

Consolidated Financial Results for the Six Months of the Fiscal Year Ending March 31, 2010

Company name: **TAIYO INK MFG. CO., LTD.**
 Listing: First Section of the Tokyo Stock Exchange
 Stock code: 4626
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Scheduled date to file quarterly report: November 9, 2009
 Scheduled date to commence dividend payments: December 1, 2009

(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, 2010 (from April 1, 2009 to September 30, 2009)

(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, 2009	16,874	(18.8)	2,334	(30.7)	2,124	(45.3)	1,007	(58.9)
September 30, 2008	20,787	—	3,368	—	3,881	—	2,453	—

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended		
September 30, 2009	38.84	—
September 30, 2008	92.71	—

(2) Financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of				
September 30, 2009	41,546	34,028	80.5	1,289.57
March 31, 2009	40,869	34,584	83.3	1,313.20

Reference: Equity (Net assets excluding minority interests)

As of September 30, 2009: 33,449 million yen As of March 31, 2009: 34,063 million yen

2. Cash dividends

	Cash dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2009	–	45.00	–	45.00	90.00
Fiscal year ending March 31, 2010	–	45.00			
Fiscal year ending March 31, 2010 (Forecasts)			–	45.00	90.00

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

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2010 (from April 1, 2009 to March 31, 2010)

(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
For the year ending March 31, 2010	32,000	(1.9)	4,000	20.0	4,000	12.8	2,000	2.1	77.11

Note: Revisions to the consolidated earnings forecasts in the current quarter: None

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 page 7.

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

- a. Changes due to revisions to accounting standards and other regulations: None
- b. Changes due to other reasons: None

(4) Number of issued shares (common stock)

- a. Total number of issued shares at the end of the period (including treasury shares)

As of September 30, 2009	27,464,000 shares
As of March 31, 2009	27,464,000 shares
- b. Number of treasury shares at the end of the period

As of September 30, 2009	1,525,446 shares
As of March 31, 2009	1,525,382 shares
- c. Average number of outstanding shares during the period (cumulative from the beginning of the fiscal year)

Six months ended September 30, 2009	25,938,580 shares
Six months ended September 30, 2008	26,464,447 shares

* Proper use of earnings forecasts, and other special matters

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.

[Qualitative Information and Financial Statements]

1. Qualitative information regarding consolidated operating results

a. Business results

1) PWB (printed wiring board) materials sales

- The global electronics industry has entered a phase of recovery from the economic slump, which is being driven by individual consumption that has been boosted by the economic measures of various countries. However, the future outlook continues to be uncertain as the employment situation continues to deteriorate.
- Product sales of the Company have also shown promising signs of recovery since the fiscal year began for most product fields and regions. Particularly in the current second quarter, on a by-volume basis, recovery has reached levels that exceed those of the same period of the previous year. Average sales unit prices declined year on year due to the appreciation of the yen, changes in product composition and other factors.
- As a result, net sales of PWB materials for the current six months amounted to 13,727 million yen (down 15.0% year on year).

2) FPD (flat panel display) materials sales

- Sales of FPD materials, mainly consisting of PDP (plasma display panel) materials, are showing the trend of gradual recovery from the low in the third quarter of the previous fiscal year.
- With the decline in average sales unit prices due to the effects of the appreciation of the yen and a fall in the price of silver, a raw material, net sales for FPD materials for the current six months amounted to 2,680 million yen (down 32.8% year on year).

Sales results by product group category

The following are sales results by product group category.

(Millions of yen)

Name of product group category	Six months ended September 30, 2008	Six months ended September 30, 2009	Change	Rate of change (%)
Rigid board materials	12,292	10,400	(1,892)	(15.4)
PKG board and flexible board materials	3,269	2,803	(465)	(14.2)
Build-up board materials	579	523	(55)	(9.6)
FPD materials	3,990	2,680	(1,310)	(32.8)
Others	607	466	(140)	(23.2)
Total	20,740	16,874	(3,865)	(18.6)

Note: The above monetary values do not include royalty revenue.

