26, 2009 | Common<br>stock  | 1,361                                      | Retained<br>earnings   | 4.50                        | March 31, 2009 | June 29, 2009  |

From April 1, 2009 to March 31, 2010

## 1. Matters concerning the type and the number of shares issued and treasury stock

(Thousand shares)

|                          | At the end of<br>previous period | Increase | Decrease | At the end of<br>this period |
|--------------------------|----------------------------------|----------|----------|------------------------------|
| Shares issued            |                                  |          |          |                              |
| Common stock             | 303,108                          | –        | –        | 303,108                      |
| Total                    | 303,108                          | –        | –        | 303,108                      |
| Treasury stock           |                                  |          |          |                              |
| Common stock (Note 1, 2) | 655                              | 4,035    | 3        | 4,687                        |
| Total                    | 655                              | 4,035    | 3        | 4,687                        |

(Notes) 1. The increase of 4,035,000 own shares of common stock consists of the acquisition of 4,000,000 shares of treasury stock by resolution of the Board of Directors and the purchase of 35,000 shares of less than one unit.

2. A decrease of 3,000 own shares of common stock was attributed to the request for sale of shares of less than one unit.

## 2. Matters concerning dividend

## (1) Dividend payments

| Resolution   | Type of stock   | Total amount of<br>dividends (million yen) | Dividend per<br>share (yen) | Record date        | Effective date   |
|--|-----------------|--|-----------------------------|--------------------|------------------|
| Ordinary meeting of<br>shareholders on June 26, 2009 | Common<br>stock | 1,361                                      | 4.50                        | March 31, 2009     | June 29, 2009    |
| Board of directors' meeting on<br>November 6, 2009   | Common<br>stock | 1,360                                      | 4.50                        | September 30, 2009 | December 7, 2009 |

## (2) Dividends with a record date in the current fiscal year but an effective date in the following fiscal year

The following is scheduled for resolution:

| Resolution   | Type of<br>stock | Total amount of<br>dividends (million yen) | Source of<br>dividends | Dividend per<br>share (yen) | Record date    | Effective date |
|--|------------------|--|------------------------|-----------------------------|----------------|----------------|
| Ordinary meeting of<br>shareholders on June 29, 2010 | Common<br>stock  | 1,641                                      | Retained<br>earnings   | 5.50                        | March 31, 2010 | June 30, 2010  |

## (Consolidated Cash Flow Statement)

(Million yen)

| From April 1, 2008<br>to March 31, 2009   | From April 1, 2009<br>to March 31, 2010   |
|---|---|
| *1. Reconciliation of the consolidated balance sheet items to cash and cash equivalents in the consolidated cash flows statements | *1. Reconciliation of the consolidated balance sheet items to cash and cash equivalents in the consolidated cash flows statements |
| Cash and time deposits  | Cash and time deposits  |
| Securities  | Securities  |
| Tota  | Tota  |
| Time deposits with maturity<br>of more than 3 months  | Time deposits with maturity<br>of more than 3 months  |
| Investments due within one year   | Investments in investment limited partnerships  |
| Cash and cash equivalents   | Cash and cash equivalents   |
| 12,964  | 21,037  |
| 372   | 696   |
| 13,336  | 21,733  |
| -867  | -657  |
| -0  | -39   |
| 12,468  | 21,037  |

## (Matters Related to Retirement Benefit)

(Million yen)

