

## Consolidated Financial Results for the Six Months of the Fiscal Year Ending March 31, 2009

Company name: **TAIYO INK MFG. CO., LTD.**  
 Listing: First Section of the Tokyo Stock Exchange  
 Stock code: 4626  
 URL: <http://www.taiyoink.co.jp>  
 Representative: Yuichi Kamayachi, President and CEO  
 Inquiries: Yukio Ito, Director, Executive Officer and CFO  
 TEL: +81-3-5999-1511

Scheduled date to file Quarterly Report: November 13, 2008  
 Scheduled date to commence dividend payments: December 5, 2008

(Millions of yen with fractional amounts discarded, unless otherwise noted)

### 1. Consolidated financial results for the six months of the fiscal year ending March 31, 2009 (from April 1, 2008 to September 30, 2008)

#### (1) Operating results (cumulative)

(Percentages indicate year-on-year changes.)

|                    | Net sales       |     | Operating income |      | Ordinary income |      | Net income      |      |
|--------------------|-----------------|-----|------------------|------|-----------------|------|-----------------|------|
|                    | Millions of yen | %   | Millions of yen  | %    | Millions of yen | %    | Millions of yen | %    |
| Six months ended   |                 |     |                  |      |                 |      |                 |      |
| September 30, 2008 | 20,787          | –   | 3,368            | –    | 3,881           | –    | 2,453           | –    |
| September 30, 2007 | 22,478          | 6.9 | 4,779            | 22.7 | 4,883           | 20.3 | 3,530           | 31.6 |

|                    | Net income per share | Diluted net income per share |
|--------------------|----------------------|------------------------------|
| Six months ended   | Yen                  | Yen                          |
| September 30, 2008 | 92.71                | –                            |
| September 30, 2007 | 133.39               | –                            |

#### (2) Financial position

|                    | Total assets    | Net assets      | Equity ratio | Net assets per share |
|--------------------|-----------------|-----------------|--------------|----------------------|
| As of              | Millions of yen | Millions of yen | %            | Yen                  |
| September 30, 2008 | 48,422          | 38,774          | 78.8         | 1,443.91             |
| March 31, 2008     | 48,938          | 39,140          | 78.5         | 1,450.87             |

Reference: Shareholders' Equity

As of September 30, 2008: 38,175 million yen      As of March 31, 2008: 38,402 million yen

## 2. Cash dividends

| Record date                                   | Cash dividends per share |                |               |                 |        |
|---|--------------------------|----------------|---------------|-----------------|--------|
|   | First quarter            | Second quarter | Third quarter | Fiscal year-end | Annual |
|   | Yen                      | Yen            | Yen           | Yen             | Yen    |
| Fiscal year ended March 31, 2008              | —                        | 30.00          | —             | 85.00           | 115.00 |
| Fiscal year ending March 31, 2009             | —                        | 45.00          | —             | —               | —      |
| Fiscal year ending March 31, 2009 (Forecasts) | —                        | —              | —             | 45.00           | 90.00  |

Note: Revisions to the forecasts of cash dividends in the current quarter: None

Note: The year-end dividends for the fiscal year ended March 31, 2008 consisted of an ordinary dividend of 30 yen and a commemorative dividend of 55 yen.

## 3. Consolidated earnings forecasts for the fiscal year ending March 31, 2009 (from April 1, 2008 to March 31, 2009)

(Percentages indicate year-on-year changes.)

|                                   | Net sales       |        | Operating income |        | Ordinary income |        | Net income      |        | Net income per share |
|-----------------------------------|-----------------|--------|------------------|--------|-----------------|--------|-----------------|--------|----------------------|
|                                   | Millions of yen | %      | Millions of yen  | %      | Millions of yen | %      | Millions of yen | %      | Yen                  |
| Fiscal year ending March 31, 2009 | 39,000          | (14.0) | 5,500            | (38.2) | 6,000           | (30.1) | 4,200           | (31.9) | 158.78               |

Note: Revisions to the consolidated earnings forecasts in the current quarter: Yes

## 4. Others

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None

(2) Application of simplified accounting and specific accounting for preparing the quarterly consolidated financial statements: Yes

Note: For more details, please refer to the section of “4. Others” of “[Qualitative Information and Financial Statements]” on pages 7.

(3) Changes in accounting policies, procedures, and methods of presentation for preparing the quarterly consolidated financial statements (changes described in the section of “Changes in significant matters forming the basis of preparing the quarterly consolidated financial statements”)

a. Changes due to revisions to accounting standards and other regulations: Yes

b. Changes due to other reasons: None

Note: For more details, please refer to the section of “4. Others” of “[Qualitative Information and Financial Statements]” on pages 7.