3) Profits (Six months ended September 30, 2009)

- Operating income amounted to 2,334 million yen (down 30.7% year on year). Despite effectively reducing fixed costs, operating income ended lower than the same period of the previous year as a result of the effect of the strong yen and a decline in sales volume.
- The recording of 277 million yen in foreign exchange losses resulted in 2,124 million yen in ordinary income (down 45.3% year on year). Also, income before income taxes and minority interests amounted to 2,123 million yen (down 44.2% year on year).
- With regard to tax expenses, there was an effect from interim measures implemented in association with the introduction of exclusion of dividends income received from foreign subsidiaries from taxable income, and income taxes were 1,066 million yen. As a result, net income for the six months amounted to 1,007 million yen (down 58.9% year on year).

b. Segment results by geographic area

[Japan]

- The consolidated company located in Japan is TAIYO INK MFG. CO., LTD., a manufacturing and marketing company.
- Sales of most of the product items of PWB materials were low. Sales of “rigid board materials” and “PKG board and flexible board materials” decreased year on year despite the continuation in the current second quarter of recovery trend.
- As a result, net sales by geographic area for Japan amounted to 9,412 million yen (down 23.7% year on year), with operating income at 187 million yen (down 78.0% year on year).

[Asia]

- In Asia, there are three consolidated manufacturing and marketing 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.
- Net sales by geographic area for Asia amounted to 12,048 million yen (down 13.5% year on year), with operating income at 2,113 million yen (down 11.9% year on year). The following is an overview per region.
 - 1) Taiwan
 - The consolidated subsidiary located in Taiwan is TAIWAN TAIYO INK CO., LTD., a manufacturing and marketing company.
 - Sales of “rigid board materials” in the current second quarter were at equivalent levels to the same period of the previous year, which was helped by a recovery in the Taiwan electronic components industry following a recovery in the semiconductor market and other factors.
 - 2) Korea
 - The consolidated subsidiary located in Korea is TAIYO INK CO., (KOREA) LTD., a manufacturing and marketing company.
 - Sales of “rigid board materials” performed well thanks to lively activity by Korean export companies, due to a depreciation of the won, and other factors.
 - FPD materials sales have continued to modestly recover since the start of the fiscal year despite staying low since the third quarter of the previous fiscal year.
 - 3) China (including Hong Kong)
 - The consolidated subsidiaries located in China are TAIYO INK (SUZHOU) CO., LTD., a manufacturing and marketing company and TAIYO INK INTERNATIONAL (HK) LIMITED, a sales subsidiary operating mainly in the southern China region.
 - Sales of “rigid board materials,” benefited from the effect of economic measures of the Chinese government and other factors, continued to recover considerably.
 - 4) Other Asia
 - The other consolidated subsidiary located in Asia is TAIYO INK INTERNATIONAL (SINGAPORE) PTE LTD., a sales subsidiary, which mainly handles ASEAN member countries.
 - Sales performed well with steady recovery, such as recovery in the Thai market, continuing in the current second quarter.

[North America]

- The consolidated company located in North America is the manufacturing and marketing subsidiary TAIYO AMERICA, INC., which mainly handles the North American and European markets.
- Even with the basic tone of recovery in global market conditions, there is no clear recovery trend in the markets handled by that company and sales are lackluster.
- Net sales amounted to 493 million yen (down 28.0% year on year), with operating income at 36 million yen (down 69.3% year on year).

2. Qualitative information regarding consolidated financial position

a. Positions of assets, liabilities and net assets

The following shows the positions of assets, liabilities and net assets as of September 30, 2009.