| From April 1, 2008<br>to March 31, 2009   | From April 1, 2009<br>to March 31, 2010   |         |                    |        |   |        |           |        |  |        |                                     |        |                           |        |   |       |               |       |                              |       |  |        |           |        |   |                                    |         |                    |        |   |        |           |        |  |        |                                     |        |                           |        |   |       |               |       |                              |       |  |        |           |        |
|---|---|---------|--------------------|--------|---|--------|-----------|--------|--|--------|-------------------------------------|--------|---------------------------|--------|---|-------|---------------|-------|------------------------------|-------|--|--------|-----------|--------|---|------------------------------------|---------|--------------------|--------|---|--------|-----------|--------|--|--------|-------------------------------------|--------|---------------------------|--------|---|-------|---------------|-------|------------------------------|-------|--|--------|-----------|--------|
| <p>1. Overview of the adopted retirement benefits plan</p> <p>The Company and its domestic consolidated subsidiaries have offered a corporate pension fund plan and retirement lump sum grants plan. In addition, starting in April 2008, a defined-contribution pension plan was introduced. The Company may also offer premium severance pay to employees on their retirement that is not subject to retirement benefit liabilities based on the actuarial calculation pursuant to the retirement benefit accounting. Certain domestic consolidated subsidiaries have adopted the Smaller Enterprise Retirement Allowance Mutual Aid Scheme, while certain overseas consolidated subsidiaries have adopted a defined contribution scheme, in addition to a defined benefit pension plan. In addition, the Company has set retirement allowance trust.</p>   | <p>1. Overview of the adopted retirement benefits plan</p> <p>The Company and its domestic consolidated subsidiaries offer a corporate pension fund plan based on a defined-benefit pension plan and a retirement lump sum grants plan, as well as a corporate defined-contribution pension plan based on a defined-contribution pension. Certain domestic consolidated subsidiaries have adopted the Smaller Enterprise Retirement Allowance Mutual Aid Scheme, while certain overseas consolidated subsidiaries have adopted a defined contribution scheme, in addition to a defined benefit pension plan. The Company may also offer premium severance pay to employees on their retirement that is not subject to retirement benefit liabilities based on the actuarial calculation pursuant to the retirement benefit accounting. In connection with this, the Company has set retirement allowance trust.</p> |         |                    |        |   |        |           |        |  |        |                                     |        |                           |        |   |       |               |       |                              |       |  |        |           |        |   |                                    |         |                    |        |   |        |           |        |  |        |                                     |        |                           |        |   |       |               |       |                              |       |  |        |           |        |
| <p>2. Matters related to the retirement benefit obligations</p> <table> <tr> <td>(1) Retirement benefit obligations</td> <td style="text-align: right;">-33,187</td> </tr> <tr> <td>(2) Pension assets</td> <td style="text-align: right;">29,427</td> </tr> <tr> <td>(3) Unfunded retirement benefit obligations</td> <td style="text-align: right;">-3,759</td> </tr> <tr> <td>((1)+(2))</td> <td style="text-align: right;">-3,759</td> </tr> <tr> <td>(4) Unrecognized actuarial differences</td> <td style="text-align: right;">13,460</td> </tr> <tr> <td>(5) Unrecognized prior service cost</td> <td style="text-align: right;">-3,740</td> </tr> <tr> <td>(Decrease in liabilities)</td> <td style="text-align: right;">-3,740</td> </tr> <tr> <td>(6) Amount (net) in the consolidated balance sheets</td> <td style="text-align: right;">5,960</td> </tr> <tr> <td>((3)+(4)+(5))</td> <td style="text-align: right;">5,960</td> </tr> <tr> <td>(7) Prepaid pension expenses</td> <td style="text-align: right;">7,276</td> </tr> <tr> <td>(8) Liabilities for retirement benefits to employees</td> <td style="text-align: right;">-1,315</td> </tr> <tr> <td>((6)-(7))</td> <td style="text-align: right;">-1,315</td> </tr> </table> | (1) Retirement benefit obligations  | -33,187 | (2) Pension assets | 29,427 | (3) Unfunded retirement benefit obligations | -3,759 | ((1)+(2)) | -3,759 | (4) Unrecognized actuarial differences | 13,460 | (5) Unrecognized prior service cost | -3,740 | (Decrease in liabilities) | -3,740 | (6) Amount (net) in the consolidated balance sheets | 5,960 | ((3)+(4)+(5)) | 5,960 | (7) Prepaid pension expenses | 7,276 | (8) Liabilities for retirement benefits to employees | -1,315 | ((6)-(7)) | -1,315 | <p>2. Matters related to the retirement benefit obligations</p> <table> <tr> <td>(1) Retirement benefit obligations</td> <td style="text-align: right;">-34,692</td> </tr> <tr> <td>(2) Pension assets</td> <td style="text-align: right;">32,291</td> </tr> <tr> <td>(3) Unfunded retirement benefit obligations</td> <td style="text-align: right;">-2,401</td> </tr> <tr> <td>((1)+(2))</td> <td style="text-align: right;">-2,401</td> </tr> <tr> <td>(4) Unrecognized actuarial differences</td> <td style="text-align: right;">11,934</td> </tr> <tr> <td>(5) Unrecognized prior service cost</td> <td style="text-align: right;">-3,249</td> </tr> <tr> <td>(Decrease in liabilities)</td> <td style="text-align: right;">-3,249</td> </tr> <tr> <td>(6) Amount (net) in the consolidated balance sheets</td> <td style="text-align: right;">6,282</td> </tr> <tr> <td>((3)+(4)+(5))</td> <td style="text-align: right;">6,282</td> </tr> <tr> <td>(7) Prepaid pension expenses</td> <td style="text-align: right;">7,608</td> </tr> <tr> <td>(8) Liabilities for retirement benefits to employees</td> <td style="text-align: right;">-1,325</td> </tr> <tr> <td>((6)-(7))</td> <td style="text-align: right;">-1,325</td> </tr> </table> | (1) Retirement benefit obligations | -34,692 | (2) Pension assets | 32,291 | (3) Unfunded retirement benefit obligations | -2,401 | ((1)+(2)) | -2,401 | (4) Unrecognized actuarial differences | 11,934 | (5) Unrecognized prior service cost | -3,249 | (Decrease in liabilities) | -3,249 | (6) Amount (net) in the consolidated balance sheets | 6,282 | ((3)+(4)+(5)) | 6,282 | (7) Prepaid pension expenses | 7,608 | (8) Liabilities for retirement benefits to employees | -1,325 | ((6)-(7)) | -1,325 |
| (1) Retirement benefit obligations  | -33,187   |         |                    |        |   |        |           |        |  |        |                                     |        |                           |        |   |       |               |       |                              |       |  |        |           |        |   |                                    |         |                    |        |   |        |           |        |  |        |                                     |        |                           |        |   |       |               |       |                              |       |  |        |           |        |
| (2) Pension assets  | 29,427  |         |                    |        |   |        |           |        |  |        |                                     |        |                           |        |   |       |               |       |                              |       |  |        |           |        |   |                                    |         |                    |        |   |        |           |        |  |        |                                     |        |                           |        |   |       |               |       |                              |       |  |        |           |        |
| (3) Unfunded retirement benefit obligations   | -3,759  |         |                    |        |   |        |           |        |  |        |                                     |        |                           |        |   |       |               |       |                              |       |  |        |           |        |   |                                    |         |                    |        |   |        |           |        |  |        |                                     |        |                           |        |   |       |               |       |                              |       |  |        |           |        |
| ((1)+(2))   | -3,759  |         |                    |        |   |        |           |        |  |        |                                     |        |                           |        |   |       |               |       |                              |       |  |        |           |        |   |                                    |         |                    |        |   |        |           |        |  |        |                                     |        |                           |        |   |       |               |       |                              |       |  |        |           |        |
| (4) Unrecognized actuarial differences  | 13,460  |         |                    |        |   |        |           |        |  |        |                                     |        |                           |        |   |       |               |       |                              |       |  |        |           |        |   |                                    |         |                    |        |   |        |           |        |  |        |                                     |        |                           |        |   |       |               |       |                              |       |  |        |           |        |
| (5) Unrecognized prior service cost   | -3,740  |         |                    |        |   |        |           |        |  |        |                                     |        |                           |        |   |       |               |       |                              |       |  |        |           |        |   |                                    |         |                    |        |   |        |           |        |  |        |                                     |        |                           |        |   |       |               |       |                              |       |  |        |           |        |
| (Decrease in liabilities)   | -3,740  |         |                    |        |   |        |           |        |  |        |                                     |        |                           |        |   |       |               |       |                              |       |  |        |           |        |   |                                    |         |                    |        |   |        |           |        |  |        |                                     |        |                           |        |   |       |               |       |                              |       |  |        |           |        |
| (6) Amount (net) in the consolidated balance sheets   | 5,960   |         |                    |        |   |        |           |        |  |        |                                     |        |                           |        |   |       |               |       |                              |       |  |        |           |        |   |                                    |         |                    |        |   |        |           |        |  |        |                                     |        |                           |        |   |       |               |       |                              |       |  |        |           |        |
| ((3)+(4)+(5))   | 5,960   |         |                    |        |   |        |           |        |  |        |                                     |        |                           |        |   |       |               |       |                              |       |  |        |           |        |   |                                    |         |                    |        |   |        |           |        |  |        |                                     |        |                           |        |   |       |               |       |                              |       |  |        |           |        |
| (7) Prepaid pension expenses  | 7,276   |         |                    |        |   |        |           |        |  |        |                                     |        |                           |        |   |       |               |       |                              |       |  |        |           |        |   |                                    |         |                    |        |   |        |           |        |  |        |                                     |        |                           |        |   |       |               |       |                              |       |  |        |           |        |
| (8) Liabilities for retirement benefits to employees  | -1,315  |         |                    |        |   |        |           |        |  |        |                                     |        |                           |        |   |       |               |       |                              |       |  |        |           |        |   |                                    |         |                    |        |   |        |           |        |  |        |                                     |        |                           |        |   |       |               |       |                              |       |  |        |           |        |
| ((6)-(7))   | -1,315  |         |                    |        |   |        |           |        |  |        |                                     |        |                           |        |   |       |               |       |                              |       |  |        |           |        |   |                                    |         |                    |        |   |        |           |        |  |        |                                     |        |                           |        |   |       |               |       |                              |       |  |        |           |        |
| (1) Retirement benefit obligations  | -34,692   |         |                    |        |   |        |           |        |  |        |                                     |        |                           |        |   |       |               |       |                              |       |  |        |           |        |   |                                    |         |                    |        |   |        |           |        |  |        |                                     |        |                           |        |   |       |               |       |                              |       |  |        |           |        |
| (2) Pension assets  | 32,291  |         |                    |        |   |        |           |        |  |        |                                     |        |                           |        |   |       |               |       |                              |       |  |        |           |        |   |                                    |         |                    |        |   |        |           |        |  |        |                                     |        |                           |        |   |       |               |       |                              |       |  |        |           |        |
| (3) Unfunded retirement benefit obligations   | -2,401  |         |                    |        |   |        |           |        |  |        |                                     |        |                           |        |   |       |               |       |                              |       |  |        |           |        |   |                                    |         |                    |        |   |        |           |        |  |        |                                     |        |                           |        |   |       |               |       |                              |       |  |        |           |        |
| ((1)+(2))   | -2,401  |         |                    |        |   |        |           |        |  |        |                                     |        |                           |        |   |       |               |       |                              |       |  |        |           |        |   |                                    |         |                    |        |   |        |           |        |  |        |                                     |        |                           |        |   |       |               |       |                              |       |  |        |           |        |
| (4) Unrecognized actuarial differences  | 11,934  |         |                    |        |   |        |           |        |  |        |                                     |        |                           |        |   |       |               |       |                              |       |  |        |           |        |   |                                    |         |                    |        |   |        |           |        |  |        |                                     |        |                           |        |   |       |               |       |                              |       |  |        |           |        |
| (5) Unrecognized prior service cost   | -3,249  |         |                    |        |   |        |           |        |  |        |                                     |        |                           |        |   |       |               |       |                              |       |  |        |           |        |   |                                    |         |                    |        |   |        |           |        |  |        |                                     |        |                           |        |   |       |               |       |                              |       |  |        |           |        |
| (Decrease in liabilities)   | -3,249  |         |                    |        |   |        |           |        |  |        |                                     |        |                           |        |   |       |               |       |                              |       |  |        |           |        |   |                                    |         |                    |        |   |        |           |        |  |        |                                     |        |                           |        |   |       |               |       |                              |       |  |        |           |        |
| (6) Amount (net) in the consolidated balance sheets   | 6,282   |         |                    |        |   |        |           |        |  |        |                                     |        |                           |        |   |       |               |       |                              |       |  |        |           |        |   |                                    |         |                    |        |   |        |           |        |  |        |                                     |        |                           |        |   |       |               |       |                              |       |  |        |           |        |
| ((3)+(4)+(5))   | 6,282   |         |                    |        |   |        |           |        |  |        |                                     |        |                           |        |   |       |               |       |                              |       |  |        |           |        |   |                                    |         |                    |        |   |        |           |        |  |        |                                     |        |                           |        |   |       |               |       |                              |       |  |        |           |        |
| (7) Prepaid pension expenses  | 7,608   |         |                    |        |   |        |           |        |  |        |                                     |        |                           |        |   |       |               |       |                              |       |  |        |           |        |   |                                    |         |                    |        |   |        |           |        |  |        |                                     |        |                           |        |   |       |               |       |                              |       |  |        |           |        |
| (8) Liabilities for retirement benefits to employees  | -1,325  |         |                    |        |   |        |           |        |  |        |                                     |        |                           |        |   |       |               |       |                              |       |  |        |           |        |   |                                    |         |                    |        |   |        |           |        |  |        |                                     |        |                           |        |   |       |               |       |                              |       |  |        |           |        |
| ((6)-(7))   | -1,325  |         |                    |        |   |        |           |        |  |        |                                     |        |                           |        |   |       |               |       |                              |       |  |        |           |        |   |                                    |         |                    |        |   |        |           |        |  |        |                                     |        |                           |        |   |       |               |       |                              |       |  |        |           |        |
| <p>(Notes) 1. Extra premium severance pay is not included.</p> <p>2. Some consolidated subsidiaries calculated the retirement benefit obligations using the simplification method.</p>  | <p>(Notes) 1. Extra premium severance pay is not included.</p> <p>2. Some consolidated subsidiaries calculated the retirement benefit obligations using the simplification method.</p>  |         |                    |        |   |        |           |        |  |        |                                     |        |                           |        |   |       |               |       |                              |       |  |        |           |        |   |                                    |         |                    |        |   |        |           |        |  |        |                                     |        |                           |        |   |       |               |       |                              |       |  |        |           |        |