- (4) Number of issued shares (common stock)
- |    |   |                   |
|----|---|-------------------|
| a. | Total number of issued shares at the end of the period (including treasury stock)             |                   |
|    | As of September 30, 2008  | 28,464,000 shares |
|    | As of March 31, 2008  | 28,464,000 shares |
| b. | Number of treasury shares at the end of the period  |                   |
|    | As of September 30, 2008  | 2,025,222 shares  |
|    | As of March 31, 2008  | 1,995,257 shares  |
| c. | Average number of shares during the period (cumulative from the beginning of the fiscal year) |                   |
|    | Six months ended September 30, 2008   | 26,464,447 shares |
|    | Six months ended September 30, 2007   | 26,468,891 shares |

\* Proper use of earnings forecasts, and other special matters

1. The full-year consolidated earnings forecasts announced on May 14, 2008 have been revised as per “3. Consolidated earnings forecasts for the fiscal year ending March 31, 2009” above.
2. The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable. Actual business and other results may differ substantially due to various factors.
3. Commencing with the current fiscal year, the quarterly consolidated financial statements conform to the “Accounting Standard for Quarterly Financial Reporting” (ASBJ [Accounting Standards Board of Japan] Statement No. 12) and the “Guidance on Accounting Standard for Quarterly Financial Reporting” (ASBJ Guidance No. 14). They are also prepared in accordance with the “Regulation for Quarterly Consolidated Financial Statements.”

## [Qualitative Information and Financial Statements]

### 1. Qualitative information regarding consolidated operating results

- The following abbreviations are used in this section.

| Abbreviation   | Meaning  |
|----------------|--|
| First quarter  | First quarter consolidated accounting period<br>(3 months from April 1 to June 30)       |
| Second quarter | Second quarter consolidated accounting period<br>(3 months from July 1 to September 30)  |
| Third quarter  | Third quarter consolidated accounting period<br>(3 months from October 1 to December 31) |
| Fourth quarter | Fourth quarter consolidated accounting period<br>(3 months from January 1 to March 31)   |

Please note that “current” or “previous” will be added to the above terms to refer to the current period or the previous period, respectively.

- This financial report includes information on the current six months period (6 months from April 1 to September 30, 2008).
- Monetary amounts for the previous six months period and percentage changes from the same period in the previous fiscal year are included as reference.

#### (1) Business results

##### a. PWB (printed wiring board) materials sales

- The growth of sales volume slowed in the current second quarter despite the high level of growth maintained in the current first quarter in China, the largest market. Other regions also displayed weaknesses overall.
- By product group, the sales volume of “package board and flexible board materials” decreased and that of the current second quarter dropped below the level recorded in the same period of the previous fiscal year.
- Although the sales volume of PWB materials increased compared with the same period of the previous fiscal year, whose performance was favorable, its growth was lackluster.
- Average sales unit prices fell mainly as a result of significant increases in the value of the yen. Average sales unit prices in local currencies were relatively stable.
- As a result, net sales of PWB materials for the current six months period amounted to 16,141 million yen (down 6.6% year on year).

##### b. FPD (flat panel display) materials sales

- Sales of FPD materials, mainly consisting of PDP (plasma display panel) materials, were low from the beginning of the fiscal year and their recovery during the current second quarter was low. Adding the drop in sales unit prices due to a strong yen and other factors, net sales for FPD materials in the current six months period amounted to 3,990 million yen (down 11.4% year on year).

##### c. Profits

- The effect of a significantly stronger yen was the main factor that led to a decrease in profits (roughly estimated at 1,500 million yen in terms of operating income). That effect also led to a decrease in profit margin. This effect and others resulted in an operating income margin of 16.2% for the current six months period, a level below the 21.2% recorded in the same period of the previous fiscal year.
- As a result, net sales for the current six months period amounted to 20,787 million yen (down 7.5% year on year) with operating income at 3,368 million yen (down 29.5%) and net income at 2,453 million yen (down 30.5%).

(Sales results by product group category)

The following are sales results by product group category for the current six months period.

(Millions of yen)

|   | Six months ended<br>September 30, 2007 | Six months ended<br>September 30, 2008 | Change  | Rate of change (%) |
|---|--|--|---------|--------------------|
| Rigid board materials                         | 12,960                                 | 12,292                                 | (667)   | (5.1)              |
| Package board and flexible<br>board materials | 3,611                                  | 3,269                                  | (342)   | (9.5)              |
| Build-up board materials                      | 710                                    | 579                                    | (130)   | (18.4)             |
| FPD materials                                 | 4,506                                  | 3,990                                  | (515)   | (11.4)             |
| Others  | 631                                    | 607                                    | (24)    | (3.8)              |
| Total   | 22,420                                 | 20,740                                 | (1,679) | (7.5)              |

Notes: 1. The above monetary values do not include royalty revenue.

2. The product group category of some products has been changed from the end of the previous fiscal year.

The following are sales results for the previous product group categories.

