TAIYO HOLDINGS CO., LTD.

Commitment to Strong Growth

Annual Report 2012

Year Ended March 31, 2012

Opening Feature

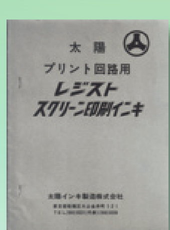
Solid Steps Supporting Growth

No. 1

The Global Leader in Solder Resist

The ink, typically green, that is applied to the surfaces of printed wiring boards (PWBs) is in fact solder resist (known in the U.S. and elsewhere as solder mask), the mainstay product of the TAIYO HOLDINGS GROUP. Solder resist is an essential material in the production of PWBs used in electronics equipment, from mobile phones and PCs to digital appliances and automotive electronic devices. The TAIYO HOLDINGS GROUP commands a global market share for solder resist of approximately 50%, making it the No. 1 specialty chemical manufacturer in this field.

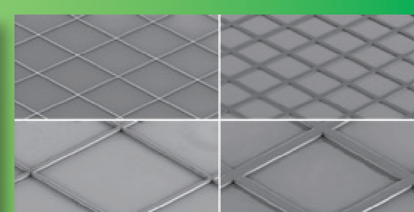
For details on business domains, please refer to
“Review of Operations” on pages 16 and 17.



For details on business domains,
please refer to
**“Research and Development”
on page 18.**

Proven Technical Capabilities

Our business philosophy is to develop and supply products of the highest value based on superior technical expertise. Guided by this philosophy, we see our mission as the world’s leading manufacturer as being to tirelessly research and develop high-quality products for supply to the world. Our technical expertise serves as the backbone of our operations, and we are proud to be a company with the manufacturing excellence to serve the world’s needs. We aim to create products imbuing the highest value, leveraging the various technologies we have amassed as a pioneer in solder resist.



521
Cases

Global Development

The TAIYO HOLDINGS GROUP deals with PWB manufacturers around the globe. As such, we believe it is essential to provide products and services that are consistently excellent in response to changes in the global environment. To this end, we aim to manufacture in optimal locations and sell in optimal sales channels as befits each market around the world. We have a global network, with manufacturing and sales bases in Japan, China, Taiwan, Korea and the U.S., and sales and technical service bases in Hong Kong, Singapore and Thailand.

At present, we generate approximately 80% of our net sales overseas. As a truly global company, we are determined to capture robust and expanding global demand by actively developing our businesses overseas going forward.

80%

For details, please refer to
“Interview With the President” on pages 6 to 11.

President's Message

The long-term vision of the Taiyo Holdings Group is to remain the global leader in solder resist, while also seeking to sustain growth based on the development of new business pillars. We unveiled this vision in our three-year "Group Business Plan 2010," or "GBP2010" for short, which finishes in the fiscal year ending March 31, 2013. Unfortunately, in the fiscal year ended March 31, 2012 both sales and profits declined year on year. This outcome was mainly due to the impact of the European debt crisis, slowing economic growth in China, and the yen's record strength. However, we are implementing a variety of initiatives to ensure that we achieve our long-term vision.

Looking ahead, the Group will contribute to the development of the electronics industry by maintaining its unyielding top position in the solder resist field, by strengthening our ability to respond better to customers, by developing global human resources, and by moving forward with the creation of new businesses and other initiatives. The Taiyo Holdings Group is determined to rise to every challenge and make leaps forward in each area of its business operations.

Eiji Sato

Eiji Sato President and CEO

Contents

Matters Regarding Forward-looking Statements

This annual report contains forward-looking statements regarding TAIYO HOLDINGS' current management plans, strategies and other matters. Readers are cautioned that these forward-looking statements hold inherent risks and uncertainties, and may differ materially from actual results or business performance.

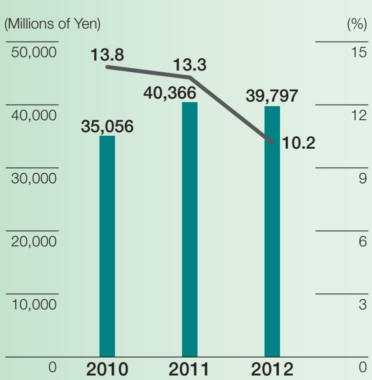
Financial Highlights

TAIYO HOLDINGS CO., LTD. and Consolidated Subsidiaries
March 31, 2012, 2011 and 2010

	Millions of Yen			Thousands of U.S. dollars*
	2012	2011	2010	**2012**
For the year:				
Net sales	**¥ 39,797**	¥ 40,366	¥ 35,056	**$485,329**
Operating income	**4,040**	5,381	4,843	**49,268**
Operating income ratio (%)	**10.2**	13.3	13.8	
Net income	**2,503**	3,403	3,011	**30,524**
Net cash provided by operating activities	**2,793**	4,576	3,127	**34,061**
Net cash (used in) provided by investing activities	**(1,343)**	758	(70)	**(16,378)**
Net cash used in financing activities	**(2,979)**	(3,697)	(2,367)	**(36,329)**
Research and development expenses	**963**	996	1,016	**11,744**
Number of employees	**861**	840	807	
At year-end:				
Total assets	**¥ 40,703**	¥ 42,851	¥ 43,705	**$496,378**
Return on equity (%)	**7.5**	9.9	8.7	
Equity ratio (%)	**81.1**	78.2	80.1	
Total equity	**33,476**	34,187	35,686	**408,244**
Per share data (Yen and U.S. Dollars):				
Net income	**¥ 98.38**	¥ 131.78	¥ 116.08	**$ 1.20**
Cash dividends	**90.00**	115.00	90.00	**1.10**
Net assets	**1,297.18**	1,316.53	1,349.61	**15.82**

* The U.S. dollar amounts stated above and elsewhere in this report have been translated from yen, for convenience only, at the rate of ¥82 = US$1, which was the approximate rate on the Tokyo Foreign Exchange Market on March 31, 2012.

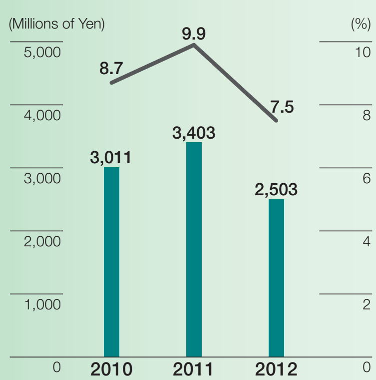
Net Sales and Operating Income Ratio



(Years ended March 31)

■ Net sales (left scale)
— Operating income ratio (right scale)

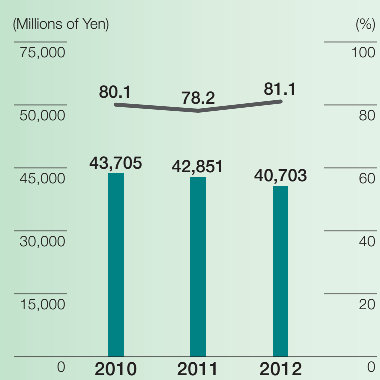
Net Income and Return on Equity



(Years ended March 31)

■ Net income (left scale)
— Return on equity (right scale)

Total Assets and Equity Ratio



(Years ended March 31)

■ Total assets (left scale)
— Equity ratio (right scale)

Q1
What were the market trends and your business results like in the fiscal year ended March 2012?

Q2
What is your outlook for the fiscal year ending March 2013? Could you please share your perspectives on market developments and future initiatives?

Q3
The TAIYO HOLDINGS GROUP is projecting a turnaround in business results in the fiscal year ending March 2013. How is your medium-term business plan progressing?

Growth Foundations for the Future

Although net sales and earnings in the fiscal year ended March 2012 fell short of forecasts, we have steadily laid growth foundations for the future. In the current fiscal year and beyond, we will continue working to achieve sustained growth.

Q1— What were the market trends and your business results like in the fiscal year ended March 2012?

We faced a far more difficult environment than initially anticipated when we formulated our forecasts. As a result, sales and earnings both fell short of forecasts.

In the electronic components industry in which the Group operates, small-sized information terminals such as smartphones and tablet PCs performed favorably despite the negative impact from production cutbacks due to the slowdown in the European economy and the floods in Thailand. On the other hand, demand declined for PCs, which are being replaced by small-sized information terminals, and for flat-panel TVs, whose replacement cycle has already reached its peak.

Under these conditions, net sales in the fiscal year ended March 2012 decreased 1.4% year on year to ¥39,797 million, mainly due to the following reasons. In the printed wiring board (PWB) materials market, the Group's core field, sales volume decreased from the previous year, while sales unit prices also fell due to such factors as the yen's persistent appreciation and changes in the product mix. On the other hand, however, flat-panel display (FPD) materials finished the year with higher sales year on year, mainly due to higher sales unit prices resulting from the stabilization of the price of silver, a key raw material, at a high level.

Operating income decreased 24.9% year on year to ¥4,040 million, mainly due to the decrease in sales volume and the impact of foreign exchange fluctuations. However, the decline was partly offset by a positive contribution of approximately ¥0.9 billion from changes in the product mix and other factors.

Also, we decided to cancel the construction of the TAIYO INK (ZHONGSHAN) production site, which we had been preparing to operate as a second production facility in China. As a result, we recorded a loss on valuation of investment in capital of subsidiaries and affiliates of ¥421 million. This loss had a large impact on our business results in the fiscal year ended March

Q4
What steps are you taking to develop human resources underpinning corporate growth?
Also, what is your approach to CSR?

Q5
What is your approach to returning profits to shareholders?

Q6
In closing, could you please share a message with shareholders and other investors?

2012. The background is that in April 2008 we announced the construction of this production site with the aim of expanding business in China over the medium and long terms. Shortly thereafter, however, we suspended part of the construction due to the impact of the Lehman Brothers bankruptcy. Subsequently, we restarted construction in 2010 and began rapidly making preparations for the production site. As we did so, we found that the business environment had changed drastically since the start of the project. For example, personnel costs and construction costs in China had become much higher than initially anticipated. Consequently, our projected returns on investment fell below those envisioned in our initial plans. Having determined that it would be more feasible to meet future demand through TAIYO INK (SUZHOU) CO., LTD., we decided to cancel our construction plans.

As a result of the cancellation of the construction plans for TAIYO INK (ZHONGSHAN) and other impacts including taxation, net income decreased 26.5% to ¥2,503 million.

As I said earlier, although we finished the year with a lackluster performance in terms of net sales and earnings, we believe that we have maximized net sales and earnings given the Company's current market environment, while at the same time laying solid foundations for long-term growth. For example, in PWB materials, the sales volume of low-end rigid board material items for the Chinese market increased 20% year on year. The sales volume of FPD materials to China also increased.

Q2— What is your outlook for the fiscal year ending March 2013? Could you please share your perspectives on market developments and future initiatives?

While working to capture a greater share of the Chinese market, we will also focus on new product fields.

In the electronic component industry, the Chinese market has deteriorated further over the past year than initially anticipated.

We believe that the main factors at play are the cooling of consumer spending within China, and a considerable drop in consumption of final manufactured goods such as home appliances, mobile phones and automobiles in Europe. The Company has striven to capture a greater share of the Chinese market, but has not achieved any large increase in its market share to date. However, we are now able to see a clear path to a greater market share. Since customers of rival companies have begun evaluating our products, we expect to generate a certain level of sales volume in the current fiscal year and beyond.

Looking at specific product categories, in PWB materials, we have found that for certain products other than SR (solder resist), such as build-up board materials and marking ink, we have yet to expand our share in the Chinese market as initially planned. For this reason, we plan to ensure that we capture a greater share by investigating the reasons why we have been unable to increase the market share of these products. Furthermore, in PDP materials, despite some concerns about a contraction in the Japanese market, large PDP plants are in operation in China, and our main customers have actively expanded operations in Korea, so we will continue working to maintain our current market share in the current fiscal year and beyond.

Moreover, we are currently focusing on new touch panel materials. We are working to develop new products by applying technologies developed in FPD materials to smartphones and tablets. To this end, we launched a new organizational unit in April 2012 to conduct integrated R&D, production and sales activities, with the aim of driving further expansion in sales.

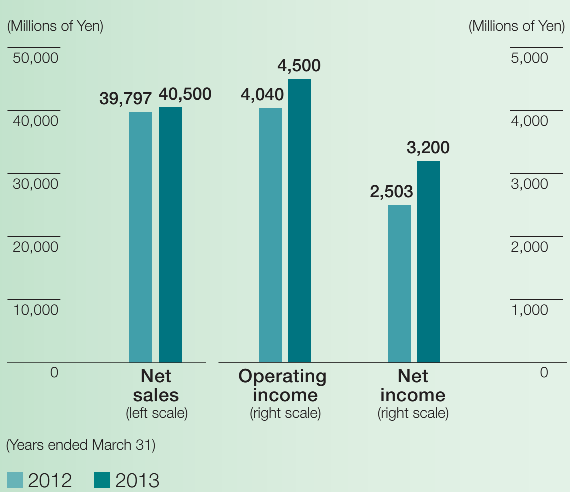
As a result of the foregoing initiatives, we are projecting net sales of ¥40,500 million, operating income of ¥4,500 million and net income of ¥3,200 million in the fiscal year ending March 2013.

Q3 — The TAIYO HOLDINGS GROUP is projecting a turnaround in business results in the fiscal year ending March 2013. How is your medium-term business plan progressing?

We now anticipate that it will be difficult to achieve the numerical targets of our medium-term business plan. However, we will work to achieve further growth by remaining focused on our management strategy, which we have positioned as a crucial strategy going forward.

The TAIYO HOLDINGS GROUP is currently implementing

Forecasts for FY2012/2013 (Consolidated)



Difference Between Business Forecasts and Medium-term Plan

	FY2013 Forecasts	Medium-term plan	Difference
Net sales	**¥40.5 billion**	**¥48.0 billion**	**Down ¥7.5 billion**
PWB, etc.	¥29.5 billion	¥38.5 billion	Down ¥9.0 billion
FPD	¥11.0 billion	¥9.5 billion	Up ¥1.5 billion
Operating income	**¥4.5 billion**	**¥7.7 billion**	**Down ¥3.2 billion**
Operating margin	11.1%	16.0%	Down 4.9 %
Net sales of new products/ in new fields	¥3.8 billion	¥4.0 billion	Down ¥0.2 billion

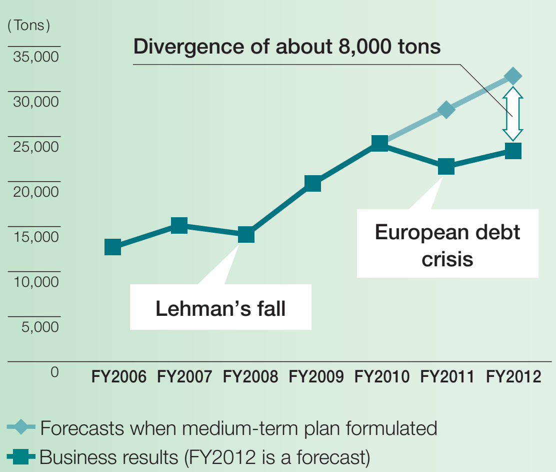
"Group Business Plan 2010" (GBP) for the period from FY2010 to FY2012. Under this plan, we have clarified the Group's position by stating our long-term vision of where we want the Group to be in 10 years. Our goal is to remain the global leader in solder resist (SR), while also seeking to sustain growth based on the development of new business pillars.