(Million yen)

| From April 1, 2008<br>to March 31, 2009   | From April 1, 2009<br>to March 31, 2010   |
|---|---|
| 3. Matters related to retirement benefit expenses   | 3. Matters related to retirement benefit expenses   |
| (1) Service expenses (Note 1) 1,172   | (1) Service expenses (Note 1) 1,167   |
| (2) Interest expenses 839   | (2) Interest expenses 796   |
| (3) Expected return -861  | (3) Expected return -699  |
| (4) Actuarial differences charged to the expenses 700   | (4) Actuarial differences charged to the expenses 1,428   |
| (5) Prior service cost charged to the expenses -486   | (5) Prior service cost charged to the expenses -489   |
| (6) Retirement benefit expenses<br>((1) + (2) + (3) + (4) + (5)) 1,363  | (6) Retirement benefit expenses<br>((1) + (2) + (3) + (4) + (5)) 2,204  |
| (7) Premium severance pay 43  | (7) Premium severance pay 19  |
| (8) Premium payment for defined-contribution<br>pension plans (Note 2) 842  | (8) Premium payment for defined-contribution<br>pension plans (Note 2) 885  |
| (9) Total ((6) + (7) + (8)) 2,249   | (9) Total ((6) + (7) + (8)) 3,108   |
| (Notes) 1. The retirement benefit expense borne by consolidated subsidiaries employing the simplification method is included in "(1) Service expenses."<br>2. Premium payment for defined-contribution pension plans refers to premium payments for defined-contribution pension plans and the Smaller Enterprise Retirement Allowance Mutual Aid Scheme, and prepaid retirement benefit payment. | (Notes) 1. The retirement benefit expense borne by consolidated subsidiaries employing the simplification method is included in "(1) Service expenses."<br>2. Premium payment for defined-contribution pension plans refers to premium payments for defined-contribution pension plans and the Smaller Enterprise Retirement Allowance Mutual Aid Scheme, and prepaid retirement benefit payment. |
| 4. Matters related to the basis for computation of the retirement benefit expense and other figures   | 4. Matters related to the basis for computation of the retirement benefit expense and other figures   |
| (1) Periodic allocation of expected retirement benefits<br>Fixed amount for each period   | (1) Periodic allocation of expected retirement benefits<br>Same as at left  |
| (2) Discount rate 2.5% in general   | (2) Discount rate 1.7% in general   |
| (3) Rate of expected return 2.5%  | (3) Rate of expected return 2.5%  |
| (4) Years for amortization of prior service cost 13 years<br>(The straight-line method adopts a fixed period of years within the average remaining service period of employees on an accrual basis.)  | (4) Years for amortization of prior service cost 13 years<br>Same as at left  |
| (5) Years for amortization of actuarial differences 13 years<br>(Expenses after the consolidated fiscal year following accruals are posted based on the straight-line method, which adopts a fixed period of years within the average remaining service period of employees.)   | (5) Years for amortization of actuarial differences 13 years<br>Same as at left   |

(Tax Effect Accounting)