(Millions of yen)

|  | Six months ended<br>September 30, 2007 | Six months ended<br>September 30, 2008 | Change  | Rate of change (%) |
|--|--|--|---------|--------------------|
| Rigid board materials                            | 13,721                                 | 12,910                                 | (810)   | (5.9)              |
| Package board and<br>flexible board<br>materials | 2,829                                  | 2,639                                  | (189)   | (6.7)              |
| Build-up board<br>materials                      | 709                                    | 579                                    | (130)   | (18.4)             |
| FPD materials                                    | 4,540                                  | 4,047                                  | (492)   | (10.9)             |
| Others   | 618                                    | 562                                    | (56)    | (9.1)              |
| Total  | 22,420                                 | 20,740                                 | (1,679) | (7.5)              |

**(2) Segment results by geographic area**

a. Japan

- The consolidated company located in Japan is TAIYO INK MFG. CO., LTD.
- With respect to the sales volume by product group, “rigid board materials” decreased mostly in terms of exports. Also, the sales volume of “package board and flexible board materials” was low especially that of the current second quarter, which did not reach the level attained in the same period of the previous fiscal year.
- Although product sales fell, the sale of raw materials between the parent company and subsidiaries increased.
- In terms of revenue, the operating income margin decreased to 6.9% from the 10.0% recorded in the same period of the previous fiscal year due in part to the effect of a stronger yen.
- As a result, net sales by geographic area for Japan in the current six months period amounted to 12,334 million yen (down 3.7% year on year) with operating income at 850 million yen (down 33.9%).

b. Asia

- In Asia, there are three consolidated manufacturing subsidiaries, namely TAIWAN TAIYO INK CO., LTD., TAIYO INK CO., (KOREA) LTD. and TAIYO INK (SUZHOU) CO., LTD., and two consolidated sales subsidiaries, namely TAIYO INK INTERNATIONAL (SINGAPORE) PTE LTD. and TAIYO INK INTERNATIONAL (HK) LIMITED.
- The growth of sales volume slowed in the current second quarter despite the high level of growth maintained in the current first quarter in China, the largest market. Other regions also displayed weaknesses overall.
- The effect of a stronger yen and the fall of average sales unit prices, among other factors, pulled down the profitability of each company.

- As a result, net sales by geographic area for Asia in the current six months period amounted to 13,937 million yen (down 7.7% year on year) with operating income at 2,398 million yen (down 29.1% year on year).

c. North America

- The consolidated company located in North America is the manufacturing subsidiary TAIYO AMERICA, INC., which mainly handles the North American and European markets.
- Although the company saw an increase in revenue and profits in local currencies, net sales in the current six months period amounted to 685 million yen (down 2.5% year on year) with operating income at 118 million yen (up 5.2%), due in part to the effect of a strong yen.

## 2. Qualitative information regarding consolidated financial position

### (1) Positions of assets, liabilities and net assets

The following shows the position of assets, liabilities and net assets as of the end of the current second quarter.

(Millions of yen)

|                                  | As of<br>March 31,<br>2008 | As of<br>September 30,<br>2008 | Change  | Main factors<br>(comparison with the end of<br>the previous fiscal year)  |
|----------------------------------|----------------------------|--------------------------------|---------|---|
| Current assets                   | 31,075                     | 29,823                         | (1,252) | Cash and deposits decreased approx. 1,600 million yen and notes and accounts receivable-trade increased approx. 600 million yen   |
| Noncurrent assets                | 17,863                     | 18,598                         | 735     | Investments in capital of subsidiaries and affiliates included in investments and other assets increased approx. 800 million yen  |
| Total assets                     | 48,938                     | 48,422                         | (516)   |   |
| Total liabilities                | 9,798                      | 9,647                          | (151)   | Notes and accounts payable-trade decreased approx. 100 million yen, income taxes payable increased approx. 100 million yen and deferred tax liabilities decreased approx. 100 million yen |
| Total net assets                 | 39,140                     | 38,774                         | (365)   | Foreign currency translation adjustment decreased approx. 200 million yen and minority interests decreased approx. 100 million yen  |
| Total liabilities and net assets | 48,938                     | 48,422                         | (516)   |   |

## (2) Cash flow position

The following is the position of cash flows for the current six months period.

(Millions of yen)

|  | Six months ended<br>September 30,<br>2008 | Main factors   |
|--|---|--|
| Net cash provided by operating activities            | 2,737                                     | Income before income taxes and minority interests increased approx. 3,800 million yen and income taxes paid decreased approx. 1,100 million yen  |
| Net cash used in investment activities               | (703)                                     | Revenue from the decrease in time deposits increased approx. 1,000 million yen, purchase of property, plant and equipment and intangible assets decreased approx. 800 million yen and payments for investments in capital of subsidiaries and affiliates decreased approx. 800 million yen |
| Net cash used in financing activities                | (2,417)                                   | Cash dividends paid decreased approx. 2,200 million yen  |
| Net increase (decrease) in cash and cash equivalents | (598)                                     |  |
| Cash and cash equivalents at end of period           | 12,508                                    |  |

## 3. Qualitative information regarding consolidated earnings forecasts

Net sales and profits in the current six months period were almost as initially forecasted (announced on May 14, 2008). However, looking further ahead to the third quarter of the fiscal year and beyond, a slowdown in the real economy is eminent due to financial uncertainties. Since these conditions are expected to have an impact on the sales of our products, we have revised our initial forecasts taking into account foreign currency rates and other factors.