	As of March 31, 2009 (Millions of yen)	As of September 30, 2009 (Millions of yen)	Change (Millions of yen)	Main factors (comparison with the end of the previous fiscal year)
Current assets	23,880	24,879	999	Cash and deposits decreased approx. 900 million yen, notes and accounts receivable-trade increased approx. 1,900 million yen, inventories increased approx. 200 million yen and deferred tax assets decreased approx. 400 million yen
Noncurrent assets	16,989	16,666	(323)	
Total assets	40,869	41,546	677	
Total liabilities	6,285	7,517	1,232	Notes and accounts payable-trade increased approx. 2,100 million yen and accounts payable-other decreased approx. 1,100 million yen
Total net assets	34,584	34,028	(556)	Net income was approx. 1,000 million yen and cash dividends paid was approx. 1,200 million yen
Total liabilities and net assets	40,869	41,546	677	

b. Cash flow position

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

	Six months ended September 30, 2008 (Millions of yen)	Six months ended September 30, 2009 (Millions of yen)	Main factors (for six months ended September 30, 2009)
Net cash provided by (used in) operating activities	2,737	1,045	Income before income taxes and minority interests provided approx. 2,100 million yen, an increase in notes and accounts receivable-trade and inventories used approx. 2,600 million yen, an increase in notes and accounts payable-trade provided approx. 2,400 million yen and a decrease in other current liabilities used approx. 1,000 million yen
Net cash provided by (used in) investing activities	(703)	134	Proceeds from the net of withdrawal of and payment into time deposits provided approx. 600 million yen and purchase of property, plant and equipment used approx. 400 million yen
Net cash provided by (used in) financing activities	(2,417)	(1,199)	Cash dividend payments used approx. 1,200 million yen
Net increase (decrease) in cash and cash equivalents	(598)	(246)	
Cash and cash equivalents at end of period	12,508	11,044	

3. Qualitative information regarding consolidated earnings forecasts

Consolidated earnings forecasts for the full year ending March 31, 2010

- No changes have been made to the Consolidated Earnings Forecasts for the full year ending March 31, 2010 from the earnings forecasts that were announced on August 10, 2009.

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 specific accounting for preparing the quarterly consolidated financial statements

a. Simplified accounting

(Valuation method of inventories)

With respect to the calculation of inventories as of the end of the six months 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 closing of the previous fiscal year in the event of the recognition that no material changes have occurred in the business and other environments, or in the conditions under which temporary differences occur or other events occurring after the end of the previous fiscal year. In the event of the recognition of a material change in the business and other environments or other material change in the conditions under which temporary differences occur, etc. after the end of the previous fiscal year, the calculation method shall include factors that take into account the material changes into the earnings forecasts and tax planning used in the closing of the previous fiscal year.

b. Specific 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

No items to report

(Additional information)

In addition to the defined-benefit corporate pension system, the Company newly introduced the defined contribution pension system as of October 1, 2009.

5. Consolidated financial statements

(1) Consolidated balance sheets

	(Millions of yen)	
	As of September 30, 2009	As of March 31, 2009 (Summary)
Assets		
Current assets		
Cash and deposits	12,923	13,812
Notes and accounts receivable-trade	8,553	6,644
Short-term investment securities	0	0
Merchandise and finished goods	1,561	1,356
Work in process	210	187
Raw materials and supplies	1,359	1,403
Other	556	926
Allowance for doubtful accounts	(285)	(450)
Total current assets	24,879	23,880
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	7,825 *2	8,007 *2
Other, net	6,295	6,637
Total property, plant and equipment	14,121 *1	14,644 *1
Intangible assets		
Goodwill	66	85
Other	351	382
Total intangible assets	418	468
Investments and other assets	2,126 *3	1,876 *3
Total noncurrent assets	16,666	16,989
Total assets	41,546	40,869
Liabilities		
Current liabilities		
Notes and accounts payable-trade	5,156	3,005
Income taxes payable	308	249
Provision for bonuses	265	213
Provision for directors' bonuses	25	56
Other	724	1,778
Total current liabilities	6,479	5,303
Noncurrent liabilities		
Provision for retirement benefits	192	181
Provision for directors' retirement benefits	97	90
Other	748	709
Total noncurrent liabilities	1,038	981
Total liabilities	7,517	6,285

Please refer to "Notes to consolidated balance sheets" on page 14 for *1, *2 and *3.