(Million yen)

| As of March 31, 2009   | As of March 31, 2010  |
|--|---|
| <p>1. Major components of deferred tax assets and liabilities</p> <p>(Current assets)</p> <p>Deferred income tax assets</p> <p>Reserve for bonuses 1,049</p> <p>Deferred retained loss 662</p> <p>Loss on valuation of inventories 287</p> <p>Others 611</p> <p>Deferred income tax assets subtotal 2,611</p> <p>Valuation reserve -69</p> <p>Deferred income tax assets total 2,542</p> <p>Total of deferred income tax liabilities -31</p> <p>Deferred income tax assets (net) 2,510</p> <p>(Fixed assets)</p> <p>Deferred income tax assets</p> <p>Deferred retained loss 3,564</p> <p>Depreciation expenses 2,753</p> <p>Variance on revaluation of other marketable securities 2,433</p> <p>Loss on valuation of investment securities 1,805</p> <p>Reserve for retirement benefits 396</p> <p>Allowance for doubtful accounts 258</p> <p>Others 834</p> <p>Deferred income tax assets subtotal 12,046</p> <p>Valuation reserve -2,971</p> <p>Deferred income tax assets total 9,075</p> <p>Deferred income tax liabilities</p> <p>Reserve for advanced appreciation of fixed assets -3,754</p> <p>Variance on revaluation of assets of consolidated subsidiaries -921</p> <p>Retained income -220</p> <p>Others -384</p> <p>Total of deferred income tax liabilities -5,282</p> <p>Deferred income tax liabilities (net) 3,792</p> | <p>1. Major components of deferred tax assets and liabilities</p> <p>(Current assets)</p> <p>Deferred income tax assets</p> <p>Reserve for bonuses 1,082</p> <p>Loss on valuation of inventories 611</p> <p>Deferred retained loss 212</p> <p>Others 586</p> <p>Deferred income tax assets subtotal 2,493</p> <p>Valuation reserve -169</p> <p>Deferred income tax assets total 2,323</p> <p>Total of deferred income tax liabilities -43</p> <p>Deferred income tax assets (net) 2,280</p> <p>(Fixed assets)</p> <p>Deferred income tax assets</p> <p>Depreciation expenses 2,830</p> <p>Loss on valuation of investment securities 1,867</p> <p>Deferred retained loss 878</p> <p>Variance on revaluation of other marketable securities 465</p> <p>Reserve for retirement benefits 289</p> <p>Allowance for doubtful accounts 268</p> <p>Others 872</p> <p>Deferred income tax assets subtotal 7,473</p> <p>Valuation reserve -3,118</p> <p>Deferred income tax assets total 4,355</p> <p>Deferred income tax liabilities</p> <p>Reserve for advanced appreciation of fixed assets -3,700</p> <p>Variance on revaluation of assets of consolidated subsidiaries -943</p> <p>Retained income -382</p> <p>Others -360</p> <p>Total of deferred income tax liabilities -5,386</p> <p>Deferred income tax liabilities (net) -1,031</p> |
| <p>(Note) Deferred income tax assets (net) for the consolidated fiscal year under review are included in the following account titles of the Consolidated Balance Sheets.</p> <p>Current assets—Deferred income tax assets 2,510</p> <p>Current Liabilities—Others -0</p> <p>Fixed assets—Deferred income tax assets 5,237</p> <p>Long-term liabilities—Deferred income tax liabilities -1,444</p>   | <p>(Note) Deferred income tax assets and deferred income tax liabilities (net) for the consolidated fiscal year under review are included in the following account titles of the Consolidated Balance Sheets.</p> <p>Current assets—Deferred income tax assets 2,280</p> <p>Fixed assets—Deferred income tax assets 1,194</p> <p>Long-term liabilities—Deferred income tax liabilities -2,225</p>   |

| As of March 31, 2009  | As of March 31, 2010  |
|---|---|
| 2. Breakdown of major factors in the difference between the effective statutory tax rate and corporate tax burden rate after the application of the tax effect accounting | 2. Breakdown of major factors in the difference between the effective statutory tax rate and corporate tax burden rate after the application of the tax effect accounting |
| Statutory tax rate  | Statutory tax rate  |
| 40.69%  | 40.69%  |
| (Adjustment)  | (Adjustment)  |
| Entertainment expenses and other items not to be included in expenses indefinitely  | Entertainment expenses and other items not to be included in expenses indefinitely  |
| -25.02%   | 2.80%   |
| Gain on dividend income not permitted for inclusion in expenses   | Gain on dividend income not permitted for inclusion in expenses   |
| 11.44%  | -1.52%  |
| Impacts on deconsolidation of dividends received  | Impacts on deconsolidation of dividends received  |
| -20.61%   | 1.79%   |
| Resident tax on a per capita basis  | Impacts on increase/decrease in valuation reserve   |
| -2.71%  | 0.54%   |
| Impacts on increase/decrease in valuation reserve   | Equity/loss in earnings of associated companies   |
| -91.10%   | 0.71%   |
| Different tax rates on overseas consolidated subsidiaries   | Different tax rates on overseas consolidated subsidiaries   |
| 33.77%  | -7.75%  |
| Non-posting of deferred tax assets related to the consolidation deletion of companies in deficit  | Non-posting of deferred tax assets related to the consolidation deletion of companies in deficit  |
| -4.55%  | 2.69%   |
| Retained income   | Retained income   |
| -11.63%   | 1.29%   |
| Foreign corporate tax included in charge against revenues   | Others  |
| -3.66%  | 1.09%   |
| Tax payment adjustment before the previous consolidated fiscal year   | Effective tax rate  |
| 1.53%   | <u>42.33%</u>   |
| Others  |   |
| 0.85%   |   |
| Effective tax rate  |   |
| <u>-71.00%</u>  |   |

## (Segment Information)

## a. Segment information by business group

From April 1, 2008 to March 31, 2009

(Million yen)

|   | Printing inks | Graphic arts machinery and supplies | Polymer chemicals | Chemicals and media materials | Others | Subtotal | Eliminations or corporate | Total consolidated |
|---|---------------|-------------------------------------|-------------------|-------------------------------|--------|----------|---------------------------|--------------------|
| I. Net sales and operating income or loss         |               |                                     |                   |                               |        |          |                           |                    |
| (1) Sales to customers                            | 104,069       | 27,058                              | 50,064            | 53,160                        | 5,462  | 239,814  | –                         | 239,814            |
| (2) Intersegment sales                            | 767           | 37                                  | 2,029             | 1,610                         | 1,091  | 5,536    | (5,536)                   | –                  |
| Total sales                                       | 104,836       | 27,095                              | 52,093            | 54,771                        | 6,554  | 245,351  | (5,536)                   | 239,814            |
| Operating expenses                                | 99,973        | 26,212                              | 49,062            | 49,078                        | 6,498  | 230,824  | 5,256                     | 236,081            |
| Operating income                                  | 4,862         | 883                                 | 3,031             | 5,693                         | 56     | 14,527   | (10,793)                  | 3,733              |
| II. Assets, depreciation and capital expenditures |               |                                     |                   |                               |        |          |                           |                    |
| Assets  | 85,047        | 13,718                              | 45,443            | 61,594                        | 7,544  | 213,348  | 47,340                    | 260,689            |
| Depreciation expenses                             | 3,837         | 391                                 | 2,430             | 4,953                         | 138    | 11,751   | 1,097                     | 12,848             |
| Capital expenditures                              | 3,301         | 289                                 | 2,188             | 3,094                         | 308    | 9,183    | 609                       | 9,792              |

From April 1, 2009 to March 31, 2010

(Million yen)

|   | Printing inks | Graphic arts machinery and supplies | Polymer chemicals | Chemicals and media materials | Others | Subtotal | Eliminations or corporate | Total consolidated |
|---|---------------|-------------------------------------|-------------------|-------------------------------|--------|----------|---------------------------|--------------------|
| I. Net sales and operating income or loss         |               |                                     |                   |                               |        |          |                           |                    |
| (1) Sales to customers                            | 96,127        | 24,215                              | 48,888            | 52,108                        | 4,735  | 226,074  | –                         | 226,074            |
| (2) Intersegment sales                            | 721           | 66                                  | 1,621             | 1,217                         | 1,196  | 4,823    | (4,823)                   | –                  |
| Total sales                                       | 96,848        | 24,281                              | 50,510            | 53,325                        | 5,931  | 230,898  | (4,823)                   | 226,074            |
| Operating expenses                                | 88,075        | 23,848                              | 43,677            | 46,460                        | 5,872  | 207,935  | 4,800                     | 212,735            |
| Operating income                                  | 8,773         | 433                                 | 6,832             | 6,865                         | 58     | 22,963   | (9,623)                   | 13,339             |
| II. Assets, depreciation and capital expenditures |               |                                     |                   |                               |        |          |                           |                    |
| Assets  | 86,662        | 12,193                              | 46,062            | 59,838                        | 6,398  | 211,156  | 55,307                    | 266,463            |
| Depreciation expenses                             | 3,479         | 349                                 | 2,155             | 4,022                         | 96     | 10,103   | 796                       | 10,899             |
| Capital expenditures                              | 1,464         | 189                                 | 878               | 1,906                         | 68     | 4,508    | 384                       | 4,892              |