Consolidated earnings forecasts for the fiscal year ending March 31, 2009  
(from April 1, 2008 to March 31, 2009)

(Millions of yen)

|  | Net sales | Operating income | Ordinary income | Net income |
|--|-----------|------------------|-----------------|------------|
| Revised forecasts  | 39,000    | 5,500            | 6,000           | 4,200      |
| Previous forecasts<br>(announced on May 14, 2008)          | 43,500    | 7,000            | 7,300           | 4,700      |
| Change   | (4,500)   | (1,500)          | (1,300)         | (500)      |
| Rate of change   | (10.3%)   | (21.4%)          | (17.8%)         | (10.6%)    |
| Actual results of the previous<br>consolidated fiscal year | 45,338    | 8,896            | 8,586           | 6,171      |
| Change   | (6,338)   | (3,396)          | (2,586)         | (1,971)    |
| Rate of change   | (14.0%)   | (38.2%)          | (30.1%)         | (31.9%)    |

## 4. Others

### (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation)

No items to report

### (2) Application of simplified accounting and special accounting for preparing the quarterly consolidated financial statements

#### a. Simplified accounting

(Valuation method of inventories)

With respect to the calculation of inventories for the second quarter under review, physical inventories are omitted and a reasonable calculation method based on the physical inventories at

the end of previous fiscal year is employed.

(Calculation method of deferred tax assets and deferred tax liabilities)

The method for determining the recoverability of deferred tax assets uses the earnings forecasts and tax planning used in the previous fiscal year because it has been recognized that no material changes have occurred in the business and other environments, or in temporary differences or other events occurring after the end of the previous fiscal year.

- b. Special accounting for preparing the quarterly consolidated financial statements  
No items to report

**(3) Changes in accounting policies, procedures, and methods of presentation for preparing the quarterly consolidated financial statements**

- a. Commencing with the current fiscal year, the quarterly consolidated financial statements conform to the “Accounting Standard for Quarterly Financial Reporting” (ASBJ Statement No. 12) and the “Guidance on Accounting Standard for Quarterly Financial Reporting” (ASBJ Guidance No. 14). They are also prepared in accordance with the “Regulation for Quarterly Consolidated Financial Statements.”
- b. Before the change, inventories held for sale in the ordinary course of business was stated mainly at the moving-average cost. However, because the “Accounting Standard for Measurement of Inventories” (ASBJ Statement No. 9, July 5, 2006) has been applied from the first quarter, inventories is now mainly stated at the moving-average cost (for the value stated in the balance sheet, the book value is written down based on the decreased profitability). Accordingly, operating income, ordinary income and income before income taxes and minority interests for the current six months period each decreased by 15 million yen.  
The impact on segment information is described in the segment information section.
- c. The consolidated financial statements conform to the “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (PITF No. 18, May 17, 2006), and necessary amendments were made. Accordingly, operating income, ordinary income, and income before income taxes and minority interests for the current six months period increased by 15 million yen, 10 million yen, 9 million yen, respectively.  
The impact on segment information is described in the segment information section.

(Additional information)

In line with the revisions to the Corporate Tax Law, the useful lives of machinery and equipment have been shortened effective from the first quarter.

Accordingly, operating income, ordinary income and income before income taxes and minority interests for the current six months period each decreased by 12 million yen.

The impact on segment information is described in the segment information section.



## 5. Consolidated financial statements

### (1) Consolidated balance sheets

|                                     | (Millions of yen)        |                                   |
|-------------------------------------|--------------------------|-----------------------------------|
|                                     | As of September 30, 2008 | As of March 31, 2008<br>(Summary) |
| <b>Assets</b>                       |                          |                                   |
| Current assets                      |                          |                                   |
| Cash and deposits                   | 14,838                   | 16,440                            |
| Notes and accounts receivable-trade | 10,158                   | 9,532                             |
| Short-term investment securities    | 0                        | 0                                 |
| Merchandise                         | 3                        | 0                                 |
| Finished goods                      | 2,003                    | 2,247                             |
| Raw materials                       | 1,984                    | 1,709                             |
| Work in process                     | 284                      | 207                               |
| Other                               | 772                      | 1,195                             |
| Allowance for doubtful accounts     | (224)                    | (256)                             |
| Total current assets                | 29,823                   | 31,075                            |
| Noncurrent assets                   |                          |                                   |
| Property, plant and equipment       |                          |                                   |
| Buildings and structures, net       | 8,546<br>*2              | 8,545<br>*2                       |
| Other, net                          | 6,996                    | 7,353                             |
| Total property, plant and equipment | 15,543<br>*1             | 15,899<br>*1                      |
| Intangible assets                   |                          |                                   |
| Goodwill                            | 105                      | 124                               |
| Other                               | 700                      | 318                               |
| Total intangible assets             | 805                      | 442                               |
| Investments and other assets        | 2,250<br>*3              | 1,520<br>*3                       |
| Total noncurrent assets             | 18,598                   | 17,863                            |
| Total assets                        | 48,422                   | 48,938                            |

Please refer to Notes to consolidated balance sheets on page 20 for \*1, \*2, and \*3.