Under this policy, we defined the following four key strategies: the Chinese market strategy, the "local production for local sales" strategy, the new product development strategy and the global personnel strategy. In addition, we established numerical targets of net sales of ¥48.0 billion and operating income of ¥7.7 billion.

However, as I have just explained, we now expect that achieving these numerical targets will be difficult, taking into account our business forecasts for the fiscal year ending March 2013, the plan's final year. Business results for PWB materials are projected to fall significantly below the plan's targets. The main factors behind this shortfall are a change in the size of the Chinese market—the focus of our China market strategy—from what we had anticipated initially; and a lack of progress on capturing a greater share of this market. As I touched on earlier, both of these factors were caused by a greater-than-anticipated contraction in the Chinese market. Initially, we projected that the sales volume for the Chinese SR market as a whole would exceed 30,000 tons in the fiscal year ending March 2013. In actuality, however, the size of the market currently remains at around 22,000 tons in terms of sales volume, representing a shortfall of about 8,000 tons. Under these conditions, although we have been unable to achieve our initial market share target, we have been able to increase our share of the Chinese market, which had been continuously declining, to no small extent. Looking ahead, we will continue to further expand our sales areas by winning customers through the supply of low-priced products, and by positioning sales activities targeting customers over a certain sales area, not just focusing on individual customers as before. The goal is to further expand our market share going forward. Furthermore, we will strive to expand our range of new and main products in China. Measures include strengthening sales activities closely tied to customers through the launch of a subsidiary in Shenzhen, China in September 2010 and an increase in sales personnel, as well as considering entry into parts of western China in the future.

In regard to our "local production for local sales" strategy, we have long implemented a policy of making products close to markets where they are sold. The Great East Japan Earthquake, which struck in March 2011, has further increased customer support for this policy and accelerated its implementation. Furthermore, the ratio of locally produced raw materials has increased to about 50% at overseas subsidiaries on a full-year basis. Since these initiatives also help to mitigate the impact of the strong yen, we plan to continue implementing them. Ideally, we would like to raise the ratio of locally produced raw materials to 100%. However, because external factors are also involved, realistically we will do our utmost to increase this ratio as close to 100% as possible.

Trends in China's Solder Resist Market



In regard to our new product development strategy, we posted new product sales of ¥2.5 billion, surpassing our target for the fiscal year ended March 2012 of ¥2.4 billion. This was mainly due to increased sales of new products such as white SR, black SR and silver paste for through holes. Since we are targeting new product sales of ¥3.8 billion in the fiscal year ending March 2013, we expect new product sales to be largely in line with the numerical target of our medium-term business plan. One of the Group's key priorities has been exploring how to develop future business pillars alongside PWB materials and FPD materials. I count the development of new products and the cultivation of new business fields as two of our key accomplishments in the fiscal year ended March 2012.

Our global personnel strategy calls for expanding the appointment of employees of overseas subsidiaries to executive and management posts of those companies, and appointing overseas personnel as directors at Head Office. In the course of advancing these initiatives, our vision is to integrate the personnel system throughout the Group. Accordingly, we will concentrate on this priority to ensure that we become a truly global enterprise.

In other areas, we plan to aggressively pursue M&As. In August 2012, we signed a memorandum of agreement regarding the acquisition of shares of Taiwan-based Onstatic Technology Co., Ltd. to convert this company into a subsidiary. Through these sorts of initiatives, we will endeavor to achieve our numerical net sales target as early as possible.

In this manner, we will continue to undertake a variety of initiatives in the quest for further growth.

Q4— What steps are you taking to develop human resources underpinning corporate growth? Also, what is your approach to CSR?

We are promoting the development of human resources, who will become the next generation of leaders, with emphasis on strengthening our employees' core personnel skills.

Furthermore, we are promoting business activities in the belief that the essence of CSR is to continuously provide products of value that are recognized as such by society.

The TAIYO HOLDINGS GROUP believes that the development of human resources is crucial to the Group's further growth. In fact, our global human resources strategy has been defined as a key management strategy in our medium-term business plan. Recognizing this, we are striving to strengthen our employees' core personnel skills. To achieve this, roadmaps have been presented to individuals at every level of the organization, from top management to managers and new recruits. By setting goals for each individual and supporting his or her efforts to achieve them, we have put in place an environment that allows every individual to steadily attain personal growth every year. In addition, we have conducted basic training and job rotations for young employees. In regard to managers, we are developing and identifying human resources who will provide the next generation of TAIYO HOLDINGS's management leadership. This is being achieved by utilizing our holding company structure to hand authority to operating companies. We recognize that these sorts of initiatives will only produce results 5 to 10 years from now. However, we are taking these initiatives in the belief that they will steadily contribute to an expansion in our market share and an improvement in our business performance.

The TAIYO HOLDINGS GROUP conducts various CSR activities. We believe that the essence of CSR is to continuously provide products that earn recognition from society and generate employment. We will create jobs by growing as a company through the supply of products that society

recognizes as having value. Ultimately, this will also lead to the advancement of regional communities. Accordingly, rather than considering our CSR activities individually and as separate from our business activities, we view CSR activities as being closely tied to our business operations. Based on this approach, going forward we will continue to conduct CSR activities through our core businesses.

Q5— What is your approach to returning profits to shareholders?

Our basic policy is to return a continuous, steady and high level of profits to shareholders. We have declared an annual dividend of ¥90 per share for the fiscal year under review.

In regard to shareholder returns, we have positioned returning profits to shareholders through cash dividends as a key policy. Within this, our basic policy is to return a continuous, steady and high level of profits to shareholders. In addition, we are targeting a dividend on equity ratio of at least 5% over the medium and long terms.

Based on these policies, we have declared an annual dividend of ¥90 per share for the fiscal year under review. In line with our basic policy, we plan to pay an annual dividend of ¥90 per share also for the fiscal year ending March 31, 2013.

Looking ahead, we will use internal reserves to prepare for future business expansion and to fund R&D expenses.

Q6— In closing, could you please share a message with shareholders and other investors?

We will take various initiatives to put the Group on a new growth track, as we continue our journey toward growth.

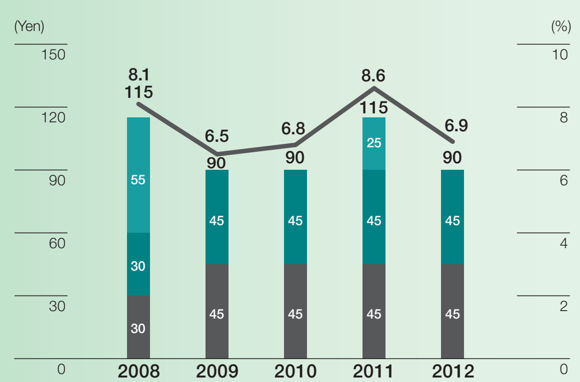
Although achievement of the medium-term business plan's targets has become difficult, we have steadily laid the foundations for future growth through the strategies we have implemented to date. I believe that these efforts to cement strong foundations will start to produce results in the fiscal year ending March 2013 and beyond.

In addition, we are currently formulating a new medium-term business plan running through to the fiscal year ending March 2017. Faced with a difficult business environment, we will accelerate our product development and customer responses to gain the lead on our competitors, while formulating a new growth strategy premised on the keywords of "Speed & Communication," aiming to swiftly share information about customer needs and other topics across the entire Group.

In this manner, the Group is making steady continuous progress toward growth. Therefore, I am confident that we will put the Group on a new growth path.

I wish to express my heartfelt appreciation to all shareholders and other investors for their ongoing assistance. And I look forward to your continued understanding and support for the Group as we endeavor to reach our goals.

Returns to Shareholders



(Years ended March 31)

Interim ordinary dividend (left scale) Year-end ordinary dividend (left scale)
Special commemorative dividend (left scale) Ratio of dividend to net assets (right scale)

Global Strategy Underpinning

Development of Global Human Resources to Be in Charge of Sustainable Growth

The medium-term business plan that TAIYO HOLDINGS is currently implementing describes the development of global human resources as one of our important management strategies. In line with this, we are now strengthening our initiatives related to human resources. In this feature, we would like to introduce the TAIYO HOLDINGS GROUP's human resources initiatives.

Initiatives to strengthen our employees' core personnel skills

As one of the policies for implementing our global strategy, the Group aims to enhance its corporate collective power by raising the level of employees' mindset and abilities. We recognize that our human resources are the very thing that is the source of our competitive power. Since TAIYO HOLDINGS became a holding company, the Group has been focusing on strengthening the core personnel skills of its employees and thereby enriching and strengthening the education of its human resources, based on the thinking that it is absolutely necessary for us to ensure that every single one of our employees has a high market value.

In more detail, as part of basic business skills training, we train our employees in the fundamental skills and knowledge of a businessperson, primarily through the provision of fundamental courses and practical training. Themes include how to write business documents, project management, strategic accounting, marketing, finance, corporate law, labor-related laws, and statistics. Furthermore, the courses also provide the opportunity for the president himself to explain TAIYO HOLDINGS' corporate policies together with his own thinking, with the result that our management policies become well understood throughout TAIYO HOLDINGS. These courses have been designed to teach about 100 employees who are divided between senior and junior classes, and they provide a venue for employees drawn from a variety of departments and divisions who do not normally meet each other to communicate freely. In addition, these courses include initiatives that are aimed at developing global human resources. Executive officers who have experience in the business operations of overseas subsidiaries participate in some courses, thereby giving employees the opportunity to broaden their global vision by listening to explanations about the current business situation at overseas subsidiaries and suchlike.

TAIYO HOLDINGS also offers training courses for newly recruited employees about how to interact with people from diverse cultural backgrounds, and also provides courses that teach the Chinese language.

TAIYO HOLDINGS' President Sato holds meetings with each individual employee of the Group, and these encourage further personal growth in the employees by providing each individual with the opportunity to speak about what they want to do in the company in the future and how they think the company should act to achieve its goals.

Growth

Employees receiving training in basic business skills

Training in manufacturing processes

Working toward the development of the next generation of managers

In addition to giving training in these kinds of basic business skills, we provide training for selected management-class employees, with the aim of developing the human resources that will be in charge of the next generation of management. In 2012, there are some personnel transfers in which department-manager level personnel are becoming executive officers, and also a person from overseas subsidiary TAIYO INK CO., (KOREA) LTD. is being chosen to become a director of TAIYO HOLDINGS. In these and other cases, we do not take the nationality of the person involved into account during the process of actively deploying and promoting talented employees.

Looking ahead, TAIYO HOLDINGS recognizes the need of further developing global leaders, and we are currently coaching our directors over an approximate 8-month period to support them in their formulation of our corporate vision. Moreover, we have conducted 1-month training courses for the executives from our subsidiaries around the topic of management strategies for top management.

These initiatives are encouraging all employees to voluntarily transform their consciousness and to become highly motivated in their work activities. In turn, these changes will steadily contribute to an increase in sales and an expansion in the market share of the TAIYO HOLDINGS GROUP.

TAIYO HOLDINGS will build a global personnel system and improve its global management system going forward. As a result, we will be able to implement our policy of unifying the management of all our employees, including as regards their general suitability, their job careers, and TAIYO HOLDINGS' evaluation of them, and of allocating the right person to the right job in the right place. In turn, we will be able to further improve our collective capabilities as a company and achieve sustained growth.

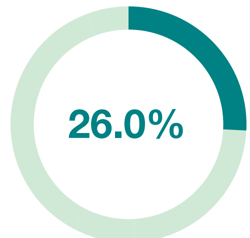
Yasumasa Ando
Manager
Human Resources &
General Affairs Dept.

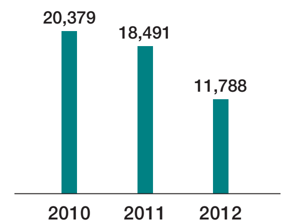
Geographical Segment Review

Breakdown of Net Sales

Net Sales (Millions of Yen)

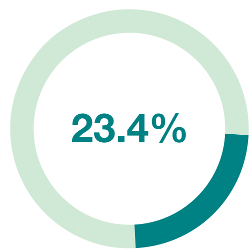
JAPAN

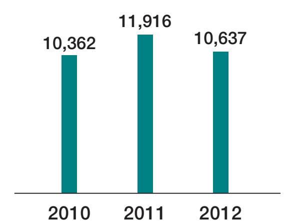




(Years ended March 31)

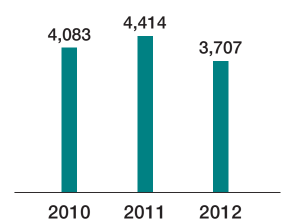
CHINA
(including Hong Kong)





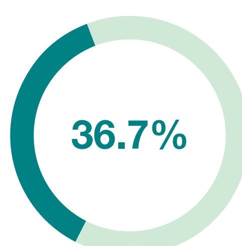
(Years ended March 31)

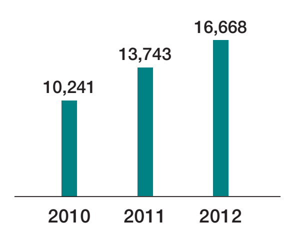
TAIWAN



(Years ended March 31)

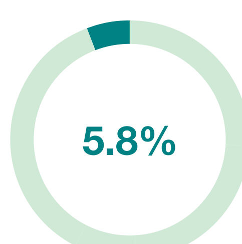
KOREA

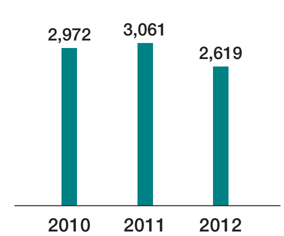




(Years ended March 31)

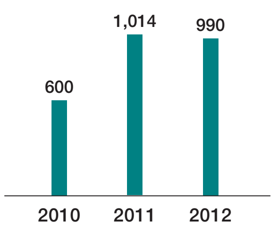
OTHER REGIONS





(Years ended March 31)

Operating Income (Millions of yen)	Performance Overview	Consolidated Group Subsidiaries

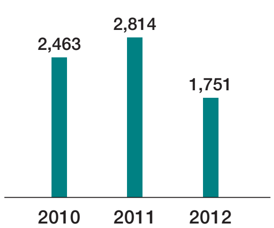


(Years ended March 31)

In the fiscal year ended March 2012, sales in the domestic market were firm as demand increased for smartphones and there was continued good performance of products related to vehicles and amusement. However, sales to exports remained subdued due to the lingering appreciation of the yen and a slowdown in the global economy.

As a result, net sales in Japan declined 36.3% compared with the previous year to ¥11,788 million. Operating income decreased 2.4% to ¥990 million.

TAIYO INK MFG. CO., LTD.

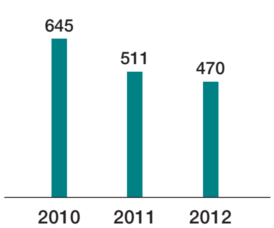


(Years ended March 31)

The sales volume declined compared with the previous fiscal year due to the deceleration of economic growth in China and a decrease in exports bound for Europe due to the European debt crisis.

Consequently, net sales in the region declined 10.7% compared with the previous year to ¥10,637 million. Operating income decreased 37.7% to ¥1,751 million.

TAIYO INK (SUZHOU) CO., LTD.
TAIYO INK INTERNATIONAL (HK) LIMITED
TAIYO INK TRADING (SHENZHEN) CO., LTD

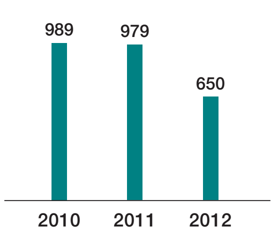


(Years ended March 31)

The sales volume decreased compared with the previous fiscal year because in “rigid board materials” sales of both high function products and regular products were sluggish, due to the slowing economic growth in China and the drop in exports to Europe as a result of the European debt crisis.