- (Notes) 1. The division of countries and regions is based on geographical vicinity.  
 2. Major countries or regions belonging to segments other than Japan:  
 (1) Asia – Oceania:  
 People’s Republic of China, Taiwan, Republic of Korea, Kingdom of Thailand, Australia, Socialist Republic of Viet Nam and Malaysia  
 (2) Europe:  
 France and Belgium  
 (3) The Americas:  
 The United States and Brazil  
 Since a subsidiary was established in South American in the consolidated fiscal year under review, the segment name has been changed from North America to the Americas starting in the consolidated fiscal year.  
 3. Among the assets, major Company-wide assets included in eliminations or corporate are long-term investment assets (investment securities) and assets associated with the control section and the research section of the Company.  
 Previous consolidated fiscal year 48,453 million yen  
 Consolidated fiscal year under review 56,995 million yen

## c. Sales to foreign customers

From April 1, 2008 to March 31, 2009

(Million yen)

|  | Asia – Oceania | Europe | The Americas | Africa | Total   |
|--|----------------|--------|--------------|--------|---------|
| I. Sales to foreign customers                | 62,944         | 2,443  | 7,588        | 92     | 73,069  |
| II. Consolidated net sales                   |                |        |              |        | 239,814 |
| III. Ratio of sales to foreign customers (%) | 26.3           | 1.0    | 3.2          | 0.0    | 30.5    |

From April 1, 2009 to March 31, 2010

(Million yen)

|  | Asia – Oceania | Europe | The Americas | Africa | Total   |
|--|----------------|--------|--------------|--------|---------|
| I. Sales to foreign customers                | 58,818         | 1,228  | 6,036        | 125    | 66,209  |
| II. Consolidated net sales                   |                |        |              |        | 226,074 |
| III. Ratio of sales to foreign customers (%) | 26.0           | 0.5    | 2.7          | 0.1    | 29.3    |

- (Notes) 1. The division of countries and regions is based on geographical vicinity.  
 2. Major countries or regions belonging to segments:  
 (1) Asia – Oceania:  
 People’s Republic of China, Taiwan, Republic of Korea, Kingdom of Thailand and Australia  
 (2) Europe:  
 Italy, Germany  
 (3) The Americas:  
 The United States, Canada  
 (4) Africa:  
 Nigeria, Egypt  
 3. Overseas sales refer to sales achieved by the consolidated subsidiaries in countries and regions other than by the Company and its domestic consolidated subsidiaries (not including internal sales among consolidated subsidiaries).

## (Information on related parties)

From April 1, 2008 to March 31, 2009

## (Additional information)

Starting in the consolidated fiscal year under review, the Accounting Standard Related Party Disclosures (ASBJ Standard No. 11 dated October 17, 2006, and the Application Guidance on Accounting Standard Related Party Disclosures, ASBJ Guidance No. 13 dated October 17, 2006, are applied.

As a result, in addition to the existing scope of disclosure, transactions among the Company's consolidated subsidiaries and related parties are included in the scope of disclosure. Meanwhile, transactions conducted by the Company and its directors as the representatives of other corporations are removed from the scope of disclosure.

## Transactions among related corporations

## 1. Transactions between parent company of company submitting consolidated financial statements and related parties

## (a) Parent company of company submitting consolidated financial statements and major shareholders (corporations only), etc.

| Attribute                         | Name of company, etc.     | Address         | Capital stock or investment (Million yen) | Business or occupation  | Percentage of voting rights or equity share held | Relationship details   | Transaction details                 | Transaction amount (million yen) (Note 1) | Accounting item              | Balance at end of period (million yen) (Note 1) |
|-----------------------------------|---------------------------|-----------------|---|---|--|--|-------------------------------------|---|------------------------------|---|
| Other subsidiaries and affiliates | Toppan Printing Co., Ltd. | Taito-ku, Tokyo | 104,986                                   | Makeups, printing, binding, processing, and other associated business | (Held) Direct 22.67                              | Sale of our products and purchases of products and printing materials of Toppan Printing<br>Concurrent directors | Sale of products and goods (Note 2) | 12,552                                    | Note and accounts receivable | 6,448   |

## Terms and conditions of trade and determining their policies

(Notes) 1. Trading amounts include no consumption tax, which is posted in the year-end balance.

2. Prices and terms and conditions on sale of products and goods are the same with other non-affiliated companies.

## 2. Transactions between consolidated subsidiaries of the Company submitting consolidated financial statements and related parties

## (a) Parent company of company submitting consolidated financial statements and major shareholders (corporations only), etc.

| Attribute                         | Name of company, etc.     | Address         | Capital stock or investment (Million yen) | Business or occupation  | Percentage of voting rights or equity share held | Relationship details   | Transaction details                 | Transaction amount (million yen) (Note 1) | Accounting item              | Balance at end of period (million yen) (Note 1) |
|-----------------------------------|---------------------------|-----------------|---|---|--|--|-------------------------------------|---|------------------------------|---|
| Other subsidiaries and affiliates | Toppan Printing Co., Ltd. | Taito-ku, Tokyo | 104,986                                   | Makeups, printing, binding, processing, and other associated business | (Held) 22.67                                     | Sale of our products and purchases of products and printing materials of Toppan Printing | Sale of products and goods (Note 2) | 3,181                                     | Note and accounts receivable | 1,306   |

## Terms and conditions of trade and determining their policies

(Notes) 1. Trading amounts include no consumption tax, which is posted in the year-end balance.

2. Prices and terms and conditions on sale of products and goods are the same with other non-affiliated companies.

From April 1, 2009 to March 31, 2010

Transactions among related corporations

1. Transactions between parent company of company submitting consolidated financial statements and related parties

(a) Parent company of company submitting consolidated financial statements and major shareholders (corporations only), etc.

| Attribute                         | Name of company, etc.     | Address         | Capital stock or investment (Million yen) | Business or occupation  | Percentage of voting rights or equity share held | Relationship details   | Transaction details                 | Transaction amount (million yen) (Note 1) | Accounting item              | Balance at end of period (million yen) (Note 1) |
|-----------------------------------|---------------------------|-----------------|---|---|--|--|-------------------------------------|---|------------------------------|---|
| Other subsidiaries and affiliates | Toppan Printing Co., Ltd. | Taito-ku, Tokyo | 104,986                                   | Makeups, printing, binding, processing, and other associated business | (Held) Direct 22.97                              | Sale of our products and purchases of products and printing materials of Toppan Printing<br>Concurrent directors | Sale of products and goods (Note 2) | 11,612                                    | Note and accounts receivable | 6,865   |

Terms and conditions of trade and determining their policies

(Notes) 1. Trading amounts include no consumption tax, which is posted in the year-end balance.