(Millions of yen)

|   | As of September 30, 2008 | As of March 31, 2008<br>(Summary) |
|---|--------------------------|-----------------------------------|
| <b>Liabilities</b>                                    |                          |                                   |
| Current liabilities                                   |                          |                                   |
| Notes and accounts payable-trade                      | 5,718                    | 5,898                             |
| Income taxes payable                                  | 934                      | 748                               |
| Provision for bonuses                                 | 281                      | 308                               |
| Provision for directors' bonuses                      | 36                       | 80                                |
| Other   | 1,188                    | 924                               |
| Total current liabilities                             | 8,158                    | 7,959                             |
| Noncurrent liabilities                                |                          |                                   |
| Provision for retirement benefits                     | 378                      | 441                               |
| Provision for directors' retirement benefits          | 83                       | 88                                |
| Other   | 1,028                    | 1,308                             |
| Total noncurrent liabilities                          | 1,489                    | 1,839                             |
| Total liabilities                                     | 9,647                    | 9,798                             |
| <b>Net assets</b>                                     |                          |                                   |
| Shareholders' equity                                  |                          |                                   |
| Capital stock   | 6,134                    | 6,134                             |
| Capital surplus                                       | 7,102                    | 7,102                             |
| Retained earnings                                     | 32,627                   | 32,519                            |
| Treasury stock  | (6,195)                  | (6,137)                           |
| Total shareholders' equity                            | 39,669                   | 39,618                            |
| Valuation and translation adjustments                 |                          |                                   |
| Valuation difference on available-for-sale securities | 104                      | 133                               |
| Foreign currency translation adjustment               | (1,598)                  | (1,348)                           |
| Total valuation and translation adjustments           | (1,494)                  | (1,215)                           |
| Minority interests                                    | 599                      | 737                               |
| Total net assets                                      | 38,774                   | 39,140                            |
| Total liabilities and net assets                      | 48,422                   | 48,938                            |

**(2) Consolidated statement of income (cumulative)**

(Millions of yen)

|   | Six months ended<br>September 30, 2008 |
|---|--|
| Net sales   | 20,787                                 |
| Cost of sales                                     | 13,918                                 |
| Gross profit                                      | 6,869                                  |
| Selling, general and administrative expenses      | 3,500<br>*1                            |
| Operating income                                  | 3,368                                  |
| Non-operating income                              |  |
| Interest income                                   | 110                                    |
| Dividends income                                  | 33                                     |
| Foreign exchange gains                            | 315                                    |
| Other   | 62                                     |
| Total non-operating income                        | 523                                    |
| Non-operating expenses                            |  |
| Interest expenses                                 | 4                                      |
| Loss on insurance cancellation                    | 2                                      |
| Other   | 3                                      |
| Total non-operating expenses                      | 10                                     |
| Ordinary income                                   | 3,881                                  |
| Extraordinary income                              |  |
| Gain on sales of noncurrent assets                | 2                                      |
| Reversal of allowance for doubtful accounts       | 27                                     |
| Total extraordinary income                        | 30                                     |
| Extraordinary loss                                |  |
| Loss on sales and retirement of noncurrent assets | 2                                      |
| Loss on valuation of investment securities        | 64                                     |
| Compensation for damage                           | 40                                     |
| Total extraordinary losses                        | 107                                    |
| Income before income taxes and minority interests | 3,804                                  |
| Income taxes-current                              | 1,385                                  |
| Income taxes-deferred                             | (112)                                  |
| Total income taxes                                | 1,272                                  |
| Minority interests in income                      | 78                                     |
| Net income  | 2,453                                  |

Please refer to Note to consolidated statement of income on page 20 for \*1.

**(3) Consolidated statement of cash flows**

(Millions of yen)

|  | Six months ended<br>September 30, 2008 |
|--|--|
| Net cash provided by (used in) operating activities        |  |
| Income before income taxes and minority interests          | 3,804                                  |
| Depreciation and amortization                              | 682                                    |
| Loss (gain) on valuation of investment securities          | 64                                     |
| Increase (decrease) in provision for retirement benefits   | (104)                                  |
| Increase (decrease) in provision for bonuses               | (27)                                   |
| Increase (decrease) in provision for directors' bonuses    | (44)                                   |
| Interest and dividends income                              | (144)                                  |
| Interest expenses  | 4                                      |
| Loss on compensation for damage                            | 40                                     |
| Decrease (increase) in notes and accounts receivable-trade | (592)                                  |
| Decrease (increase) in inventories                         | (330)                                  |
| Increase (decrease) in notes and accounts payable-trade    | (36)                                   |
| Increase (decrease) in accrued consumption taxes           | 195                                    |
| Other, net   | 271                                    |
| Subtotal   | 3,782                                  |
| Interest and dividends income received                     | 142                                    |
| Interest expenses paid                                     | (4)                                    |
| Income taxes paid  | (1,182)                                |
| Net cash provided by (used in) operating activities        | 2,737                                  |