(Millions of yen)

	As of September 30, 2009	As of March 31, 2009 (Summary)
Net assets		
Shareholders' equity		
Capital stock	6,134	6,134
Capital surplus	7,102	7,102
Retained earnings	27,825	27,985
Treasury stock	(4,060)	(4,060)
Total shareholders' equity	37,002	37,162
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	168	55
Foreign currency translation adjustment	(3,722)	(3,155)
Total valuation and translation adjustments	(3,553)	(3,100)
Minority interests	579	522
Total net assets	34,028	34,584
Total liabilities and net assets	41,546	40,869

(2) Consolidated statements of income (cumulative)

(Millions of yen)

	Six months ended September 30, 2008	Six months ended September 30, 2009
Net sales	20,787	16,874
Cost of sales	13,918	11,547
Gross profit	6,869	5,326
Selling, general and administrative expenses	3,500 *1	2,992 *1
Operating income	3,368	2,334
Non-operating income		
Interest income	110	33
Dividends income	33	11
Foreign exchange gains	315	—
Other	62	28
Total non-operating income	523	73
Non-operating expenses		
Interest expenses	4	0
Foreign exchange losses	—	277
Loss on insurance cancellation	2	—
Other	3	5
Total non-operating expenses	10	283
Ordinary income	3,881	2,124
Extraordinary income		
Gain on sales of noncurrent assets	2	0
Reversal of allowance for doubtful accounts	27	—
Total extraordinary income	30	0
Extraordinary loss		
Loss on sales and retirement of noncurrent assets	2	0
Loss on valuation of investment securities	64	—
Compensation for damage	40	—
Total extraordinary losses	107	0
Income before income taxes and minority interests	3,804	2,123
Income taxes-current	1,385	654
Income taxes-deferred	(112)	412
Total income taxes	1,272	1,066
Minority interests in income	78	49
Net income	2,453	1,007

Please refer to “Note to consolidated statements of income” on page 14 for *1.

(3) Consolidated statements of cash flows

(Millions of yen)

	Six months ended September 30, 2008	Six months ended September 30, 2009
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	3,804	2,123
Depreciation and amortization	682	623
Loss (gain) on valuation of investment securities	64	–
Increase (decrease) in provision for retirement benefits	(104)	3
Increase (decrease) in provision for bonuses	(27)	53
Increase (decrease) in provision for directors' bonuses	(44)	(31)
Interest and dividends income	(144)	(45)
Interest expenses	4	0
Loss on compensation for damage	40	–
Decrease (increase) in notes and accounts receivable-trade	(592)	(2,386)
Decrease (increase) in inventories	(330)	(191)
Increase (decrease) in notes and accounts payable-trade	(36)	2,476
Increase (decrease) in accrued consumption taxes	195	(35)
Other, net	271	(1,024)
Subtotal	3,782	1,566
Interest and dividends income received	142	48
Interest expenses paid	(4)	(0)
Income taxes paid	(1,182)	(569)
Net cash provided by (used in) operating activities	2,737	1,045
Net cash provided by (used in) investing activities		
Payments into time deposits	(2,655)	(1,894)
Proceeds from withdrawal of time deposits	3,681	2,460
Purchase of property, plant and equipment	(470)	(377)
Purchase of intangible assets	(398)	(21)
Payments of loans receivable	(20)	(25)
Collection of loans receivable	14	13
Payments for investments in capital of subsidiaries and affiliates	(865)	–
Other, net	10	(20)
Net cash provided by (used in) investing activities	(703)	134
Net cash provided by (used in) financing activities		
Purchase of treasury stock	(57)	(0)
Cash dividends paid	(2,249)	(1,167)
Cash dividends paid to minority shareholders	(109)	(31)
Net cash provided by (used in) financing activities	(2,417)	(1,199)
Effect of exchange rate change on cash and cash equivalents	(215)	(227)
Net increase (decrease) in cash and cash equivalents	(598)	(246)
Cash and cash equivalents at beginning of period	13,106	11,291
Cash and cash equivalents at end of period	12,508	11,044
	*1	*1

Please refer to “Note to consolidated statements of cash flows” on page 14 for *1.