2. Prices and terms and conditions on sale of products and goods are the same with other non-affiliated companies.

2. Transactions between consolidated subsidiaries of the Company submitting consolidated financial statements and related parties

(a) Parent company of company submitting consolidated financial statements and major shareholders (corporations only), etc.

| Attribute                         | Name of company, etc.     | Address         | Capital stock or investment (Million yen) | Business or occupation  | Percentage of voting rights or equity share held | Relationship details   | Transaction details                 | Transaction amount (million yen) (Note 1) | Accounting item              | Balance at end of period (million yen) (Note 1) |
|-----------------------------------|---------------------------|-----------------|---|---|--|--|-------------------------------------|---|------------------------------|---|
| Other subsidiaries and affiliates | Toppan Printing Co., Ltd. | Taito-ku, Tokyo | 104,986                                   | Makeups, printing, binding, processing, and other associated business | (Held) Direct 22.97                              | Sale of our products and purchases of products and printing materials of Toppan Printing | Sale of products and goods (Note 2) | 3,171                                     | Note and accounts receivable | 1,489   |

Terms and conditions of trade and determining their policies

(Notes) 1. Trading amounts include no consumption tax, which is posted in the year-end balance.

2. Prices and terms and conditions on sale of products and goods are the same with other non-affiliated companies.

## (Per Share Information)

|   | From April 1, 2008<br>to March 31, 2009 |   | From April 1, 2009<br>to March 31, 2010 |
|---|---|---|---|
| Net assets per share  | 435.61 yen                              | Net assets per share  | 466.41 yen                              |
| Net loss per share  | 12.76 yen                               | Net loss per share  | 21.77 yen                               |
| With respect to the amount of net income per share after adjustment for residual securities, the net loss per share is used. It is not listed because residual securities do not exist as convertible bonds were redeemed at maturity as of March 31, 2009. |   | With respect to the amount of net income per share after adjustment for residual securities, the figure is not listed because residual securities do not exist. |   |

## (Notes) 1. The grounds for the calculation of basic net income/loss per share

|  | From April 1, 2008<br>to March 31, 2009 | From April 1, 2009<br>to March 31, 2010 |
|--|---|---|
| Net income (loss) (million yen)  | -3,859                                  | 6,556                                   |
| Amount not belonging to common shareholders (million yen)                                    | -                                       | -                                       |
| Net income (loss) associated with common shares (million yen)                                | -3,859                                  | 6,556                                   |
| Weighted average number of shares issued and outstanding during the period (thousand shares) | 302,470                                 | 301,103                                 |

## 2. The grounds for the calculation of net assets per share

|  | As of March 31, 2009 | As of March 31, 2010 |
|--|----------------------|----------------------|
| Net assets on the interim consolidated balance sheet (million yen)           | 137,022              | 144,943              |
| Amount deducted from total net assets (million yen)                          | 5,272                | 5,756                |
| Minority interests   | (5,272)              | (5,756)              |
| Year-end net assets concerning common shares (million yen)                   | 131,750              | 139,186              |
| Common shares used for calculation of net assets per share (thousand shares) | 302,453              | 298,420              |

## (Important Subsequent Events)

| From April 1, 2008<br>to March 31, 2009 | From April 1, 2009<br>to March 31, 2010   |
|---|---|
|   | (Company split due to the shift to the holding company system)<br>At a meeting of its Board of Directors held on May 17, 2010, the Company passed a resolution on the details of a number of plans for the establishment of a new company and a corporate split associated with the shift to the holding company system scheduled for April 1, 2011, contingent on the approval of the regular general meeting of shareholders on June 29, 2010.<br>For details, please refer to the Notice of Establishment of New Company and Planned Corporate Split, with Revision of the Articles of Incorporation (Change of Trade Name and Business Purpose) Due to Adoption of a Holding Company Structure, which was separately announced today. |

## (Omission of Disclosure)

Notes to lease transactions, financial instruments, marketable securities, and derivatives are omitted because their disclosure in the brief announcement of the consolidated financial statements ended March 2010 is not considered important.

## 5. Non-Consolidated Financial Statements

## (1) Non-Consolidated Balance Sheet

(Million yen)

|  | As of March 31, 2009 | As of March 31, 2010 |
|--|----------------------|----------------------|
| (Assets)                                   |                      |                      |
| Current assets                             |                      |                      |
| Cash and bank deposits                     | 2,349                | 9,042                |
| Notes receivable                           | 13,895               | 13,056               |
| Accounts receivable                        | 46,340               | 49,628               |
| Marketable securities                      | –                    | 39                   |
| Goods and products                         | 11,554               | 10,774               |
| Work-in-process                            | 681                  | 732                  |
| Raw material and supplies                  | 5,024                | 4,076                |
| Advanced money                             | 361                  | 58                   |
| Prepaid expenses                           | 354                  | 349                  |
| Short-term loans receivable                | 2                    | 2                    |
| Deferred income tax assets                 | 1,850                | 1,599                |
| Others                                     | 735                  | 516                  |
| Allowance for doubtful receivables         | -122                 | -151                 |
| Total current assets                       | 83,030               | 89,722               |
| Fixed assets                               |                      |                      |
| Property, plant and equipment              |                      |                      |
| Building                                   | 40,675               | 40,377               |
| Accumulated depreciation                   | -24,920              | -25,699              |
| Building (net amount)                      | 15,755               | 14,678               |
| Structures                                 | 11,742               | 11,874               |
| Accumulated depreciation                   | -8,930               | -9,259               |
| Structures (net amount)                    | 2,812                | 2,615                |
| Machinery and equipments                   | 93,694               | 91,896               |
| Accumulated depreciation                   | -79,283              | -80,512              |
| Machinery and equipments (net amount)      | 14,411               | 11,383               |
| Vehicles                                   | 798                  | 782                  |
| Accumulated depreciation                   | -694                 | -699                 |
| Vehicles (net amount)                      | 104                  | 82                   |
| Tools, furniture and fixtures              | 15,134               | 15,408               |
| Accumulated depreciation                   | 13,005               | -13,588              |
| Tools, furniture and fixtures (net amount) | 2,128                | 1,819                |
| Land                                       | 18,048               | 18,047               |
| Construction in progress                   | 230                  | 412                  |
| Total property, plant and equipment        | 53,491               | 49,040               |
| Intangible fixed assets                    |                      |                      |
| Land leasehold                             | 31                   | –                    |
| Trademark                                  | 0                    | 0                    |
| Software                                   | 74                   | –                    |
| Facilities use right                       | 8                    | 7                    |
| Telephone subscription right               | 80                   | 80                   |
| Total intangible fixed assets              | 195                  | 87                   |