Therefore, net sales in the region declined 16.0% compared with the previous year to ¥3,707 million. Operating income decreased 7.9% to ¥470 million.

TAIWAN TAIYO INK CO., LTD.

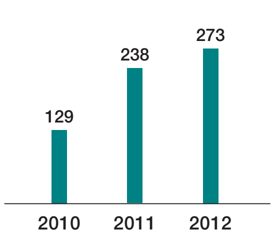


(Years ended March 31)

Sales on a monetary basis rose significantly compared with the previous fiscal year because the price of silver, a key raw material for “FPD materials” stabilized at a high level. However, earnings were negatively impacted by a rise in silver procurement costs.

As a result, net sales in the region increased 21.3% compared with the previous year to ¥16,668 million. Operating income decreased 33.7% to ¥650 million.

TAIYO INK CO., (KOREA) LTD.



(Years ended March 31)

In the ASEAN region, overall sales remained weak because of the lingering economic slump in Europe and the U.S., despite the signs of a recovery in demand for products related to vehicles mainly in Thailand after the flood damage.

Consequently, net sales in the region declined 14.5% compared with the previous year to ¥2,619 million. Operating income increased 14.3% to ¥273 million.

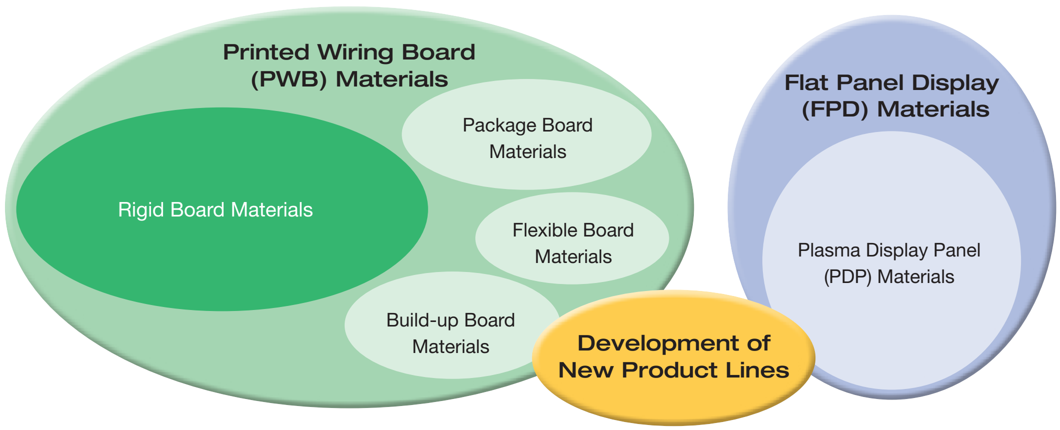
TAIYO AMERICA, INC.
TAIYO INK INTERNATIONAL (SINGAPORE) PTE LTD

Product Description and Performance Overview

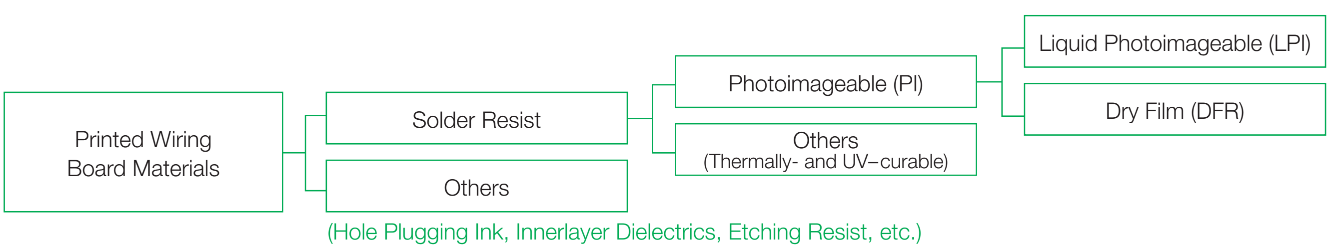
The Group's products divide principally into the two categories of printed wiring board (PWB) materials and flat panel display (FPD) materials. The Group is also utilizing the elemental technologies cultivated in these existing segments to develop new fields and products targeting the electronic components industry.

PWB materials are grouped into the three categories of (1) rigid board materials, (2) package and flexible board materials, and (3) build-up board materials. The key contributor is solder resist (SR), the Group's mainstay product (see chart below).

TAIYO HOLDINGS GROUP Product Segments



PWB Materials



PWB materials are chemicals used in PWB manufacturing processes. They have been the traditional mainstay of the Group's business. PWB materials are further classified into SR and non-SR products.

SR is masking ink applied over the surface of a PWB. It forms an insulating layer to protect the underlying board circuit pattern. SR can be divided into "photoimageable" and other types. Other important SR categories are LPI (liquid photoimageable) and DFR (dry film).

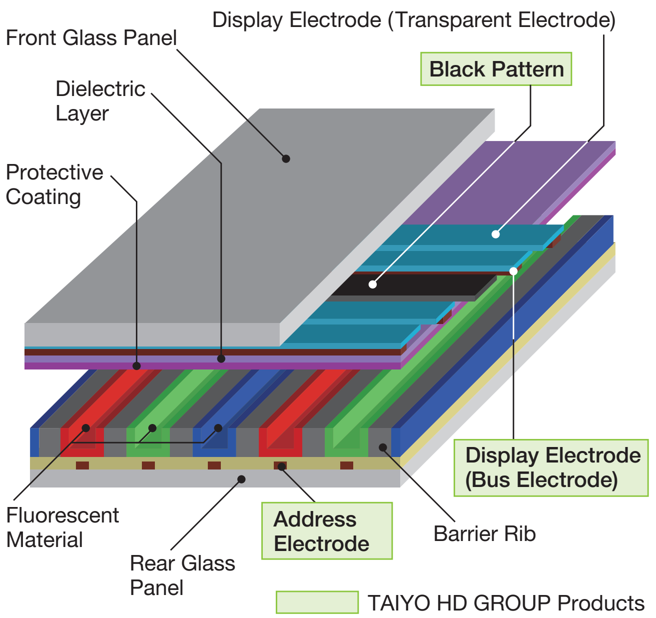
Non-SR products include (1) hole plugging ink, used to provide an insulating in-fill for the through-holes that connect electronic circuits in various PWB layers, (2) legend (or marking) ink, which is used on PWB surfaces to indicate names, numbers, positions or other information that relates to mounted electronic components, and (3) interlayer insulation materials, which are used in build-up substrates to separate the various layers of mounted components.

Solder resist generates a large proportion of Group sales. The Group was the pioneering inventor of alkaline developable SR, a major variant of photoimageable SR (the current mainstream type), and commands the leading share of the global SR market.

In the year ended March 2012, the sales volume of low-priced rigid board materials for the Chinese market increased 20% year on year. The sales volume for the Korean market was relatively strong, but the overall sales volume declined year on year. In addition, unit prices also dropped year on year, mainly due to the protracted appreciation of the yen and changes in the product mix. As a result, total sales of PWB materials dropped 10.7% compared with the previous year to ¥26,729 million.

* For more detailed information about solder resist, please refer to our web site.
http://www.taiyoink.co.jp/english/Profile/soldarregest01.html

FPD Materials



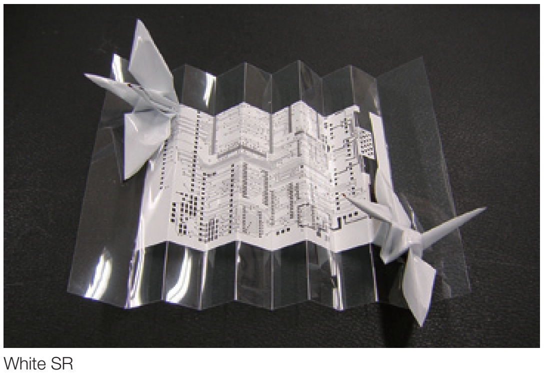
Within FPD materials, plasma display panel (PDP) materials for use in flat-screen TV panels account for the majority of sales. The Group manufactures and sells conductive pastes, which function as the electrodes in plasma TV sets, and black pattern pastes to create the black patterns for generating image contrast. FPD materials now constitute the Group's second-largest product segment behind PWB materials. The sector is expanding rapidly due to the growth of the plasma TV market.

In the year ended March 2012, segment sales rose to a new record high due to the stable high price of silver, a key raw material. Segment performance was also boosted by greater sales volume for the Chinese market. As a result, total sales of FPD materials grew 30.2% year on year to ¥12,307 million.

New Fields and Products

The Group is actively engaged in developing and selling new products, and in developing new fields and selling in them. In this manner, we aim to achieve sales of ¥3.8 billion in the fiscal year ending March 2013, the final year of our medium-term management plan.

Two of our new products were created by adding value to our existing solder resist (SR) products. The first is white SR. Demand for such an SR variant has grown in recent years due to the emergence of light-emitting diode (LED) lights and LED-backlit LCD TV sets, which have energy-saving and eco-friendly features. White solder resist helps boost the luminance of LEDs or LED backlighting due to high light reflectance. The Group gained a related patent in 2009. Product sales have been growing steadily and white SR sales are forecast to grow further in the future. Sales for the year ended March 2012 also increased from the previous year.



White SR

The second new product is black SR, which offers another alternative to the standard green or blue SR colors. In recent years, more products have started to feature black PWBs that use a black solder resist. The Group has applied its expertise in photolithography to develop this new product range. The higher component density and increased circuit resolution in the chips fitted to smartphones and other mobile devices have made conventional photo-irradiation methods obsolete due to the need for more resolution. New SR variants are required for novel direct etching methods that do not utilize a negative film. We have developed black SR that copes with the contradictory requirements of being sufficiently light absorbent but also allowing enough light to penetrate to enable hardening of the high-resolution circuit patterns. This product is suitable for laser direct imaging and can also be used within a developable photo-paste that contains high concentrations of light-blocking silver particles, which are applied using photolithographic printing techniques. The resulting product combines a deep black hue with the required sensitivity and precision for high-resolution etching.

Research and Development

We are engaged in continual R&D activities to develop new products for new markets.

In the field of PWB materials, our R&D is mainly focused on adhesives, heat dissipation, eco-regulatory compliance and electrical conductors. We are also actively applying the experience and technical expertise that we have built up over many years to materials besides solder resist.

In interlayer insulation materials, we are focusing our R&D efforts toward pattern etching process technology which can be used in combination with new interlayer insulation materials to facilitate higher resolution patterns and better reliability. We are also developing adhesives for use with metallic substrates that can offer superior heat-dissipation characteristics and materials with pre-embedded components.

Inkjet marking requires a production process capable of applying ink-based patterns to specified parts of substrates while using minimal amounts of ink. This requires low-viscosity ink that dries instantly. Conventional ink can suffer from poor adhesion characteristics. We have developed ink that delivers superior adhesion by adding a thermosetting ingredient. The product is now in commercial development following patent acquisition.

Conductive materials for PWB applications fall into the two varieties of carbon paste and silver paste for through-holes. Carbon paste has garnered attention in recent years as an alternative to metal electroplating because it helps reduce costs compared with using high-priced precious metals. We have created a material with good printing characteristics and low resistance variability that leaves less phenol-formaldehyde residue, an issue with conventional products. We are developing a silver paste for use in through-holes that has lower silver content (making it cheaper), but offers equivalent conductivity.

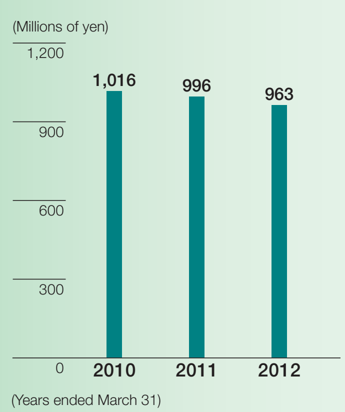
Conductive pastes are materials that are used in plasma display panel (PDP) electrodes and flat-panel displays such as touch screens. We are developing conductive pastes for use in new applications such as connections to solar cells or electromagnetic shielding. We are also researching the use of metals other than silver or nano-metals in such materials.

In terms of technical trends, growing demand to conserve resources and energy is focusing attention on printed (printable) electronics as the pattern-etching solution of choice. Our in-house R&D programs are focused on the production of next-generation lighting or flexible electrodes based on inkjet printing or gravure offset printing (which is excellent for high resolution and mass throughput). We are also participating in research collaborations with other firms and academic institutions to develop technologies for the next generation of printed electronics, and looking to develop technologies for flexible device applications.

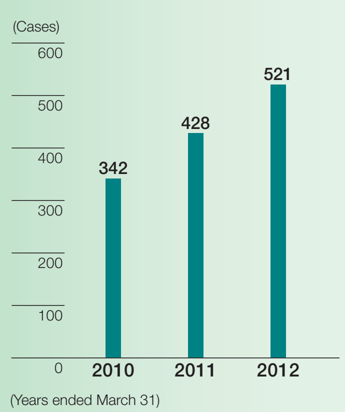
In terms of our approach to R&D, we try to make the most efficient use of our resources by entering technical research partnerships and participating in joint development with universities and public research institutions. Internally, we focus our R&D on a limited number of projects and use joint development projects between the Group companies. This approach helps us to develop innovative technologies promptly to enable rapid commercialization of superior products.

In intellectual property, we are seeking to boost efficiency by emphasizing the quality of patent submissions rather than the number of applications filed.

Research and Development Expenses



Number of Patents Owned by the TAIYO GROUP (only registered patents)



* The above number indicates the number of patents registered by the TAIYO GROUP for each fiscal year, for which the patent rights continue to be valid as of the fiscal year under review.

Corporate Governance

Construction of Sound Management Structures

We have a holding company structure. Having group management and strategic functions, the holding company aims to develop and improve our strategies while optimizing the allocation of resources. The operating subsidiaries under the holding company can act promptly and autonomously. This system enables us to respond better to customers across various markets while also speeding up decision-making and boosting operational efficiency. Its aim is to increase profits and help us build corporate value.

Basic Thinking on Corporate Governance

In line with our Management Philosophy and Basic Management Policy, we aim to prosper together with our customers, regional communities, shareholders, employees, business partners and other stakeholders. We also believe it is necessary for us to embrace social responsibilities as well as seeking to generate profits. To this end, we seek to promote management transparency and to fulfill our disclosure obligations to support the Company's continued prosperity.

Corporate Governance Structures

Our corporate governance system is centered on the Board of Directors and the Board of Corporate Auditors, whose members are both approved by resolutions at the Shareholders' Meeting. We have also adopted a system of Executive Officers to separate management oversight from operational execution. The Executive Officers appointed to serve on the Executive Committee are General Managers of divisions of TAIYO HOLDINGS and representatives of overseas subsidiaries. This set-up aims to promote faster operational execution as well as right strategic decision-making.