(4) Notes on premise of going concern

No items to report

(5) Segment information

[Information by business segment]

Six months ended September 30, 2008 and six months ended September 30, 2009

The Group is primarily engaged in manufacturing and marketing of solder resist for PWBs, among others. Accordingly, 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 or corporate	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

Six months ended September 30, 2009

(Millions of yen)

	Japan	Asia	North America	Total	Elimination or corporate	Consolidated total
Net sales						
(1) External sales	4,358	12,042	473	16,874	–	16,874
(2) Inter-segment sales or transactions	5,054	6	20	5,080	(5,080)	–
Total sales	9,412	12,048	493	21,955	(5,080)	16,874
Operating income	187	2,113	36	2,337	(3)	2,334

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

Six months ended September 30, 2008

(Accounting Standard for Measurement 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 of the current fiscal year. As a result of this change, operating income for the six months under review 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” (ASBJ PITF No. 18, May 17, 2006) from the first quarter of the current fiscal year. As a result of this change, operating income for the six months under review for “Asia” increased by 15 million yen, as compared to the case where the previous method was adopted.

4. Additional information

Six months ended September 30, 2008

(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 Corporation Tax Act, the useful lives of machinery and equipment of the Company have been shortened from the first quarter of the current fiscal year. As a result of this change, operating income for the six months under review 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%

Six months ended September 30, 2009

(Millions of yen)

	North America	Asia	Europe/others	Total
I Overseas sales	428	13,252	48	13,729
II Consolidated sales	–	–	–	16,874
III Percentage of overseas sales	2.6%	78.5%	0.3%	81.4%

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: Germany, 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

6. Other information

Notes to consolidated financial statements

(Notes to consolidated balance sheets)

As of September 30, 2009	As of March 31, 2009
*1. Accumulated depreciation of property, plant and equipment was 15,432 million yen.	*1. Accumulated depreciation of property, plant and equipment was 14,967 million yen.
*2. Reduction entry Due to acceptance of national subsidies, the following reduction entry amount was deducted from the acquisition cost of relevant assets.	*2. Reduction entry Due to acceptance of national subsidies, the following reduction entry amount was deducted from the acquisition cost of relevant assets.
Buildings and structures 5 million yen	Buildings and structures 5 million yen
*3. Direct write-off amount of allowance for doubtful accounts from investments and other assets was 168 million yen.	*3. Direct write-off amount of allowance for doubtful accounts from investments and other assets was 39 million yen.
4. Export discount bills 45 million yen	4. Export discount bills 31 million yen

(Note to consolidated statements of income)

Six months ended September 30, 2008	Six months ended September 30, 2009
*1. Major items of selling, general and administrative expenses were as follows:	*1. Major items of selling, general and administrative expenses were as follows:
Provision for bonuses 127 million yen	Provision for bonuses 128 million yen
Provision for directors' bonuses 36 million yen	Provision for directors' bonuses 25 million yen
Provision for directors' retirement benefits 7 million yen	Provision for directors' retirement benefits 7 million yen

(Note to consolidated statements of cash flows)

Six months ended September 30, 2008	Six months ended September 30, 2009
*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)	*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, 2009)
Cash and deposits 14,838 million yen	Cash and deposits 12,923 million yen
Time deposits whose term exceeds three months <u>2,320 million yen</u>	Time deposits whose term exceeds three months <u>1,878 million yen</u>
Cash and cash equivalents 12,508 million yen	Cash and cash equivalents 11,044 million yen