(Million yen)

|   | As of March 31, 2009 | As of March 31, 2010 |
|---|----------------------|----------------------|
| <b>Investments and other assets</b>                     |                      |                      |
| Investment in securities                                | 16,851               | 21,191               |
| Shares of affiliates                                    | 51,995               | 52,166               |
| Equity fund   | 6                    | 6                    |
| Long-term loans to employees                            | 17                   | 15                   |
| Long-term loans to affiliates                           | 3,912                | 3,169                |
| Uncollectible receivables, etc.                         | 822                  | 861                  |
| Long-term prepaid expenses                              | -                    | 0                    |
| Prepaid pension cost                                    | 7,258                | 7,592                |
| Guaranty money deposited                                | 1,482                | 1,476                |
| Deferred income tax assets                              | 2,805                | -                    |
| Others  | 316                  | 310                  |
| Allowance for doubtful receivables                      | -712                 | -640                 |
| <b>Total investments and other assets</b>               | <b>84,755</b>        | <b>86,150</b>        |
| <b>Total fixed assets</b>                               | <b>138,442</b>       | <b>135,278</b>       |
| <b>Total assets</b>                                     | <b>221,472</b>       | <b>225,001</b>       |
| <b>(Liabilities)</b>                                    |                      |                      |
| <b>Current liabilities</b>                              |                      |                      |
| Notes payable   | 1,505                | 1,819                |
| Accounts payable  | 26,325               | 28,812               |
| Short-term loans payable                                | 4,225                | 4,725                |
| Long-term loans scheduled for repayment within one year | 12,108               | 8                    |
| Accounts payable  | 3,677                | 3,690                |
| Accrued expenses payable                                | 2,500                | 2,572                |
| Accrued income taxes                                    | -                    | 54                   |
| Consumption taxes payable                               | 148                  | 485                  |
| Advances received                                       | 335                  | 69                   |
| Deposits received                                       | 269                  | 299                  |
| Accrued income  | 16                   | 16                   |
| Notes payable - equipment                               | 218                  | 237                  |
| Others  | 58                   | 34                   |
| <b>Total current liabilities</b>                        | <b>51,390</b>        | <b>42,824</b>        |
| <b>Long-term liabilities</b>                            |                      |                      |
| Long-term loans payable                                 | 44,023               | 49,515               |
| Long-term loans from affiliates                         | 1,371                | 2,680                |
| Deferred income tax liabilities                         | -                    | 1,713                |
| Provision for environmental measures                    | -                    | 322                  |
| Long-term guarantee deposited                           | 62                   | 43                   |
| <b>Total long-term liabilities</b>                      | <b>45,457</b>        | <b>54,275</b>        |
| <b>Total liabilities</b>                                | <b>96,848</b>        | <b>97,100</b>        |

(Million yen)

|  | As of March 31, 2009 | As of March 31, 2010 |
|--|----------------------|----------------------|
| (Net assets)   |                      |                      |
| Shareholders' equity   |                      |                      |
| Common stock   | 31,733               | 31,733               |
| Capital surplus  |                      |                      |
| Capital legal reserve  | 32,920               | 32,920               |
| Total capital surplus  | 32,920               | 32,920               |
| Retained earnings  |                      |                      |
| Earned legal reserve   | 5,206                | 5,206                |
| Other retained earnings  |                      |                      |
| Reserve for special depreciation                               | 34                   | -                    |
| Reserve for advanced depreciation of gains on insurance claims | 35                   | 30                   |
| Reserve for advanced appreciation of fixed assets              | 4,445                | 4,318                |
| Special reserve fund   | 56,314               | 46,314               |
| Earned surplus carried forward                                 | -2,153               | 9,262                |
| Total retained earnings  | 63,883               | 65,132               |
| Treasury stock, at cost  | -252                 | -1,718               |
| Total shareholders' equity                                     | 128,285              | 128,067              |
| Valuation and translation adjustment                           |                      |                      |
| Net unrealized gains on available-for-sale securities          | -3,660               | -166                 |
| Total valuation and translation adjustment                     | -3,660               | -166                 |
| Total net assets   | 124,624              | 127,900              |
| Total of liabilities and net assets                            | 221,472              | 225,001              |

**(2) Non-Consolidated Statements of Income**

(Million yen)

|  | From April 1, 2008<br>to March 31, 2009 | From April 1, 2009<br>to March 31, 2010 |
|--|---|---|
| Net sales                                      | 164,920                                 | 161,674                                 |
| Cost of sales                                  | 139,260                                 | 129,588                                 |
| Gross profit                                   | 25,660                                  | 32,085                                  |
| Selling, general and administrative expenses   | 27,022                                  | 25,425                                  |
| Operating income (loss)                        | -1,362                                  | 6,660                                   |
| Non-operating income                           |   |   |
| Interest income                                | 71                                      | 54                                      |
| Dividend income                                | 1,600                                   | 1,464                                   |
| Income from lease and rent                     | 825                                     | 849                                     |
| Technical guidance fees                        | 582                                     | 661                                     |
| Others   | 794                                     | 731                                     |
| Total non-operating income                     | 3,874                                   | 3,761                                   |
| Non-operating expenses                         |   |   |
| Interest expenses                              | 502                                     | 768                                     |
| Bond interest                                  | 171                                     | -                                       |
| Sublet rent                                    | 188                                     | 166                                     |
| Depreciation expenses of rental assets         | 229                                     | 247                                     |
| Compensation for damages                       | 230                                     | -                                       |
| Others   | 260                                     | 267                                     |
| Total non-operating expenses                   | 1,583                                   | 1,449                                   |
| Recurring income                               | 929                                     | 8,971                                   |
| Extraordinary profit                           |   |   |
| Gain on sales of investment securities         | -                                       | 12                                      |
| Gain on reversal of environmental expenses     | 210                                     | -                                       |
| Reversal of allowance for doubtful receivables | 80                                      | -                                       |
| Others   | 3                                       | 0                                       |
| Total extraordinary profit                     | 293                                     | 13                                      |
| Extraordinary loss                             |   |   |
| Loss on disposals and sale of fixed assets     | 305                                     | 439                                     |
| Loss on valuation of investment securities     | 3,384                                   | -                                       |
| Loss on valuation of shares of affiliates      | -                                       | 1,083                                   |
| Provision for environmental measures           | -                                       | 322                                     |
| Loss on re-appraisal of inventory assets       | 473                                     | -                                       |
| Loss on discontinued operations                | 290                                     | -                                       |
| Others   | 191                                     | 38                                      |
| Total extraordinary loss                       | 4,644                                   | 1,884                                   |
| Income (loss) before income taxes              | -3,421                                  | 7,100                                   |
| Income taxes, current                          | 65                                      | 139                                     |
| Income taxes, deferred                         | -215                                    | 2,989                                   |
| Total income taxes                             | -150                                    | 3,129                                   |
| Net income (loss)                              | -3,271                                  | 3,971                                   |

## (3) Non-Consolidated Statements of Changes in Net Assets

(Million yen)