(Millions of yen)

Six months ended  
September 30, 2008

|  |         |
|--|---------|
| Net cash provided by (used in) investment activities               |         |
| Payments into time deposits  | (2,655) |
| Proceeds from withdrawal of time deposits                          | 3,681   |
| Purchase of property, plant and equipment                          | (470)   |
| Purchase of intangible assets                                      | (398)   |
| Payments of loans receivable                                       | (20)    |
| Collection of loans receivable                                     | 14      |
| Payments for investments in capital of subsidiaries and affiliates | (865)   |
| Other, net   | 10      |
| Net cash provided by (used in) investment activities               | (703)   |
| Net cash provided by (used in) financing activities                |         |
| Purchase of treasury stock   | (57)    |
| Cash dividends paid  | (2,249) |
| Cash dividends paid to minority shareholders                       | (109)   |
| Net cash provided by (used in) financing activities                | (2,417) |
| Effect of exchange rate change on cash and cash equivalents        | (215)   |
| Net increase (decrease) in cash and cash equivalents               | (598)   |
| Cash and cash equivalents at beginning of period                   | 13,106  |
| Cash and cash equivalents at end of period                         | 12,508  |
|  | *1      |

Please refer to Note to consolidated statement of cash flows on page 20 for \*1.

Commencing with the current fiscal year, the quarterly consolidated financial statements conform to the “Accounting Standard for Quarterly Financial Reporting” (ASBJ Statement No. 12) and the “Guidance on Accounting Standard for Quarterly Financial Reporting” (ASBJ Guidance No. 14). They are also prepared in accordance with the “Regulation for Quarterly Consolidated Financial Statements.”

**(4) Notes on premise of going concern**

No items to report

**(5) Segment information**

[Information by business segment]

Six months ended September 30, 2008

The Group is primarily engaged in manufacturing and sales of solder resist for PWBs, among others. Information by business segment is not disclosed because the Group has one business segment.

[Information by geographic area]

Six months ended September 30, 2008

|   | (Millions of yen) |        |               |        |             |                    |
|---|-------------------|--------|---------------|--------|-------------|--------------------|
|   | Japan             | Asia   | North America | Total  | Elimination | Consolidated total |
| Net sales                               |                   |        |               |        |             |                    |
| (1) External sales                      | 6,180             | 13,929 | 676           | 20,787 | –           | 20,787             |
| (2) Inter-segment sales or transactions | 6,153             | 7      | 8             | 6,169  | (6,169)     | –                  |
| Total sales                             | 12,334            | 13,937 | 685           | 26,956 | (6,169)     | 20,787             |
| Operating income                        | 850               | 2,398  | 118           | 3,367  | 0           | 3,368              |

Notes: 1. Countries and regions are segmented by geographical proximity.

2. Major countries and regions other than Japan are as follows:

(1) North America: USA

(2) Asia: Korea, Taiwan, China, Hong Kong and Singapore

3. Changes in accounting policy

(Valuation criteria of inventories)

As described in the “Changes in accounting policies, procedures, and methods of presentation for preparing the quarterly consolidated financial statements,” the consolidated financial statements conform to the “Accounting Standard for Measurement of Inventories” (ASBJ Statement No. 9, July 5, 2006) from the first quarter. As a result of this change, operating income for the current six months period for “Japan” decreased by 15 million yen, as compared to the case where the previous method was adopted.

(Practical solution on unification of accounting policies applied to foreign subsidiaries for consolidated financial statements)

As described in the “Changes in accounting policies, procedures, and methods of presentation for preparing the quarterly consolidated financial statements,” the consolidated financial statements conform to the “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (PITF No. 18, May 17, 2006) from the first quarter. As a result of this change, operating income for the current six months period for “Asia” increased by 15 million yen, as compared to the case where the previous method was adopted.

4. Additional information

(Change of useful lives of property, plant and equipment)

As described in the “Changes in accounting policies, procedures, and methods of presentation for preparing the quarterly consolidated financial statements,” in line with the 2008 revisions to the Corporate Tax Law, the useful lives of machinery and equipment have been shortened from the first quarter. As a result of this change, operating income for the current six months period for “Japan” decreased by 12 million yen, as compared to the case where the previous method was adopted.

[Overseas sales information]  
Six months ended September 30, 2008

(Millions of yen)

|                                  | North America | Asia   | Europe/others | Total  |
|----------------------------------|---------------|--------|---------------|--------|
| I Overseas sales                 | 613           | 15,376 | 83            | 16,072 |
| II Consolidated sales            | –             | –      | –             | 20,787 |
| III Percentage of overseas sales | 2.9%          | 74.0%  | 0.4%          | 77.3%  |

Notes: 1. Regions are segmented by geographical proximity.