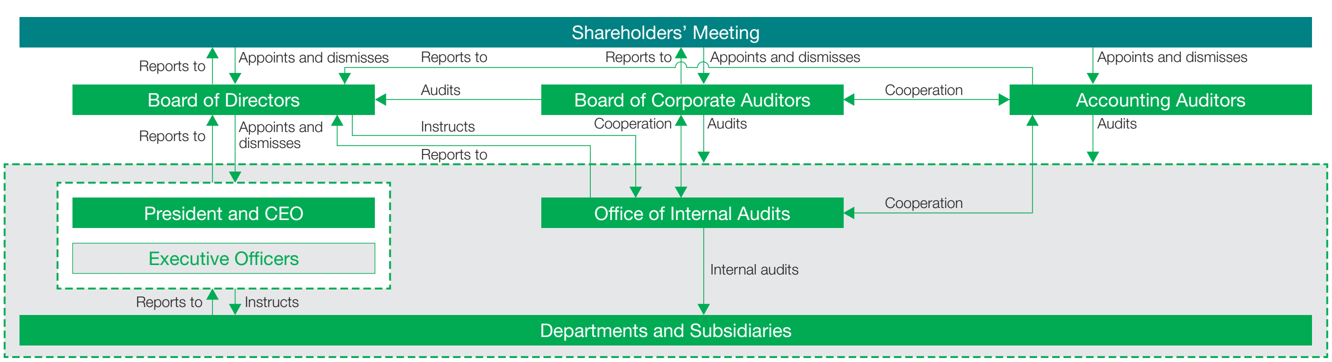
The Board of Directors is composed of seven Directors, one of whom is an outside director. The Board of Corporate Auditors is composed of four Corporate Auditors, two of whom are outside auditors. Meetings of the Board of Directors are held regularly each month, but the Board can also hold extraordinary meetings if necessary. The Board discusses and resolves important matters, and also oversees the execution of duties by the Representative Director. Corporate Auditors, including outside auditors, attend most meetings of the Board and Executive Committee, which convene on a number of occasions each year, to engage in discussions and to monitor proceedings in detail. Two of the Corporate Auditors are full-time auditors with the power to submit questions to the Group employees. The system enables the Corporate Auditors to conduct adequate monitoring of the execution of duties by Directors.

The Internal Audit Dept., which has a staff of two employees, is fully independent of other Group operations. It undertakes an audit of all departments of the holding company and operating subsidiaries based on the annual audit plan approved by the Board of Directors. Results of these audits are reported to the Board of Directors and Board of Corporate Auditors.

Internal Controls

We regard the construction of a system of internal controls as a critical part of corporate governance. These controls include the five components described below.

(1) Keep all Directors and employees informed about our CSR (Corporate Social Responsibility) Philosophy and the Code of Conduct.
(2) The appointment of one Director as Chief Compliance Officer to chair the Ethics Committee and lead a team promoting internal business ethics.
(3) An internal hotline to enable employees to report compliance violations or any related concerns to an external lawyer.
(4) Regular reports by the Chief Compliance Officer to the Board of Directors concerning the ethics and compliance framework status.
(5) Establishment of an independent Internal Audit Dept. that



reports audit findings to the Board of Directors and the Board of Corporate Auditors, and where necessary to the accounting auditors as well.

To maintain the reliability of our financial reporting, we have also developed a system of internal controls to ensure that effective and appropriate internal control reports are produced, based on the provisions of the Financial Instruments and Exchange Law.

Risk Management

The Group has studied and instituted ways of mitigating, or of taking appropriate steps in response to, a variety of risks associated with business activities.

One Director is appointed as "the Director in charge of risk management." Moreover, the department in charge of risks occurring in the course of natural work operations, evaluates and responds to these risks. Furthermore, the Risk Management Committee conducts risk management in a cross-departmental manner over the entire Group.

As regards the detailed activities conducted during the fiscal year ended March 2012, the Group completely reviewed the Risk Management Manual, and also focused activities on issues related to the aftermath of the Great East Japan Earthquake that occurred in March 2011. As part of our responses in the period after the earthquake, we established an earthquake countermeasure conference framework, and arranged for domestic bases to hold frequent television conferences. As a result, the Group confirmed that it could respond rapidly in the event of an earthquake. We also verified that we had secured a method of communication to use immediately after an earthquake, and that time is needed to confirm the safety status of those employees who are on leave when an earthquake occurs.

In this context, the Risk Management Committee used this post-earthquake information as a basis to review a manual describing the emergency situation caused by a fire or earthquake, and how to respond afterwards. This manual forms part of the Risk Management Manual, and is meant to be used in such an emergency. We ensured that the manual is simply written and clearly lists what must be done. We also combined the antidisaster drills that had been conducted at each base hitherto, and performed a joint drill at three domestic bases.

Executive Compensation

The Group policy on executive compensation is to set in an objective and transparent way executive compensation levels that provide incentives to executives to increase corporate value and shareholder value, while also being properly justifiable. Executive compensation is deliberated by the Compensation Committee, a body that includes an outside auditor. The Directors' compensation is decided by the Board of Directors and the Corporate Auditors' compensation is decided in collaboration with the Board of Corporate Auditors, after the aforementioned deliberation by the Compensation Committee.

Directors' compensation is made up of a base salary plus performance-based components linked to the Group earnings and the share price. The Corporate Auditors only receive a base salary.

Executive compensation for the year ended March 2012 is shown below.

Executive compensation

Executive category	Aggregate remuneration (Millions of yen)	Aggregate remuneration by component (Millions of yen)			Total number of executives
		Base salary	Earnings-based performance	Retirement benefits	
Director	233	134	47	52	7
Corporate Auditor	5	5	–	0	1
Outside Corporate Auditor	38	38	–	0	4

Board of Directors

(As of July 1, 2012)

President and CEO
Eiji Sato

Directors
Masahisa Kakinuma
Seiki Kashima
Takayuki Morita
Jong Tae Kim
Takato Kawahara

Outside Director
Masayuki Hizume

Outside Corporate Auditors
Toshio Nemoto
Akihito Sakai

Corporate Auditors
Masuhiro Omori
Si Bum Yoo

A Word from the Corporate Auditors

Full-time Corporate Auditor
Toshio Nemoto

Career
Mr. Nemoto worked for a total of 16 years as Director and Managing Director of Akai Electric Company Ltd. (1988–1996), which is listed on the First Section of the Tokyo Stock Exchange, and Director, Managing Director and Senior Corporate Auditor of DAINIPPON SCREEN MFG. CO., LTD. (1998–2006). Thereafter, he held the following posts:
External Corporate Auditor of es Holdings (2006–2010);
Representative Director and President of IFS Japan K.K. (2007–2009);
External Director of LaOX Co., Ltd. (2008–2011)
External Director of BOBSON CO., LTD (2009–2011)
Director of Milestone Turnaround Management Co., LTD. (2010 to present)
Following these posts, Mr. Nemoto was appointed as Part-time Corporate Auditor (External) of the Company in 2010 and Full-time Corporate Auditor (External) of the Company in 2011, his current post.

In general, a company's full-time corporate auditors are appointed from within the company, and the part-time auditors are from outside.

In our case however, we at Taiyo Holdings are different. Our full-time auditors (Nemoto and Sakai) were appointed from outside the Company and our part-time auditors (Omori and Yoo) come from inside the Company. From a purely legal point of view, both Omori and Yoo are certainly in-house auditors. However, both of them can be said to be in-house auditors who possess the "outside the Company" viewpoints that come from their backgrounds of having both joined this Company some years ago from other companies.

In this manner, Taiyo Holdings' auditors have been chosen in response to the requirement for the auditor's ,"Independence." In addition, I am of the opinion that in combination with the extensive management experiences of all the auditors, our auditors team can contribute to building the Company's effective system of corporate governance.

When conducting actual audit activities, I personally am mindful of the principles of "the three-eyed hobgoblin" and "the three actuals." In other words, I adopt the three viewpoints of "the eyes of shareholders," "the eyes of the public" and "the eyes of laws" and I conduct my audits on the basis of three "actuals," i.e. "actual spots," "actual facts" and "actual things."

In addition to these principles, I refer to the "five guidelines for judging a management decision" set down by the Japan Corporate Auditors Association.

Namely, 1) Are the directors prioritizing the interests of the company? 2) Are there any infringements of laws or the Articles of Association? 3) Is the decision making process rational? 4) Is there anything irrational in the decision when viewed by the ordinary management? 5) Are there no serious errors in the understanding of facts?

One of the Taiyo's management policies is to accelerate the Company's globalization. In tandem with this, we need to ensure that our corporate governance possesses a global effectiveness. To accomplish this, I believe we need to improve our audit quality further, strengthen the coordination with the auditors of our subsidiaries and increase the frequency of audit visit to the subsidiaries.

I would like each auditor to cooperate in the building of a full-fledged audit structure that transcends national boundaries and plays a part in securing the global effectiveness of Taiyo's corporate governance.

Full-time Corporate Auditor
Akihito Sakai

Career
Mr. Sakai joined Tokio Marine & Fire Insurance Co., Ltd. (currently Tokio Marine & Nichido Fire Insurance Co., Ltd.) in April 1975 and was assigned to Tokio Marine Life Insurance Company Limited (currently Tokio Marine & Nichido Life Insurance Co., Ltd.) in July 2003.
Thereafter, he was appointed to the following posts:
Chief J-SOX Counselor, Human Resources and General Affairs (in July 2007)
Chief J-SOX Counselor, Legal Compliance Department (in July 2008)
Advisor to TAIYO HOLDINGS (in January 2011)
Full-time Corporate Auditor at TAIYO HOLDINGS (June 2011 to present)
Auditor at TAIYO INK CO., (KOREA) LTD. (May 2012 to present)
During his work in a non-life insurance company, Mr. Sakai was in charge of accounting, finance, investments, marketing, personnel; during his work in a life insurance company, he was in charge of policy management and accounting; since July 2007 he has presided over J-SOX matters.

The corporate auditors at TAIYO HOLDINGS comprise the two full-time external corporate auditors of Mr. Nemoto and myself. In general, external corporate auditors are usually part-time corporate auditors, but the reverse is true in the case of Taiyo. As a result, the auditing system at Taiyo can conduct its checks from a much more multisided "outside the company" viewpoint. Moreover, it means there are many opportunities for corporate auditors to make remarks at meetings of the Board of Directors, and in this sense it also means that Taiyo's corporate governance system is functioning very well.

It is natural that in their daily work activities corporate auditors monitor the directors' execution of their duties. However, recently in Japan attention has been drawn to the internal controls that companies are putting in place in response to J-SOX, and as a result I myself have had to make use of my past experience to focus on and audit the building and operating of an internal control system. As regards the internal control system currently in place in Taiyo, both the system-related and operational aspects are functioning smoothly, but it is still important to constantly carry out timely revisions. On the basis of these, I want to carefully examine the operational effectiveness of the system.

Taiyo is a company that develops its business activities globally and as such we must not only comply with the laws and accommodate revisions to the laws in all relevant countries, we must also envisage and prepare for a variety of risks, including our responses to environmental concerns. Accordingly, in the course of Taiyo conducting audits, I will constantly remain mindful of whether or not there are deficiencies in our system from the viewpoint of the various relevant countries.

Taiyo seeks to further enhance its corporate value and establish itself as a truly global company, with the aim of becoming an enterprise that is admired by society. I expect each of its subsidiaries to achieve advancement going forward. Furthermore, while taking care not to miss out on the timing of various opportunities overseas, I expect each subsidiary to become an enterprise that can contribute to the world through business activities.

The Group has prospered by earning the trust of shareholders, customers, business partners and other stakeholders. To remain worthy of such trust and support the Group's continued development, we have formulated our CSR Philosophy and a Code of Conduct based on our Management Philosophy and Basic Management Policy to guide all of our business activities. In conducting business, we are committed to fulfilling our corporate social responsibilities as an enterprise.

In addition, various management structures and committees provide the infrastructure needed to support appropriate promotion of the CSR-related activities that we undertake.

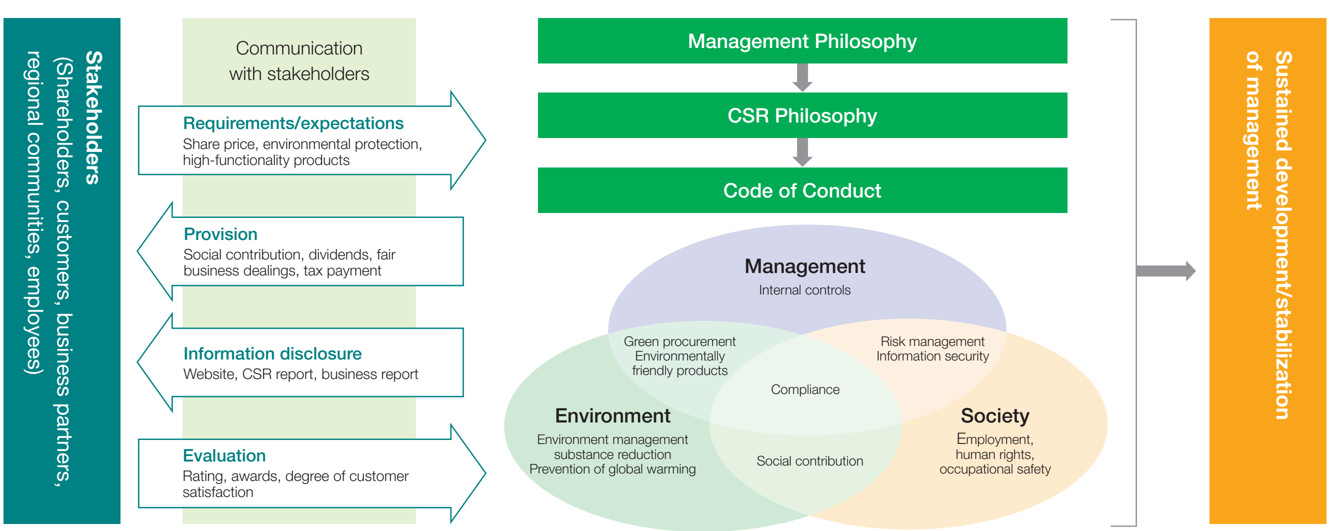
CSR Philosophy

We will promote our corporate social responsibility, including complying with the law, protecting the environment, ensuring thorough quality management, and contributing to society.

Code of Conduct

We will observe the following code to put the Group's CSR Philosophy into practice.

1. Ethical and Legal Compliance	We will observe laws and other social norms, and understanding the spirit thereof, will act openly and fairly.
2. Workplace Environment	We will respect employees' human rights, and create a workplace that is fair and free of discrimination.
3. Fair Business Dealings	We will deal with all our business partners in an honest manner and conduct business with them based on impartial and fair business conditions.
4. Respect for Stakeholders	We will always conduct business activities with respect for the viewpoints of all our stakeholders, and disclose information in a timely and appropriate manner.
5. Ensuring Confidentiality	We will work to ensure the protection of confidential information related to our business partners, the company itself, and any individual.
6. Ensuring Quality (Quality Policy)	We will ensure that we always provide safe, quality products that satisfy our customers.
7. Protecting the Environment (Basic Environmental Philosophy)	We will endeavor to protect the environment as part of the performance of our social responsibility, and will engage in business activities that are in harmony with the environment.
8. Social Contribution	As members of society, we will engage in activities that contribute to society.
9. Respect for Intellectual Property	We will take appropriate precautions to protect our intellectual property rights, and those of third parties.
10. Exclusion of Anti-social Forces	We will take a resolute stance towards anti-social forces and will not respond in any way to illegal or improper demands.



Relationship with Shareholders

■ Performing IR Activities

TAIYO HOLDINGS maintains a basic policy of ensuring accuracy, fairness, and promptness in the performance of IR activities. On the basis of this policy, we deliver to shareholders and investors information effective for making investment decisions.