|  | From April 1, 2008<br>to March 31, 2009 | From April 1, 2009<br>to March 31, 2010 |
|--|---|---|
| <b>Shareholders' equity</b>  |   |   |
| Common stock   |   |   |
| Balance at the end of previous period                                      | 31,733                                  | 31,733                                  |
| Changes of items during the period   |   |   |
| Total changes of items during the period                                   | –                                       | –                                       |
| Balance at the end of the period   | 31,733                                  | 31,733                                  |
| <b>Capital surplus</b>   |   |   |
| Capital legal reserve  |   |   |
| Balance at the end of previous period                                      | 32,920                                  | 32,920                                  |
| Changes of items during the period   |   |   |
| Total changes of items during the period                                   | –                                       | –                                       |
| Balance at the end of the period   | 32,920                                  | 32,920                                  |
| <b>Other capital surplus</b>   |   |   |
| Balance at the end of previous period                                      | 1                                       | –                                       |
| Changes of items during the period   |   |   |
| Sales of treasury stock  | -1                                      | –                                       |
| Total changes of items during the period                                   | -1                                      | –                                       |
| Balance at the end of the period   | –                                       | –                                       |
| <b>Total capital surplus</b>   |   |   |
| Balance at the end of previous period                                      | 32,922                                  | 32,920                                  |
| Changes of items during the period   |   |   |
| Sales of treasury stock  | -1                                      | –                                       |
| Total changes of items during the period                                   | -1                                      | –                                       |
| Balance at the end of the period   | 32,920                                  | 32,920                                  |
| <b>Retained earnings</b>   |   |   |
| Earned legal reserve   |   |   |
| Balance at the end of previous period                                      | 5,206                                   | 5,206                                   |
| Changes of items during the period   |   |   |
| Total changes of items during the period                                   | –                                       | –                                       |
| Balance at the end of the period   | 5,206                                   | 5,206                                   |
| <b>Other retained earnings</b>   |   |   |
| Reserve for special depreciation   |   |   |
| Balance at the end of previous period                                      | 180                                     | 34                                      |
| Changes of items during the period   |   |   |
| Reversal of reserve for special depreciation                               | -145                                    | -34                                     |
| Total changes of items during the period                                   | -145                                    | -34                                     |
| Balance at the end of the period   | 34                                      | –                                       |
| Reserve for advanced depreciation of gains on insurance claims             |   |   |
| Balance at the end of previous period                                      | 40                                      | 35                                      |
| Changes of items during the period   |   |   |
| Reversal of reserve for advanced depreciation of gains on insurance claims | -5                                      | -5                                      |
| Total changes of items during the period                                   | -5                                      | -5                                      |
| Balance at the end of the period   | 35                                      | 30                                      |

(Million yen)

|  | From April 1, 2008<br>to March 31, 2009 | From April 1, 2009<br>to March 31, 2010 |
|--|---|---|
| <b>Reserve for advanced appreciation of fixed assets</b>                   |   |   |
| Balance at the end of previous period                                      | 4,604                                   | 4,445                                   |
| <b>Changes of items during the period</b>                                  |   |   |
| Reversal of reserve for advanced depreciation of fixed assets              | -158                                    | -127                                    |
| Total changes of items during the period                                   | -158                                    | -127                                    |
| Balance at the end of the period   | 4,445                                   | 4,318                                   |
| <b>Special reserve fund</b>  |   |   |
| Balance at the end of previous period                                      | 54,314                                  | 56,314                                  |
| <b>Changes of items during the period</b>                                  |   |   |
| Addition to special reserve fund   | 2,000                                   | -                                       |
| Reversal of special reserve fund   | -                                       | -10,000                                 |
| Total changes of items during the period                                   | 2,000                                   | -10,000                                 |
| Balance at the end of the period   | 56,314                                  | 46,314                                  |
| <b>Earned surplus carried forward</b>                                      |   |   |
| Balance at the end of previous period                                      | 6,139                                   | -2,153                                  |
| <b>Changes of items during the period</b>                                  |   |   |
| Dividends from surplus   | -3,327                                  | -2,722                                  |
| Reversal of reserve for special depreciation                               | 145                                     | 34                                      |
| Reversal of reserve for advanced depreciation of gains on insurance claims | 5                                       | 5                                       |
| Reversal of reserve for advanced depreciation of fixed assets              | 158                                     | 127                                     |
| Addition to special reserve fund   | -2,000                                  | -                                       |
| Reversal of special reserve fund   | -                                       | 10,000                                  |
| Net income (loss)  | -3,271                                  | 3,971                                   |
| Sales of treasury stock  | -4                                      | -0                                      |
| Total changes of items during the period                                   | -8,292                                  | 11,416                                  |
| Balance at the end of the period   | -2,153                                  | 9,262                                   |
| <b>Total retained earnings</b>   |   |   |
| Balance at the end of previous period                                      | 70,486                                  | 63,883                                  |
| <b>Changes of items during the period</b>                                  |   |   |
| Dividends from surplus   | -3,327                                  | -2,722                                  |
| Reversal of reserve for special depreciation                               | -                                       | -                                       |
| Reversal of reserve for advanced depreciation of gains on insurance claims | -                                       | -                                       |
| Reversal of reserve for advanced depreciation of fixed assets              | -                                       | -                                       |
| Addition to special reserve fund   | -                                       | -                                       |
| Reversal of special reserve fund   | -                                       | -                                       |
| Net income (loss)  | -3,271                                  | 3,971                                   |
| Sales of treasury stock  | -4                                      | -0                                      |
| Total changes of items during the period                                   | -6,603                                  | 1,248                                   |
| Balance at the end of the period   | 63,883                                  | 65,132                                  |

(Million yen)

|  | From April 1, 2008<br>to March 31, 2009 | From April 1, 2009<br>to March 31, 2010 |
|--|---|---|
| <b>Treasury stock, at cost</b>                               |   |   |
| Balance at the end of previous period                        | -249                                    | -252                                    |
| <b>Changes of items during the period</b>                    |   |   |
| Purchases of treasury stock                                  | -30                                     | -1,467                                  |
| Sales of treasury stock                                      | 28                                      | 1                                       |
| Total changes of items during the period                     | -2                                      | -1,466                                  |
| Balance at the end of the period                             | 252                                     | -1,718                                  |
| <b>Total shareholders' equity</b>                            |   |   |
| Balance at the end of previous period                        | 134,892                                 | 128,285                                 |
| <b>Changes of items during the period</b>                    |   |   |
| Dividends from surplus                                       | -3,327                                  | -2,722                                  |
| Net income (loss)  | -3,271                                  | 3,971                                   |
| Purchases of treasury stock                                  | -30                                     | -1,467                                  |
| Sales of treasury stock                                      | 22                                      | 0                                       |
| Total changes of items during the period                     | -6,607                                  | -217                                    |
| Balance at the end of the period                             | 128,285                                 | 128,067                                 |
| <b>Valuation and translation adjustment</b>                  |   |   |
| <b>Net unrealized gains on available-for-sale securities</b> |   |   |
| Balance at the end of previous period                        | -728                                    | -3,660                                  |
| <b>Changes of items during the period</b>                    |   |   |
| Net changes except for shareholders' equity                  | -2,931                                  | 3,494                                   |
| Total changes of items during the period                     | -2,931                                  | 3,494                                   |
| Balance at the end of the period                             | -3,660                                  | -166                                    |
| <b>Total valuation and translation adjustment</b>            |   |   |
| Balance at the end of previous period                        | -728                                    | -3,660                                  |
| <b>Changes of items during the period</b>                    |   |   |
| Net changes except for shareholders' equity                  | -2,931                                  | 3,494                                   |
| Total changes of items during the period                     | -2,931                                  | 3,494                                   |
| Balance at the end of the period                             | -3,660                                  | -166                                    |
| <b>Total net assets</b>                                      |   |   |
| Balance at the end of previous period                        | 134,163                                 | 124,624                                 |
| <b>Changes of items during the period</b>                    |   |   |
| Dividends from surplus                                       | -3,327                                  | -2,722                                  |
| Net income (loss)  | -3,271                                  | 3,971                                   |
| Purchases of treasury stock                                  | -30                                     | -1,467                                  |
| Sales of treasury stock                                      | 22                                      | 0                                       |
| Net changes except for shareholders' equity                  | -2,931                                  | 3,494                                   |
| Total changes of items during the period                     | -9,539                                  | 3,276                                   |
| Balance at the end of the period                             | 124,624                                 | 127,900                                 |

**(4) Notes on assumption of going business**

Not applicable

**6. Others**

**(1) Management turnover**

With respect to the transfer of directors, please refer to the “Announcement of Personnel Changes of Directors,” announced separately today.