2. The regions in each segment are as follows:

(1) North America: USA and Canada

(2) Asia: Korea, Taiwan, China, Hong Kong, Thailand, etc.

(3) Europe/others: France, Spain, etc.

3. Overseas sales refer to the sales of the Company and its consolidated subsidiaries in countries or regions other than Japan.

**(6) Notes on significant changes in the amount of shareholders' equity**

No items to report

**(Reference)****Consolidated financial statements for the six months ended September 30, 2007****(1) Consolidated statement of income**

|   | Previous interim period ended<br>September 30, 2007 |        |       |
|---|---|--------|-------|
|   | Amount<br>(Millions of yen)                         |        | %     |
| I. Net sales  |   | 22,478 | 100.0 |
| II. Cost of sales                                       |   | 14,175 | 63.1  |
| Gross profit  |   | 8,303  | 36.9  |
| III. Selling, general and administrative<br>expenses    |   | 3,523  | 15.7  |
| Operating income  |   | 4,779  | 21.2  |
| IV. Non-operating income                                |   |        |       |
| 1. Interest income                                      | 97  |        |       |
| 2. Dividends income                                     | 76  |        |       |
| 3. Other  | 33  | 208    | 0.9   |
| V. Non-operating expenses                               |   |        |       |
| 1. Interest expenses                                    | 2   |        |       |
| 2. Foreign exchanges losses                             | 84  |        |       |
| 3. Other  | 17  | 104    | 0.4   |
| Ordinary income   |   | 4,883  | 21.7  |
| VI. Extraordinary income                                |   |        |       |
| 1. Gain on sales of noncurrent assets                   | 0   |        |       |
| 2. Reversal of allowance for doubtful<br>accounts       | 31  |        |       |
| 3. Other  | 2   | 34     | 0.1   |
| VII. Extraordinary loss                                 |   |        |       |
| 1. Loss on sales and retirement of<br>noncurrent assets | 9   | 9      | 0.0   |
| Income before income taxes and minority<br>interests    |   | 4,908  | 21.8  |
| Income taxes-current                                    | 1,405   |        |       |
| Income taxes-deferred                                   | (159)   | 1,245  | 5.5   |
| Minority interests in income                            |   | 131    | 0.6   |
| Net income  |   | 3,530  | 15.7  |



**(2) Consolidated statement of cash flows**

(Millions of yen)

|   | Previous interim period ended<br>September 30, 2007 |
|---|---|
| I. Net cash provided by (used in) operating activities              |   |
| Income before income taxes and minority interests                   | 4,908   |
| Depreciation and amortization                                       | 749   |
| Amortization of goodwill  | 14  |
| Increase (decrease) in provision for retirement benefits            | (51)  |
| Increase (decrease) in provision for directors' retirement benefits | (4)   |
| Increase (decrease) in provision for bonuses                        | (18)  |
| Increase (decrease) in provision for directors' bonuses             | (44)  |
| Increase (decrease) in allowance for doubtful accounts              | (14)  |
| Interest and dividends income                                       | (174)   |
| Interest expenses   | 2   |
| Gain on sales of property, plant and equipment                      | (0)   |
| Loss on sales and retirement of property, plant and equipment       | 9   |
| Decrease (increase) in notes and accounts receivable-trade          | (703)   |
| Decrease (increase) in inventories                                  | 697   |
| Decrease (increase) in other current assets                         | 116   |
| Increase (decrease) in notes and accounts payable-trade             | 735   |
| Increase (decrease) in other current liabilities                    | (287)   |
| Increase (decrease) in accrued consumption taxes                    | 204   |
| Subtotal  | 6,139   |
| Interest and dividends income received                              | 179   |
| Interest expenses paid  | (2)   |
| Income taxes paid   | (1,193)   |
| Net cash provided by (used in) operating activities                 | 5,122   |

(Millions of yen)

|  | Previous interim period ended<br>September 30, 2007 |
|--|---|
| II. Net cash provided by (used in)<br>investment activities        |   |
| Payments into time deposits  | (1,634)   |
| Proceeds from withdrawal of time<br>deposits                       | 2,682   |
| Purchase of property, plant and<br>equipment                       | (891)   |
| Proceeds from sales of property, plant<br>and equipment            | 1   |
| Purchase of investment securities                                  | (147)   |
| Payments of long-term loans<br>receivable                          | (22)  |
| Collection of long-term loans<br>receivable                        | 9   |
| Purchase of software   | (15)  |
| Other  | (24)  |
| Net cash provided by (used in)<br>investment activities            | (41)  |
| III. Net cash provided by (used in) financing<br>activities        |   |
| Purchase of treasury stock   | (0)   |
| Proceeds from sales of treasury stock                              | 0   |
| Cash dividends paid  | (1,058)   |
| Cash dividends paid to minority<br>shareholders                    | (116)   |
| Net cash provided by (used in)<br>financing activities             | (1,175)   |
| IV. Effect of exchange rate change on cash<br>and cash equivalents | (59)  |
| V. Net increase (decrease) in cash and cash<br>equivalents         | 3,846   |
| VI. Cash and cash equivalents at beginning<br>of period            | 10,098  |
| VII. Cash and cash equivalents at end of<br>period                 | 13,944  |

### (3) Segment information

[Information by business segment]

Previous interim period ended September 30, 2007

The Group is primarily engaged in manufacturing and sales of solder resist for PWBs, among others.  
Information by business segment is not disclosed because the Group has one business segment.