In terms of specific IR activities, we publish an annual report, offer IR information on our website, hold financial results briefings for analysts and institutional investors, and meet individually with institutional investors, among other activities. We are also proactive in providing information to overseas institutional investors. In the year under review, for example, we held IR meetings in Singapore.

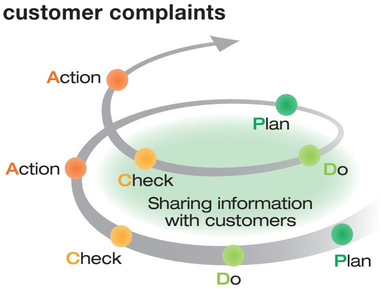
Relationship with Customers

■ Innovating Quality Management and Utilizing Complaints

The TAIYO HOLDINGS GROUP carries out initiatives to ensure high levels of quality and safety that satisfy our customers. In the year under review, we focused on improving the effectiveness of our quality management system, and on the fundamental streamlining of our system after mainly reconfirming the workflow. In the current fiscal year, we will build an easy-to-understand clear-cut quality system after clarifying the objectives and roles of each process, and the connections between processes, thereby further streamlining the system for efficiency.

We consider customer complaints as opportunities to improve quality. After receiving a complaint, we identify the roots of the problem and take effective response measures that will lead to the manufacturing and provision of products with more stable quality.

Quality improvement based on customer complaints



Relationship with Suppliers

■ Carry Out Supplier Assessments and On-site Audits

In order to conduct business transactions with suppliers in a relationship of trust, the TAIYO HOLDINGS GROUP carries out supplier assessments, clarifies anything necessary, and proceeds with the cooperation of the supplier.

We carry out on-site audits of our suppliers of raw materials and products, with the understanding and approval of our suppliers, as a way to maintain and improve the quality, environmental friendliness and delivery of procured goods.

Relationship with Local Communities and Society

■ Social Contribution

As part of its social contribution activities, the TAIYO HOLDINGS GROUP makes monetary donations to support relief efforts in the event of major disasters causing significant damage.

Although over a year has elapsed since the Great East Japan Earthquake struck Japan in March 2011, much damage remains in the afflicted region. Looking ahead, we will provide as much support as possible in our role of people living in the same society.

■ Environmental Protection Activities

The TAIYO HOLDINGS GROUP conducts various community beautification programs as part of its environmental protection activities. At our Ranzan Facility, about 10 management-level employees are split into two teams which take turns picking up garbage from roads around the site on a monthly basis. In addition, TAIYO INK is registered with a road beautification program in Saitama Prefecture, and employees contribute their time once a month to clean up the roads, focusing on national road No. 254.

We also participate in programs to protect the great purple emperor, designated as Japan's national butterfly.

Relationships with Employees

■ Development and Use of Global Human Resources

Amid ongoing globalization, the TAIYO HOLDINGS GROUP actively utilizes global human resources, including considering the deployment within the Group as a whole of employees who have been hired locally at overseas affiliates, and promoting excellent employees as far as becoming executives of TAIYO HOLDINGS. In the year under review, we arranged for local managers at overseas affiliate to come and give lectures to young employees about the market situation and cross-cultural background of various countries, thereby enabling the training to be given in a fresh and authentic manner.

■ Occupational Health and Safety

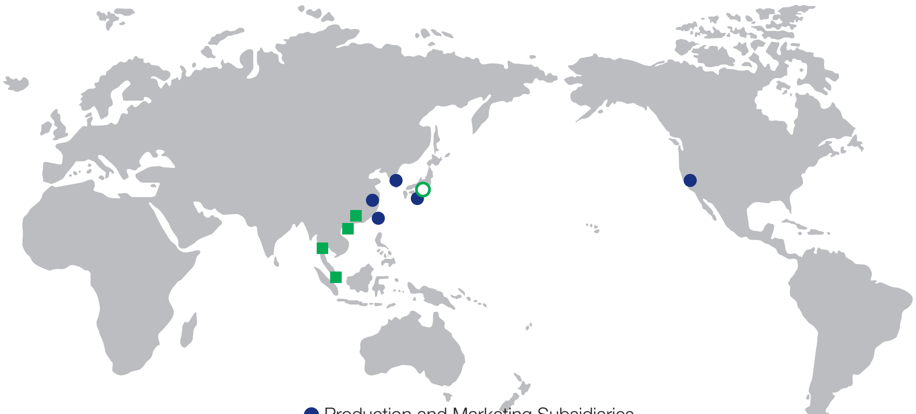
Every month we convene a Health and Safety Committee at which discussions are conducted based on reports from various managers. The Committee works to ensure adherence with laws, regulations, agreements, and company rules in the field of health and safety. Furthermore, our plants are visited and inspected every month by various managers, and once a year all members of the Committee conduct risk assessment activities. As a result, we prescribe improvements for risk areas, and horizontal development for similar areas. Overall, the entire company is united in implementing continuous improvements in health and safety. Moreover, we take working-environment measurements every year, and actively endeavor to create a comfortable workplace environment, as well as fully implementing fire-prevention and evacuation drills, and health and safety education.

Domestic and Global Network

TAIYO HOLDINGS CO., LTD.
Head Office
2-7-1 Hazawa, Nerima-ku, Tokyo 176-8508, Japan
PHONE: 81-3-5999-1511 FAX: 81-3-5999-1501

TAIYO HOLDINGS CO., LTD.
Ranzan Facility
388 Ohkura, Ranzan-machi, Hiki-gun,
Saitama 355-0222, Japan
PHONE: 81-493-62-7777 FAX: 81-493-62-2330

TAIYO INK MFG. CO., LTD.
900 Hirasawa, Ranzan-machi,
Hiki-gun, Saitama 355-0215, Japan
PHONE: 81-493-61-2711 FAX: 81-493-61-2701



Company	Voting Shares Held	Business Description
TAIWAN TAIYO INK CO., LTD.	99.8%	Manufacture and marketing of PWB materials
TAIYO INK CO., (KOREA) LTD.	89.8%	Manufacture and marketing of PWB and FPD materials
TAIYO INK (SUZHOU) CO., LTD.	100.0%	Manufacture and marketing of PWB materials
TAIYO AMERICA, INC.	100.0%	Manufacture and marketing of PWB materials
TAIYO INK INTERNATIONAL (SINGAPORE) PTE LTD	100.0%	Marketing of PWB materials
TAIYO INK (THAILAND) CO., LTD.	100.0%	Technical support for PWB materials
TAIYO INK INTERNATIONAL (HK) LIMITED	100.0%	Marketing of PWB materials
TAIYO INK TRADING (SHENZHEN) CO., LTD	100.0%	Marketing of PWB materials

Production and Marketing Subsidiaries

TAIWAN
TAIWAN TAIYO INK CO., LTD.
No.7 Ta Tung 2nd Road. Kuan-Yin Industry Park,
Taoyuan, Taiwan, R.O.C.
PHONE: 886-3-483-3230 FAX: 886-3-483-3240
http://www.taiyoink.com.tw

KOREA
TAIYO INK CO., (KOREA) LTD.
1058-8, Singil-dong, Danwon-gu, Ansan City,
Gyeonggi-do, Korea
PHONE: 82-31-491-9250 FAX: 82-31-491-7671
http://www.taiyoink.co.kr

CHINA - SUZHOU
TAIYO INK (SUZHOU) CO., LTD.
No. 26 Taishan Road, Suzhou New District,
Suzhou City, Jiangsu, P.R. China
PHONE: 86-512-6665-5550
FAX: 86-512-6665-5011
http://www.taiyoink.com.cn

USA - NEVADA
TAIYO AMERICA, INC.
2675 Antler Drive, Carson City, NV 89701, U.S.A.
PHONE: 1-775-885-9959 FAX: 1-775-885-9972
http://www.taiyo-america.com

Marketing or Technical Support Subsidiaries

SINGAPORE
TAIYO INK INTERNATIONAL (SINGAPORE) PTE LTD
171 Chin Swee Road #11-07/08 San Centre
Singapore 169877
PHONE: 65-6372-1141 FAX: 65-6372-1151

THAILAND
TAIYO INK (THAILAND) CO., LTD.
408/122 Phaholyothin Place, 28/F Phaholyothin
Road, Samsen-Nai, Phayathai, Bangkok 10400,
Thailand
PHONE: 66-2-619-0506 FAX: 66-2-619-0799

HONG KONG
TAIYO INK INTERNATIONAL (HK) LIMITED
Room 703, 7/F, Silvercord, Tower 2, 30 Canton
Road, Tsim Sha Tsui, Kowloon, Hong Kong
PHONE: 852-2735-0636 FAX: 852-2375-7332

CHINA - SHENZHEN
TAIYO INK TRADING (SHENZHEN) CO., LTD
Rm 1506, Office Tower, Shun Hing Square Di Wang
Comm. Centre, 5002 Shun Nan Dong Road,
Shenzhen City, Guangdong, PRC
PHONE: 755-2583-4787 FAX: 755-8207-0989


Head Office


TAIWAN TAIYO INK CO., LTD.

TAIYO INK (SUZHOU) CO., LTD.

Financial Section

Management Discussion and Analysis

Overview of the Consolidated Results

During the fiscal year ended March 31, 2012, the pace of economic recovery in developed countries that had continued since the global financial market crisis slowed down, as the sovereign debt crisis triggered by the financial problems in Greece spread throughout Europe. At the same time, with the shrinking investment in and trade with emerging economies, economic growth in emerging countries also decelerated. In China, which is the primary market for the Group, exports to Europe slowed down and consumer spending was restrained due to a rise in commodity prices and termination of financial assistance. The Japanese economy also had a difficult time with the impact of the Great East Japan Earthquake and record-high yen as well as deflation, but it started to show a slight recovery toward the end of the fiscal year on the back of a monetary easing policy and correction in the Japanese yen's appreciation. Nonetheless, the pace of recovery is still slow due to a number of risk factors, such as a recurrence of the European debt crisis and geopolitical tension that affects the crude oil market.

In the electronics components industry, small-sized information terminals such as smartphones and tablet PCs performed favorably despite the negative impact from production cutbacks due to the slowdown in the European economy and the floods in Thailand. On the other hand, demand was sluggish for PCs, which are being replaced by small-sized information terminals, and for flat-screen TVs, whose replacement cycle had already reached its peak.

■ Net sales

Sales of PWB (printed wiring board) materials were ¥26,729 million (down 10.7% year on year). This reflected lower year-on-year sales volume and a decline in unit sales prices due to such factors as the lingering appreciation of the Japanese yen and changes in the product mix.

Sales of FPD materials, which are comprised mainly of PDP materials, grew 30.2% year on year to ¥12,307 million, despite flat sales volume. The main reason for the increase was higher sales unit prices resulting from the stabilization of silver, a major raw material, at a high price.

As a result, consolidated net sales for the year under review amounted to ¥39,797 million (down 1.4% year on year).

■ Gross profit and operating income

Gross profit declined 16.5% year on year to ¥9,974 million due mainly to a 4.9% increase in the cost of sales to ¥29,823 million. Selling, general and administrative expenses declined 9.5% to ¥5,934 million, reflecting mainly decreases in sales commission expenses in addition to commission fees and depreciation expenses. As a result, operating income declined by 24.9% year on year to ¥4,040 million.

The operating income ratio declined 3.1 percentage points from 13.3% to 10.2%.

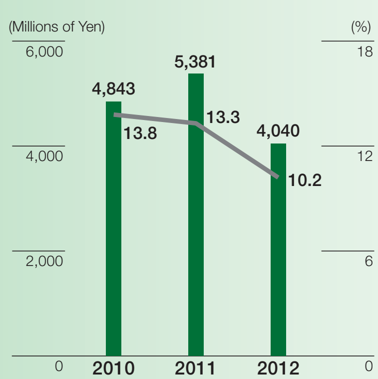
■ Net income

Income before income taxes and minority interests and net income both decreased year on year to ¥3,561 million (down

Net Sales

(Years ended March 31)

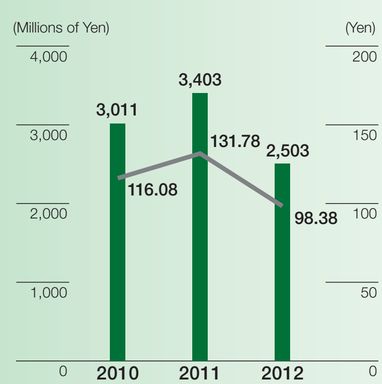
Operating Income and Operating Income Ratio



(Years ended March 31)

■ Operating income (left scale)
— Operating income ratio (right scale)

Net Income and Net Income Per Share



(Years ended March 31)

■ Net income (left scale)
— Net income per share (right scale)

31.6%) and ¥2,503 million (down 26.4%), respectively. These decreases were due mainly to incurring a devaluation loss on investments in subsidiaries as well as declines in interest income and gains on sales of noncurrent assets, despite an increase in dividend income and a decrease in loss on sales and retirement of noncurrent assets.

Net income per share decreased by 25.3% year on year from ¥131.78 to ¥98.38.

Results by Segment

■ Japan

In the Japan market, sales continued to perform strongly, thanks to stronger demand for smartphones and the good performance of products related to vehicles and amusement. However, sales for export remained subdued due to the lingering appreciation of the yen and the global economic slowdown.

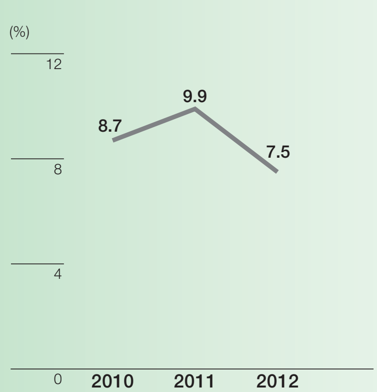
Overall, net sales in Japan declined 36.3% compared with the previous year to ¥11,788 million. Segment profit declined 2.4% to ¥990 million.

■ China (including Hong Kong)

In the China market, sales volume declined year on year, due to the deceleration of economic growth in China, and a decrease in exports bound for Europe due to the European debt crisis.

As a result, net sales in the China market dropped 10.7% in year-on-year terms to ¥10,637 million. Segment profit declined 37.7% to ¥1,751 million.

Return on Equity



(Years ended March 31)

■ Taiwan

Sales volume declined year on year, due to sluggish sales of both high-performance and general-purpose products of “rigid board materials,” resulting from slowing economic growth in China and lower exports to Europe due to the European debt crisis.

As a result, net sales in Taiwan decreased 16.0% in year-on-year terms to ¥3,706 million, and segment profit declined 7.9% to ¥470 million.

■ Korea

In the Korea market, the price of silver, a key raw material for “FPD materials,” hovered at a high level, pushing up sales on a monetary basis significantly compared with the previous fiscal year. However, procurement costs for silver also jumped, negatively affecting earnings.

As a result, net sales in Korea grew 21.3% in year-on-year terms to ¥16,668 million, but segment profit fell 33.7% to ¥650 million.

■ Other markets

As regards other markets, in the ASEAN region, while there were signs of recovery in demand mainly for products related to vehicles in Thailand after the flood damage, overall sales remained weak, owing to the protracted economic slump in Europe and the U.S.

As a result, net sales in other markets amounted to ¥2,619 million, a decrease of 14.5% in year-on-year terms. Operating income increased 14.3% to ¥273 million.

Analysis of Financial Position

■ Assets

Current assets decreased by 4.7% to ¥26,381 million. This decrease was mainly attributable to a ¥341 million decrease in notes and accounts receivable-trade (down 3.9% year on year), and a ¥219 million decrease in deferred tax assets (down 77.5% year on year).

Total property, plant and equipment declined 3.9% to ¥12,546 million. This decline was mainly due to a ¥305 million decrease in buildings and structures-net (down 4.3% year on year), and a ¥148 million decrease in machinery, equipment, and vehicles-net (down 11.0% year on year).

Investments and other assets declined 16.5% to ¥1,776 million. This decline was mainly attributable to a ¥32 million decrease in investment securities (down 6.1% year on year), a ¥32 million decrease in deferred tax assets (down 36.5% year on year), and a ¥15 million increase in allowance for doubtful accounts (up 4.1% year on year).

As a result, total assets stood at ¥40,703 million at March 31, 2012, 5% lower than the previous fiscal year-end.

■ Liabilities

Current liabilities decreased by 16.8% to ¥6,393 million. This decrease was mainly due to a ¥474 million decrease in notes and accounts payable-trade (down 8.9% year on year), a ¥345 million decrease in accounts payable-other (down 35.4% year on year), and a ¥419 million decline in income taxes payable (down 68.8% year on year).

Long-term liabilities decreased by 15.2% year on year to ¥834 million. This was mainly due to a ¥168 million decrease in deferred tax liabilities (down 28.1% year on year) and a ¥11 million decrease in liability for retirement benefits (down 3.4% year on year).

■ Total equity

Total equity, after adding minority interests, was ¥33,476 million as of March 31, 2012, a 2.1% decrease from the previous fiscal year-end. This was mainly due to a ¥58 million decrease in foreign currency translation adjustments, and a ¥218 million decrease in minority interests.

As a result, the equity ratio increased 2.9 percentage points from 78.2% to 81.1%. ROE was 7.5%.

Analysis of Cash Flows

■ Cash flows from operating activities

Net cash provided by operating activities for the fiscal year decreased by 38.9% year on year to ¥2,793 million. The main cash inflows were depreciation of ¥1,046 million and a devaluation loss of ¥421 million on investments in subsidiaries. The main cash outflows were an increase in accounts payable—trade and other current liabilities of ¥807 million and income taxes—paid amounting to ¥1,591 million.

■ Cash flows from investing activities

Net cash used in investing activities for the fiscal year amounted to ¥1,343 million, a decline of 277.1% from the net cash provided by investing activities in the previous year. This was mainly due to ¥536 million used for deposits into time deposits, ¥494 million for the purchase of property, plant and equipment, and ¥201 million for purchases primarily of subsidiaries' stock.

■ Cash flows from financing activities

Net cash used in financing activities for the fiscal year increased by 19.4% to ¥2,979 million. The main usage of cash was for dividends paid of ¥2,925 million.

As a result, cash and cash equivalents as of March 31, 2012 stood at ¥11,564 million, ¥1,589 million lower than the previous fiscal year-end.

Research and Development Expenses

The TAIYO HOLDINGS GROUP conducts research and development activities centered on the fields of insulation materials, conductive materials and adhesive materials for the fast-evolving electronics industry.

Research and development expenses for the year ended March 31, 2012 totaled ¥963 million, ¥33 million lower than the previous fiscal year.

Risk Factors

(1) Technological innovation risks

1. Risks related to PWBs

Our Group is reliant on the manufacturing and selling of PWB materials, and SR in particular, as a major source of our income. If radical technological developments, such as electronic parts that do not use PWBs or PWBs that do not use SR, were to be widely adopted, this would result in a significant decrease in demand for our products.

From the viewpoint of product characteristics, operability, and economic viability, there is little possibility that such technological innovations will be widely adopted in the near future. However, the Company considers it to be an important issue in the field of research and development to investigate possible new manufacturing methods in relation to PWBs.

2. Risks related to PDP materials

Our PDP materials customers are restricted to a few panel manufacturers. As we rely heavily on certain customers, the performance of these customers could significantly impact our own sales.

As PDPs compete with LCDs and other technologies in the FPD market, the future demand for PDPs necessarily involves uncertainty.

(2) Risks associated with patents

In order for our Group to maintain a superior competitive position, efforts are being made to protect the products and technology we develop through patents and intellectual property. However, if a patent application, etc. were not to result in the granting of rights, or a third party successfully were to requests an invalidation, insufficient protection of our rights as a Group might result. Moreover, infringing the intellectual property rights owned by a third party could impact on the performance of our Group as a result of the subsequent payment of royalties or large amounts of damages.

(3) Risk of major production facilities being affected by a disaster

Our Group has manufacturing bases in Japan, Taiwan, Korea, China and the United States. In the event that any of our manufacturing bases are damaged by a natural disaster and their manufacturing functions are obstructed, manufacturing and supply functions would then be switched to another manufacturing base as an emergency measure. However, this would require some preparation and adjustment and our business would be negatively affected in the interim.

(4) Risk related to procurement of raw materials

The Group procures many of its raw materials from external raw material manufacturers. The occurrence of problems at these raw material manufacturers or a lack of supplies that hinders the Group's production activities may negatively affect the business performance of the Group.

(5) Risk related to higher prices of raw materials

The occurrence of rises in the prices of some of the raw materials that the Group procures due to the impact of conditions in the petroleum market, or suchlike, may negatively affect the business performance of the Group. In the case of PDP materials in particular, fluctuations in the price of silver, one of the key raw materials, may negatively impact on the earnings of the Group.

(6) Country-specific risks related to business deployment overseas

Our Group conducts manufacturing activities in Japan, Taiwan, Korea, China, and the United States. Sales of our Group's products particularly in China, Taiwan, Korea, ASEAN countries, and other Asian markets are expanding. Accordingly, terrorist activities, destabilization of the political situation, economic fluctuations, the outbreak of earthquakes and contagion, unforeseen changes to legal, regulatory or tax systems, labor-related industrial disputes and other country-specific risks could impact on the business strategies and performance of our Group.

(7) Risk of exchange rate fluctuations

Our ratio of overseas sales to net sales is approximately 80%, and in the majority of cases we calculate our overseas net sales figures in foreign currencies. Accordingly, our business performance is affected by fluctuations in exchange rates, with a highly appreciated yen normally leading to reduced income and profits.

(8) Risk of price fluctuations in key products

PWB manufacturing is shifting to other Asian countries, especially China, and we are engaged in continuing price wars over SR with local companies as well as other Japanese firms. There is also pressure to lower SR prices which has resulted from price competition in the PWB market. Because of this, there is a possibility that the price of our main product, SR, may drop, thus affecting the performance of our Group.

(9) Risks related to fluctuations in product demand

Demand for our Group's main products is influenced by electronic components market trends, which may affect the performance of our Group.

(10) Credit risks related to receivables

The Group has many customers and, although we do not concentrate an excessive amount of receivables on specific customers, the deterioration of the financial position of customers and the resulting bad debt may affect the performance of our Group.

(11) Risk of recoverability of deferred tax assets

With respect to deductible temporary differences and tax-loss carryforward, the Group determines recoverability after reasonably estimating future taxable income when recording deferred tax assets. However, if deferred tax assets were to be deemed unrecoverable in whole or in part as actual taxable income may differ from estimates due to changes in the business environment and other factors, or if changes in tax rates or revisions in tax systems were to occur in various countries, a recalculation of deferred tax assets would become necessary. If, as a result of the above, a reversal of deferred tax assets became necessary, it could impact on our operating results and financial position.

Consolidated Balance Sheets

TAIYO HOLDINGS CO., LTD. and Consolidated Subsidiaries
March 31, 2012 and 2011

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
ASSETS	**2012**	2011	**2012**
CURRENT ASSETS:			
Cash and cash equivalents (Note 11)	**¥11,564**	¥13,153	**$141,024**
Time deposits (Note 11)	**1,400**	820	**17,073**
Notes and accounts receivable—trade (Note 11)	**8,452**	8,793	**103,073**
Inventories (Note 4)	**4,248**	4,121	**51,805**
Consumption taxes receivable	**246**	322	**3,000**
Deferred tax assets (Note 9)	**64**	283	**780**
Other current assets	**505**	300	**6,159**
Allowance for doubtful accounts (Note 11)	**(98)**	(117)	**(1,195)**
Total current assets	**26,381**	27,675	**321,719**
PROPERTY, PLANT, AND EQUIPMENT (Notes 5 and 6):			
Land	**4,084**	4,097	**49,805**
Buildings and structures—net	**6,859**	7,164	**83,646**
Machinery, equipment, and vehicles—net	**1,204**	1,352	**14,683**
Tools, furniture, and fixtures—net	**374**	406	**4,561**
Construction in progress	**25**	31	**305**
Net property, plant, and equipment	**12,546**	13,050	**153,000**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 3 and 11)	**497**	530	**6,061**
Investments in unconsolidated subsidiaries (Note 11)	**629**	980	**7,671**
Goodwill	**49**	21	**598**
Software	**153**	178	**1,866**
Deferred tax assets (Note 9)	**56**	89	**683**
Other assets	**766**	687	**9,341**
Allowance for doubtful accounts	**(374)**	(359)	**(4,561)**
Total investments and other assets	**1,776**	2,126	**21,659**
TOTAL	**¥40,703**	¥42,851	**$496,378**

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen 2012	Millions of Yen 2011	Thousands of U.S. Dollars (Note 1) 2012
CURRENT LIABILITIES:			
Notes and accounts payable—trade (Note 11)	**¥ 4,852**	¥ 5,326	**$ 59,171**
Accounts payable—other (Note 11)	**628**	973	**7,658**
Income taxes payable (Note 11)	**190**	609	**2,317**
Accrued expenses	**537**	483	**6,549**
Deferred tax liabilities (Note 9)	**88**	190	**1,073**
Other current liabilities	**98**	100	**1,195**
Total current liabilities	**6,393**	7,681	**77,963**
LONG-TERM LIABILITIES:			
Liability for retirement benefits (Note 7)	**308**	318	**3,756**
Asset retirement obligations	**53**	52	**646**
Deferred tax liabilities (Note 9)	**430**	598	**5,244**
Other long-term liabilities	**43**	15	**525**
Total long-term liabilities	**834**	983	**10,171**
COMMITMENTS AND CONTINGENT LIABILITIES			
EQUITY (Notes 8 and 15):			
Shareholders' equity:			
Common stock—authorized, 50,000,000 shares; issued, 27,464,000 shares in 2012 and 2011	**6,135**	6,135	**74,817**
Capital surplus	**7,102**	7,102	**86,610**
Retained earnings	**29,301**	29,724	**357,329**
Treasury stock—at cost, 2,025,666 shares in 2012 and 2,025,546 shares in 2011	**(5,372)**	(5,372)	**(65,512)**
Total shareholders' equity	**37,166**	37,589	**453,244**
Accumulated other comprehensive income (loss):			
Valuation difference on available-for-sale securities	**78**	90	**951**
Foreign currency translation adjustments	**(4,246)**	(4,188)	**(51,780)**
Total accumulated other comprehensive loss	**(4,168)**	(4,098)	**(50,829)**
Minority interests	**478**	696	**5,829**
Total equity	**33,476**	34,187	**408,244**
TOTAL	**¥40,703**	¥42,851	**$496,378**

Consolidated Statements of Income

TAIYO HOLDINGS CO., LTD. and Consolidated Subsidiaries
Years Ended March 31, 2012 and 2011

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	**2012**
NET SALES	**¥39,797**	¥40,366	**$485,329**
COST OF SALES	**29,823**	28,428	**363,695**
Gross profit	**9,974**	11,938	**121,634**
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES (Note 10)	**5,934**	6,557	**72,366**
Operating income	**4,040**	5,381	**49,268**
OTHER INCOME (EXPENSES):			
Interest and dividend income	**72**	72	**878**
Interest expense	**(3)**	(3)	**(37)**
Foreign exchange loss—net	**(125)**	(177)	**(1,524)**
Loss on valuation of investments in unconsolidated subsidiaries	**(421)**		**(5,134)**
Other—net	**(2)**	(64)	**(24)**
Other expenses—net	**(479)**	(172)	**(5,841)**
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	**3,561**	5,209	**43,427**
INCOME TAXES (Note 9):			
Current	**1,002**	1,898	**12,219**
Deferred	**3**	(203)	**37**
Total income taxes	**1,005**	1,695	**12,256**
NET INCOME BEFORE MINORITY INTERESTS	**2,556**	3,514	**31,171**
MINORITY INTERESTS IN NET INCOME	**53**	111	**647**
NET INCOME	**¥ 2,503**	¥ 3,403	**$ 30,524**

	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Notes 2.s and 14):			
Basic net income	**¥98.38**	¥131.78	**$1.20**
Cash dividends applicable to the year	**90.00**	115.00	**1.10**

See notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

TAIYO HOLDINGS CO., LTD. and Consolidated Subsidiaries
Years Ended March 31, 2012 and 2011

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	**2012**
NET INCOME BEFORE MINORITY INTERESTS	**¥2,556**	¥3,514	**$31,171**
OTHER COMPREHENSIVE LOSS (Note 13):			
Valuation difference on available-for-sale securities	**(12)**	(26)	**(147)**
Foreign currency translation adjustments	**(22)**	(1,284)	**(268)**
Total other comprehensive loss	**(34)**	(1,310)	**(415)**
COMPREHENSIVE INCOME (Note 13)	**¥2,522**	¥2,204	**$30,756**
COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	**¥2,433**	¥2,136	**$29,671**
Minority interests	**89**	68	**1,085**

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

TAIYO HOLDINGS CO., LTD. and Consolidated Subsidiaries
Years Ended March 31, 2012 and 2011

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	2012
SHAREHOLDERS' EQUITY:			
Common stock:			
Balance at the end of previous year—shares issued, 2012—27,464,000 shares, 2011—27,464,000 shares	¥ 6,135	¥ 6,135	$ 74,817
Balance at the end of current year—shares issued, 2012—27,464,000 shares, 2011—27,464,000 shares	¥ 6,135	¥ 6,135	$ 74,817
Capital surplus:			
Balance at the end of previous year	¥ 7,102	¥ 7,102	$ 86,610
Disposal of treasury stock			
Balance at the end of current year	¥ 7,102	¥ 7,102	$ 86,610
Retained earnings:			
Balance at the end of previous year	¥ 29,724	¥ 28,662	$ 362,488
Net income	2,503	3,403	30,524
Dividends from surplus	(2,926)	(2,334)	(35,683)
Decrease by newly consolidated subsidiaries		(7)	
Balance at the end of current year	¥ 29,301	¥ 29,724	$ 357,329
Treasury stock—at cost:			
Balance at the end of previous year 2012—2,025,546 shares, 2011—1,525,526 shares	¥ (5,372)	¥ (4,060)	$ (65,512)
Purchase of treasury stock 2012—120 shares, 2011—500,080 shares		(1,312)	
Disposal of treasury stock 2012—0 shares, 2011—60 shares			
Balance at the end of current year 2012—2,025,666 shares, 2011—2,025,546 shares	¥ (5,372)	¥ (5,372)	$ (65,512)
TOTAL SHAREHOLDERS' EQUITY	¥ 37,166	¥ 37,589	$ 453,244
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS):			
Valuation difference on available-for-sale securities:			
Balance at the end of previous year	¥ 90	¥ 117	$ 1,097
Changes of items during the year	(12)	(27)	(146)
Balance at the end of current year	¥ 78	¥ 90	$ 951
Foreign currency translation adjustments:			
Balance at the end of previous year	¥ (4,188)	¥ (2,949)	$ (51,073)
Changes of items during the year	(58)	(1,239)	(707)
Balance at the end of current year	¥ (4,246)	¥ (4,188)	$ (51,780)
TOTAL ACCUMULATED OTHER COMPREHENSIVE LOSS	¥ (4,168)	¥ (4,098)	$ (50,829)
MINORITY INTERESTS:			
Balance at the end of previous year	¥ 696	¥ 679	$ 8,488
Changes of items during the year	(218)	17	(2,659)
Balance at the end of current year	¥ 478	¥ 696	$ 5,829
TOTAL EQUITY:			
Balance at the end of previous year	¥ 34,187	¥ 35,686	$ 416,915
Net income	2,503	3,403	30,524
Dividends from surplus	(2,926)	(2,334)	(35,683)
Purchase of treasury stock		(1,312)	
Decrease by newly consolidated subsidiaries		(7)	
Net changes of items other than shareholders' equity	(288)	(1,249)	(3,512)
Balance at the end of current year	¥ 33,476	¥ 34,187	$ 408,244