[Information by geographic area]

Previous interim period ended September 30, 2007

(Millions of yen)

|   | Japan  | Asia   | North America | Total  | Elimination | Consolidated total |
|---|--------|--------|---------------|--------|-------------|--------------------|
| Net sales                               |        |        |               |        |             |                    |
| (1) External sales                      | 6,697  | 15,088 | 692           | 22,478 | –           | 22,478             |
| (2) Inter-segment sales or transactions | 6,108  | 6      | 9             | 6,124  | (6,124)     | –                  |
| Total sales                             | 12,806 | 15,094 | 702           | 28,603 | (6,124)     | 22,478             |
| Operating expenses                      | 11,519 | 11,711 | 589           | 23,820 | (6,121)     | 17,699             |
| Operating income                        | 1,286  | 3,383  | 113           | 4,783  | (3)         | 4,779              |

Notes: 1. Countries and regions are segmented by geographical proximity.

2. Major countries and regions other than Japan are as follows:

(1) North America: USA

(2) Asia: Korea, Taiwan, China, Hong Kong and Singapore

[Overseas sales information]

Previous interim period ended September 30, 2007

(Millions of yen)

|                                  | North America | Asia   | Europe/others | Total  |
|----------------------------------|---------------|--------|---------------|--------|
| I Overseas sales                 | 633           | 16,835 | 80            | 17,549 |
| II Consolidated sales            | –             | –      | –             | 22,478 |
| III Percentage of overseas sales | 2.8%          | 74.9%  | 0.4%          | 78.1%  |

Notes: 1. Regions are segmented by geographical proximity.

2. The regions in each segment are as follows:

North America: USA and Canada

Asia: Korea, Taiwan, China, Hong Kong, Thailand, etc.

Europe/others: France, Spain, etc.

3. Overseas sales refer to the sales of the Company and its consolidated subsidiaries in countries or regions other than Japan.

## 6. Other information

### (1) Notes to consolidated financial statements

#### (Notes to consolidated balance sheets)

| As of September 30, 2008   | As of March 31, 2008     |               |  |                          |               |
|--|--------------------------|---------------|--|--------------------------|---------------|
| <p>*1. Accumulated depreciation of property, plant and equipment was 14,803 million yen.</p> <p>*2. Reduction entry<br/>Due to acceptance of national subsidies, the following reduction entry was generated from the acquisition cost of relevant assets.</p> <table style="width: 100%; border: none;"> <tr> <td style="width: 80%;">Buildings and structures</td> <td style="text-align: right;">6 million yen</td> </tr> </table> <p>*3. Direct write-off amount of allowance for doubtful accounts from investments and other assets was 149 million yen.</p> | Buildings and structures | 6 million yen | <p>*1. Accumulated depreciation of property, plant and equipment was 14,372 million yen.</p> <p>*2. Reduction entry<br/>Due to acceptance of national subsidies, the following reduction entry was generated from the acquisition cost of relevant assets.</p> <table style="width: 100%; border: none;"> <tr> <td style="width: 80%;">Buildings and structures</td> <td style="text-align: right;">8 million yen</td> </tr> </table> <p>*3. Direct write-off amount of allowance for doubtful accounts from investments and other assets was 148 million yen.</p> | Buildings and structures | 8 million yen |
| Buildings and structures   | 6 million yen            |               |  |                          |               |
| Buildings and structures   | 8 million yen            |               |  |                          |               |

#### (Note to consolidated statement of income)

| Six months ended September 30, 2008  |                 |
|--|-----------------|
| *1. Major items of selling, general and administrative expenses were as follows: |                 |
| Provision for bonuses  | 127 million yen |
| Provision for directors' bonuses   | 36 million yen  |
| Provision for directors' retirement benefits                                     | 7 million yen   |

#### (Note to consolidated statement of cash flows)

| Six months ended September 30, 2008  |                          |
|--|--------------------------|
| *1. Cash and cash equivalents at end of period were reconciled to the accounts reported in the consolidated balance sheets as follows: |                          |
| (As of September 30, 2008)   |                          |
| Cash and deposits  | 14,838 million yen       |
| Time deposits whose term exceeds three months  | <u>2,330 million yen</u> |
| Cash and cash equivalents  | 12,508 million yen       |