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

TAIYO HOLDINGS CO., LTD. and Consolidated Subsidiaries
Years Ended March 31, 2012 and 2011

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	2012
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	**¥ 3,561**	¥5,209	**$ 43,427**
Adjustments for:			
Income taxes—paid	**(1,591)**	(1,678)	**(19,402)**
Depreciation and amortization	**1,046**	1,128	**12,756**
Loss on valuation of investments in unconsolidated subsidiaries	**421**		**5,134**
Decrease (increase) in notes and accounts receivable—trade	**285**	(421)	**3,476**
Increase in inventories	**(192)**	(480)	**(2,342)**
Increase (decrease) in notes and accounts payable—trade	**(444)**	146	**(5,415)**
Increase (decrease) in other current liabilities	**(363)**	597	**(4,427)**
Increase (decrease) in accrued expenses	**80**	(118)	**976**
Other—net	**(10)**	193	**(122)**
Total adjustments	**(768)**	(633)	**(9,366)**
Net cash provided by operating activities	**2,793**	4,576	**34,061**
INVESTING ACTIVITIES:			
Payments into time deposits	**(3,137)**	(3,842)	**(38,256)**
Proceeds from withdrawal of time deposits	**2,601**	5,139	**31,719**
Purchase of short-term investment securities		(256)	
Proceeds from sales of short-term investment securities		257	
Purchases of property, plant, and equipment	**(494)**	(488)	**(6,024)**
Purchase of stocks of subsidiaries and affiliates	**(201)**		**(2,451)**
Purchase of software	**(102)**	(73)	**(1,244)**
Other—net	**(10)**	21	**(122)**
Net cash (used in) provided by investing activities	**(1,343)**	758	**(16,378)**
FINANCING ACTIVITIES:			
Increase in short-term loans payable	**1,200**	1,200	**14,634**
Decrease in short-term loans payable	**(1,200)**	(1,200)	**(14,634)**
Purchase of treasury stock		(1,312)	
Cash dividends paid	**(2,926)**	(2,335)	**(35,683)**
Cash dividends paid to minority shareholders	**(53)**	(50)	**(646)**
Net cash used in financing activities	**(2,979)**	(3,697)	**(36,329)**
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	**(60)**	(402)	**(732)**
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**¥(1,589)**	¥ 1,235	**$ (19,378)**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**13,153**	11,914	**160,402**
INCREASE IN CASH AND CASH EQUIVALENTS FROM NEWLY CONSOLIDATED SUBSIDIARY		4	
CASH AND CASH EQUIVALENTS, END OF YEAR	**¥ 11,564**	¥13,153	**$ 141,024**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

TAIYO HOLDINGS CO., LTD. and Consolidated Subsidiaries
Year Ended March 31, 2012

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form that is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2011 financial statements to conform to the classifications used in 2012.

The consolidated financial statements are stated in Japanese yen, the currency of the country, in which TAIYO HOLDINGS Co., Ltd. (the "Company") is incorporated and operates. The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at the rate of ¥82 to $1, the approximate rate of exchange at March 31, 2012. Such translation should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. Summary of Significant Accounting Policies

a. *Consolidation—*

The consolidated financial statements as of March 31, 2012, include the accounts of the Company and its eight significant (eight as of March 31, 2011) subsidiaries (together, the "Group").

Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

(Names of Consolidated Subsidiaries)

TAIYO INK MFG. CO., LTD.
TAIWAN TAIYO INK CO., LTD.
TAIYO INK CO., (KOREA) LTD.
TAIYO INK (SUZHOU) CO., LTD.
TAIYO AMERICA, INC.
TAIYO INK INTERNATIONAL (SINGAPORE) PTE LTD
TAIYO INK INTERNATIONAL (HK) LTD.
TAIYO INK TRADING (SHENZHEN) CO., LTD

Investments in the remaining three (three as of March 31, 2011) unconsolidated subsidiaries and associated companies are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

The excess of the cost of an acquisition over the fair value of the net assets of the acquired subsidiary at the date of acquisition is being amortized on a straight-line basis over a period of five years.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

The fiscal years of two (two as of March 31, 2011) consolidated subsidiaries ended on December 31. In preparing the consolidated financial statements, the Company used the financial statements of these subsidiaries, which were prepared additionally at the March 31 closing to correspond to the Group's reporting period for consolidation purpose.

b. *Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements—*

In May 2006, the Accounting Standards Board of Japan ("ASBJ") issued ASBJ Practical Issues Task Force ("PITF") No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements." PITF No. 18 prescribes (1) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements, (2) financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process, (3) however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in the equity; (c) expensing capitalized development costs of research and development ("R&D"); (d) cancellation of the fair value model accounting for property, plant and equipment and investment properties, and incorporation of the cost model accounting; and (e) exclusion of minority interests from net income, if included.

c. Business Combination—
In October 2003, the Business Accounting Council issued a Statement of Opinion, "Accounting for Business Combinations," and in December 2005, the ASBJ issued ASBJ Statement No. 7, "Accounting Standard for Business Divestitures" and ASBJ Guidance No. 10, "Guidance for Accounting Standard for Business Combinations and Business Divestitures." The accounting standard for business combinations allowed companies to apply the pooling of interests method of accounting only when certain specific criteria were met such that the business combination was essentially regarded as a uniting of interests. For business combinations that did not meet the uniting-of-interests criteria, the business combination was considered to be an acquisition and the purchase method of accounting was required. This standard also prescribed the accounting for combinations of entities under common control and for joint ventures.

In December 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No. 21, "Accounting Standard for Business Combinations." Major accounting changes under the revised accounting standard are as follows: (1) The revised standard requires accounting for business combinations only by the purchase method. As a result, the pooling of interests method of accounting is no longer allowed. (2) The previous accounting standard accounts for R&D costs to be charged to income as incurred. Under the revised standard, in-process R&D acquired in a business combination is capitalized as an intangible asset. (3) The previous accounting standard provided for a bargain purchase gain (negative goodwill) to be systematically amortized over a period not exceeding 20 years. Under the revised standard, the acquirer recognizes the bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase allocation. This standard was applicable to business combinations undertaken on or after April 1, 2010. The Company adopted this standard on April 1, 2010.

d. Cash Equivalents—
Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

Cash equivalents include time deposits, certificates of deposit, commercial paper, and bond funds, all of which mature or become due within three months of the date of acquisition.

e. Inventories—
Inventories are principally stated at the lower of cost, determined by the moving-average method, or net selling value.

f. Marketable and Investment Securities—
The Company classifies all marketable and investment securities as available-for-sale securities, which are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

Nonmarketable available-for-sale securities are stated at cost determined by the moving-average method. For other than temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

g. Allowance for Doubtful Accounts—
The allowance for doubtful accounts is provided for at the aggregate amounts of estimated credit losses based on the individual financial review of doubtful or troubled accounts and a general reserve for other accounts based on the Company's historical credit loss experience of a certain past period.

h. Property, Plant, and Equipment—
Property, plant, and equipment are stated at cost.

Buildings are depreciated principally using the straight-line method; and property, plant, and equipment other than buildings are depreciated principally using the declining-balance method over the estimated useful lives of the assets.

The ranges of useful lives for major categories are as follows:

Buildings and structures:	From 7 to 60 years
Machinery, equipment, and vehicles:	From 4 to 10 years
Tools, furniture, and fixtures:	From 3 to 8 years

i. ***Long-Lived Assets***—

The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

j. ***Software***—

Software for internal use is amortized by the straight-line method over the estimated useful life of mainly five years.

k. ***R&D Costs***—

R&D costs are charged to income as incurred.

l. ***Accrued Bonuses***—

The Company and certain consolidated subsidiaries provide accrued bonuses for employees, directors, and corporate auditors, based on future projections for the current fiscal year.

m. ***Retirement and Pension Plans***—

Liabilities for retirement benefits are recorded for employees' pension and severance payments, based on the projected benefit obligations and fair value of plan assets at the balance sheet date.

Prior service costs are amortized on the straight-line method over five years.

Actuarial gains (losses) are amortized on the straight-line method over five years from the following year after incurrence.

Liability for directors and corporate auditors are recorded to state for the payments of their retirement benefits based on the internal rules.

The Company, at the meeting of the board of directors held on April 22, 2010, resolved to abolish the directors' retirement benefits system and the agenda item regarding lump-sum payments resulting from said abolishment was approved at the 64th General Meeting of Shareholders held on June 29, 2010. These payments will be effected as retirement benefits paid at the time of retirement according to the period of service up to the abolishment of the system.

n. ***Asset Retirement Obligations***—

In March 2008, the ASBJ published the accounting standard for asset retirement obligations, ASBJ Statement No. 18, "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No. 21, "Guidance on Accounting Standard for Asset Retirement Obligations." Under these accounting standards, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development, and the normal operation of a tangible fixed asset, and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

o. ***Income Taxes***—

The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

The Group files a tax return under the consolidated corporate-tax system, which allows companies to base tax payments on the combined profit or losses of the parent company and its wholly owned domestic subsidiaries.

p. *Foreign Currency Transactions—*

All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income.

q. *Foreign Currency Financial Statements—*

The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rates as of the balance sheet date, except for equity, which is translated at the historical exchange rates. Differences arising from such translation were shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity. Revenue and expense accounts of consolidated foreign subsidiaries are translated into Japanese yen at the average exchange rates.

r. *Derivative Financial Instruments—*

The Group uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange. Foreign exchange forward contracts are utilized by the Group to reduce foreign currency exchange risks.

The Group does not enter into derivatives for trading or speculative purposes.

All derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statement of income.

s. *Per Share Information—*

Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period.

Diluted net income per share is not disclosed because it is antidilutive.

Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective years, including dividends to be paid after the end of the year.

t. *Accounting Changes and Error Corrections—*

In December 2009, the ASBJ issued ASBJ Statement No. 24, "Accounting Standard for Accounting Changes and Error Corrections" and ASBJ Guidance No. 24, "Guidance on Accounting Standard for Accounting Changes and Error Corrections." Accounting treatments under this standard and guidance are as follows: (1) Changes in Accounting Policies—When a new accounting policy is applied with revision of accounting standards, the new policy is applied retrospectively, unless the revised accounting standards include specific transitional provisions. When the revised accounting standards include specific transitional provisions, an entity shall comply with the specific transitional provisions. (2) Changes in Presentations—When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation.
(3) Changes in Accounting Estimates—A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods. (4) Corrections of Prior-Period Errors—When an error in prior-period financial statements is discovered, those statements are restated. This accounting standard and the guidance are applicable to accounting changes and corrections of prior-period errors, which are made from the beginning of the fiscal year that begins on or after April 1, 2011.

3. Marketable and Investment Securities

Marketable and investment securities at March 31, 2012 and 2011, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Noncurrent:			
Marketable equity securities	**¥484**	¥509	**$5,903**
Government and corporate bonds	**1**	2	**12**
Total	**¥485**	¥511	**$5,915**

The costs and aggregate fair values of marketable and investment securities at March 31, 2012 and 2011, were as follows:

	Millions of Yen			
March 31, 2012	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale:				
Equity securities	**¥364**	**¥130**	**¥10**	**¥484**
Debt securities	**1**			**1**
Total	**¥365**	**¥130**	**¥10**	**¥485**

	Millions of Yen			
March 31, 2011	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale:				
Equity securities	¥358	¥157	¥ 6	¥509
Debt securities	2			2
Total	¥360	¥157	¥ 6	¥511

	Thousands of U.S. Dollars			
March 31, 2012	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale:				
Equity securities	**$4,439**	**$1,586**	**$122**	**$5,903**
Debt securities	**12**			**12**
Total	**$4,451**	**$1,586**	**$122**	**$5,915**

Available-for-sale securities whose fair values are not readily determined at March 31, 2012 and 2011, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Available-for-sale—equity securities	**¥12**	¥19	**$146**

The Group had not sold available-for-sale securities during the years ended March 31, 2012 and 2011.

4. Inventories

Inventories at March 31, 2012 and 2011, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Merchandise and finished products	**¥2,155**	¥1,860	**$26,280**
Work in process	**199**	185	**2,427**
Raw materials and supplies	**1,894**	2,076	**23,098**
Total	**¥4,248**	¥4,121	**$51,805**

5. Property, Plant and Equipment

Accumulated depreciation at March 31, 2012 and 2011, was ¥17,459 million ($212,915 thousand) and ¥16,767 million, respectively.

6. Long-Lived Assets

In the fiscal year ended March 31, 2011, the Group recognized an impairment loss with regard to the following assets group:

Use	Location	Category	Millions of Yen 2011
Idle assets	Nerima Ward, Tokyo	Software	¥24

These idle assets were written down to their recoverable amounts because there was no prospect of use in the future.

No impairment loss was recognized in 2012.

7. Retirement and Pension Plans

The Company has non-contributory-funded defined benefit plans based on the point system and defined contribution plans. Certain overseas consolidated subsidiaries have defined contribution plans and other besides defined benefit plans.

The liability for retirement benefits at March 31, 2012 and 2011, for directors and corporate auditors is ¥104 million ($1,268 thousand) and ¥112 million, respectively. The retirement benefits for directors and corporate auditors are paid subject to the approval of the shareholders.

The liability for retirement benefits for employees at March 31, 2012 and 2011, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Projected benefit obligations	**¥ (2,396)**	¥ (2,178)	**$ (29,220)**
Fair value of plan assets	**2,094**	2,004	**25,537**
Unfunded retirement benefit obligations	**(302)**	(174)	**(3,683)**
Unrecognized actuarial (gains) losses	**77**	(63)	**1,073**
Unrecognized prior service costs	**21**	31	**122**
Liability for retirement benefits	**¥ (204)**	¥ (206)	**$ (2,488)**

The components of net periodic benefit costs for the years ended March 31, 2012 and 2011, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Service cost	**¥142**	¥145	**$1,732**
Interest cost	**54**	50	**658**
Expected return on plan assets	**(27)**	(26)	**(329)**
Amortization of actuarial (gains) losses	**(22)**	(26)	**(268)**
Amortization of prior service costs	**10**	10	**122**
Net periodic benefit costs	**¥157**	¥153	**$1,915**

In addition to the costs shown in the preceding table, other expenses for the defined contribution plans of the Company and certain overseas consolidated subsidiaries amounted to ¥24 million ($293 thousand) and ¥26 million for the years ended March 31, 2012 and 2011, respectively.

Assumptions used for the years ended March 31, 2012 and 2011, are as follows:

	2012	2011
Discount rate	**1.2%**	2.0%
Expected rate of return on plan assets	**1.0%**	1.0%
Amortization period of actuarial (gains) losses	**Mainly 5 years**	Mainly 5 years
Amortization period of prior service costs	**Mainly 5 years**	Mainly 5 years

8. Equity

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as (1) having the board of directors, (2) having independent auditors, (3) having the board of corporate auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the board of directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Company meets all the above criteria.

The Companies Act permits companies to distribute dividends in kind (noncash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the board of directors, if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

b. Increases/Decreases and Transfer of Common Stock, Reserve, and Surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account that was charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock.

Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation.

The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus, and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

c. Treasury Stock and Treasury Stock Acquisition Rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the board of directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined by specific formula.

Under the Companies Act, stock acquisition rights are presented as a separate component of equity.

The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

9. Income Taxes

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes, which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 41% for the years ended March 31, 2012 and 2011.

The tax effects of significant temporary differences, which resulted in deferred tax assets and liabilities at March 31, 2012 and 2011, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Deferred tax assets:			
Retirement benefits	**¥ 124**	¥ 135	**$ 1,512**
Unrealized profit	**73**	101	**890**
Deduction of foreign corporation tax carried forward	**467**	1,283	**5,695**
Allowance for doubtful accounts	**65**	97	**793**
Accrued expenses	**86**	194	**1,049**
Loss on valuation of investments in unconsolidated subsidiaries	**159**		**1,939**
Other	**161**	173	**1,963**
Total deferred tax assets	**1,135**	1,983	**13,841**
Less valuation allowance	**(528)**	(1,349)	**(6,439)**
Total deferred tax assets, net of valuation allowance	**607**	634	**7,402**
Deferred tax liabilities:			
Undistributed earnings of associated companies	**(797)**	(821)	**(9,719)**
Reserve for technique and development	**(81)**	(85)	**(988)**
Valuation difference on available-for-sale securities	**(42)**	(61)	**(512)**
Other	**(85)**	(83)	**(1,037)**
Total deferred tax liabilities	**(1,005)**	(1,050)	**(12,256)**
Net deferred tax assets	**¥ (398)**	¥ (416)	**$ (4,854)**

Reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of income for the years ended March 31, 2012 and 2011, is as follows:

	2012	2011
Normal effective statutory tax rate	**40.54%**	40.54%
Tax rates difference relating to overseas subsidiaries	**(19.53)**	(15.76)
Elimination of dividend income	**1.96**	1.64
Deduction of foreign corporation tax carried forward	**(2.06)**	(1.25)
Undistributed earnings of associated companies	**(0.49)**	(2.96)
Nondeductible withholding income tax of dividends	**6.28**	7.30
Valuation allowance	**1.97**	3.10
Other	**(0.43)**	(0.08)
Actual effective tax rate	**28.24%**	32.53%

On December 2, 2011, new tax reform laws were enacted in Japan, which changed the normal effective statutory tax rate from approximately 41% to 38% effective for the fiscal years beginning on or after April 1, 2012 through March 31, 2015, and to 35% afterwards. The effect of this change is not material.

10. R&D Costs

R&D costs charged to income for the years ended March 31, 2012 and 2011, were ¥963 million ($11,744 thousand) and ¥996 million, respectively.

11. Financial Instruments and Related Disclosures

(1) *Summary of Financial Instruments Status*

a. *Group policy for financial instruments*

The Group's policy is to fund operations internally wherever possible. With large-scale capital projects, the Group borrows funds from banks or arranges other types of funding, depending on market conditions.

Short-term surplus funds are managed conservatively using only financial instruments that provide high security.

The Group employs derivatives to mitigate known future risks, but does not use such instruments for speculative purposes as a matter of policy.

b. *Nature and extent of risks arising from financial instruments*

Operating receivables, such as trade notes and trade accounts, are exposed to credit risks relating to the Group's customers. Operating receivables denominated in foreign currencies that arise in the course of conducting overseas business are exposed additionally to exchange rate fluctuation risk.

Marketable and investment securities mainly comprise bonds and investments in the shares of affiliated business partners. These investments are exposed to the risk of fluctuations in market prices.

Operating liabilities, such as notes and accounts payable—trade, typically have payment due dates within four months. The Group also has some foreign currency-denominated liabilities of this kind that are exposed to exchange rate fluctuation risk.

Foreign exchange forward contracts are used to hedge the exchange rate fluctuation risk associated with foreign currency-denominated operating assets.

c. *Risk management system for risks associated with financial instruments*

Management of Credit Risk (Relating to Contractual Defaults by Business Partners)

The Company monitors the status of business partners with respect to operating assets regularly, in line with internal regulations governing the management of credit limits and trade receivables. Besides managing due dates and outstanding balances by counterparty, the Company also aims to identify as early as possible and alleviate any concerns about nonpayment caused by deterioration in financial condition or other factors.

Consolidated Group subsidiaries also follow the Company's policy on credit risk management.

Bond investments are limited to high-rated bonds. The associated credit risk is judged to be minimal.

The Group only enters into derivative contracts with highly rated financial institutions as counterparties. The associated credit risk is regarded as negligible.

Management of Market Risk (Relating to Fluctuations in Exchange Rates, Interest Rates, etc.)

To manage the currency fluctuation risk associated with foreign currency-denominated operating assets and liabilities, the Company and certain consolidated Group subsidiaries assess related exposures for each currency on a monthly basis.

The market values and financial condition of issuers (most of which are the Group's business partners) are assessed regularly for all marketable and investment securities. The ownership of any shares is reviewed on an ongoing basis, depending on market conditions and the relationships with relevant business partners.

With respect to the management of derivatives, the internal party responsible for the transaction must gain the approval of the authorized settlement managers to exercise any derivatives contract, in line with internal management regulations specifying the transactional authority and related limits for contractual exposures. The results of derivatives transactions are reported to the board of directors periodically.

Management of Liquidity Risks Associated with Fund Procurement (Relating to Risk of Nonpayment by Due Date)

Appropriate operational funding plans are created and approved for all Group firms. The Group manages any related liquidity risks and ensures that cash on hand is maintained at adequate levels.

d. *Fair value of financial instruments and related matters*

Fair value of financial instruments is based on market prices where available and rational estimates in the case of unquoted instruments. Estimated values can vary depending on the assumptions employed for the various factor variables used in such calculations.

(2) ***Fair Value of Financial Instruments***

The carrying amount, fair value and unrealized gain (loss) at March 31, 2012 and 2011, were as follows:

Financial instruments whose fair values are difficult to measure are excluded from the table below.

	Millions of Yen		
March 31, 2012	Carrying Amount	Fair Value	Unrealized Gain (Loss)
(1) Cash and cash equivalents	**¥11,564**	**¥11,564**	
(2) Time deposits	**1,400**	**1,400**	
(3) Notes and accounts receivable—trade	**8,452**		
Less allowance for doubtful receivables	**(98)**		
	8,354	**8,354**	
(4) Investment securities	**485**	**485**	
(5) Notes and accounts payable—trade	**4,852**	**4,852**	
(6) Accounts payable—other	**628**	**628**	
(7) Income taxes payable	**190**	**190**	
(8) Derivatives—net	**54**	**54**	
March 31, 2011			
(1) Cash and cash equivalents	¥13,153	¥13,153	
(2) Time deposits	820	820	
(3) Notes and accounts receivable—trade	8,793		
Less allowance for doubtful receivables	(117)		
	8,676	8,676	
(4) Investment securities	511	511	
(5) Notes and accounts payable—trade	5,326	5,326	
(6) Accounts payable—other	973	973	
(7) Income taxes payable	609	609	
(8) Derivatives—net	22	22	

	Thousands of U.S. Dollars		
March 31, 2012	Carrying Amount	Fair Value	Unrealized Gain (Loss)
(1) Cash and cash equivalents	**$141,024**	**$141,024**	
(2) Time deposits	**17,073**	**17,073**	
(3) Notes and accounts receivable—trade	**103,073**		
Less allowance for doubtful receivables	**(1,195)**		
	101,878	**101,878**	
(4) Investment securities	**5,915**	**5,915**	
(5) Notes and accounts payable—trade	**59,171**	**59,171**	
(6) Accounts payable—other	**7,658**	**7,658**	
(7) Income taxes payable	**2,317**	**2,317**	
(8) Derivatives—net	**659**	**659**	

The amount of allowance for doubtful receivables is deducted from receivables.

Notes: 1. Measurement of fair value of financial instruments

(1) Cash and cash equivalents, (2) Time deposits and (3) Notes and accounts receivable—trade
The fair value of cash and deposit, and receivables approximate carrying values due to the short maturity of these instruments.

(4) Investment securities
The fair values of investment securities are measured at the quoted market price of the stock exchange for the equity instruments, and at the quoted price obtained from the financial institution for certain debt instruments. The information of the fair value for the investment securities by classification is included in Note 3.

(5) Notes and accounts payable—trade, (6) Accounts payable—other, and (7) Income taxes payable
The fair value of the above approximates carrying values due to the short maturity of these instruments.

(8) Derivatives
Please see Note 12.

2. Carrying amounts of financial instruments whose fair values cannot be reliably determined

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Investment securities—unlisted securities	**¥ 12**	¥ 19	**$ 146**
Investments in unconsolidated subsidiaries:			
Unlisted securities	**130**	115	**1,586**
Investment in partnership	**499**	865	**6,085**

3. Maturity analysis for financial assets and securities with contractual maturities

	Millions of Yen	
March 31, 2012	Due in One Year or Less	Due after One Year through Five Years
Cash and cash equivalents	**¥ 11,564**	
Time deposits	**1,400**	
Notes and accounts receivable—trade	**8,452**	

	Thousands of U.S. Dollars	
March 31, 2012	Due in One Year or Less	Due after One Year through Five Years
Cash and cash equivalents	**$ 141,024**	
Time deposits	**17,073**	
Notes and accounts receivable—trade	**103,073**	

12. Derivative Financial Instruments

Derivative transactions to which hedge accounting is not applied at March 31, 2012 and 2011, were as follows:

	Millions of Yen			
March 31, 2012	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized (Loss) Gain
Foreign exchange forward contracts:				
Selling U.S. dollar	**¥2,836**		**¥(63)**	**¥(63)**
Buying yen	**930**		**9**	**9**
March 31, 2011				
Foreign exchange forward contracts—				
Selling U.S. dollar	¥1,936		¥(22)	¥(22)

	Thousands of U.S. Dollars			
March 31, 2012	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized (Loss) Gain
Foreign exchange forward contracts:				
Selling U.S. dollar	**$34,585**		**$(768)**	**$(768)**
Buying yen	**11,341**		**110**	**110**

The fair value of derivative transactions is measured at the quoted price obtained from the financial institution.

13. Comprehensive Income

Components of other comprehensive income for the year ended March 31, 2012, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2012	**2012**
Valuation differences available-for-sale securities:		
Loss arising during the year	**¥(31)**	**$(378)**
Income tax effect	**19**	**231**
	(12)	**(147)**
Foreign currency translation adjustments—		
Loss arising during the year	**(22)**	**(268)**
Total other comprehensive loss	**¥(34)**	**$(415)**

The corresponding information for the year ended March 31, 2011, was not required under the accounting standard for presentation of comprehensive income as an exemption for the first year of adopting that standard and not disclosed herein.

14. Net Income Per Share

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2012 and 2011 is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
Year Ended March 31, 2012	Net Income	Weighted-Average Shares	EPS	
Basic EPS—Net income available to common shareholders	**¥2,503**	**25,438,417**	**¥ 98.38**	**$1.20**
Year Ended March 31, 2011				
Basic EPS—Net income available to common shareholders	¥3,403	25,821,866	¥131.78	

Diluted net income per share is not disclosed because there are no dilutive securities.

15. Subsequent Events

The following appropriation of retained earnings at March 31, 2012, was approved at the Company's shareholders meeting held on June 27, 2012:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥45 ($0.55) per share	**¥1,145**	**$13,963**

16. Segment Information

(1) *Description of Reportable Segments*

The Group's reportable segments are those for which separate financial information is available, and regular evaluation by the Company's management is being performed in order to decide how resources are allocated among the Group.

The Group made the transition to the holding company system on October 1, 2010. The business of the Group consists mainly of one activity, the manufacture and distribution of solder resist for PWBs, among others. Each Group company formulates comprehensive strategies and deploys business activities, operating under a holding company system, whereby the Company is the holding company.

The Group is composed of four reportable segments divided by geographic area, namely "Japan," "China," "Taiwan," and "Korea," based on our manufacturing and marketing system.

(2) *Method of Measurement for Information for the Amounts of Sales, Profit (Loss), Assets, Liabilities, and Other Items by Reportable Segments*

The accounting policies of each reportable segment are consistent with those disclosures in Note 2, "Summary of Significant Accounting Policies."

(3) *Information about Sales, Profit (Loss), Assets, Liabilities and Other Items by Reportable Segments*

	Millions of Yen								
	Reportable Segments								
Year Ended March 31, 2012	Japan	China	Taiwan	Korea	Total	Other	Total	Reconciliations	Consolidated
Sales:									
Sales to external customers	**¥ 8,606**	**¥ 10,543**	**¥ 2,829**	**¥ 15,234**	**¥ 37,212**	**¥ 2,585**	**¥ 39,797**		**¥ 39,797**
Intersegment sales or transfers	**3,182**	**94**	**877**	**1,434**	**5,587**	**34**	**5,621**	**¥ (5,621)**	
Total sales	**¥ 11,788**	**¥ 10,637**	**¥ 3,706**	**¥ 16,668**	**¥ 42,799**	**¥ 2,619**	**¥ 45,418**	**¥ (5,621)**	**¥ 39,797**
Segment profit	**¥ 990**	**¥ 1,751**	**¥ 470**	**¥ 650**	**¥ 3,861**	**¥ 273**	**¥ 4,134**	**¥ (94)**	**¥ 4,040**
Segment assets	**8,840**	**8,331**	**4,121**	**6,299**	**27,591**	**1,695**	**29,286**	**11,417**	**40,703**
Other items:									
Depreciation	**285**	**164**	**132**	**82**	**663**	**14**	**677**	**369**	**1,046**
Increase in property, plant and equipment and intangible assets	**141**	**99**	**81**	**178**	**499**	**1**	**500**	**183**	**683**

	Millions of Yen								
	Reportable Segments								
Year Ended March 31, 2011	Japan	China	Taiwan	Korea	Total	Other	Total	Reconciliations	Consolidated
Sales:									
Sales to external customers	¥ 9,418	¥ 11,912	¥3,219	¥ 12,785	¥ 37,334	¥ 3,032	¥ 40,366		¥ 40,366
Intersegment sales or transfers	9,073	4	1,195	958	11,230	29	11,259	¥ (11,259)	
Total sales	¥ 18,491	¥ 11,916	¥4,414	¥ 13,743	¥ 48,564	¥ 3,061	¥ 51,625	¥ (11,259)	¥ 40,366
Segment profit	¥ 1,014	¥ 2,814	¥ 511	¥ 979	¥ 5,318	¥ 238	¥ 5,556	¥ (175)	¥ 5,381
Segment assets	9,303	8,789	4,418	5,816	28,326	1,837	30,163	12,688	42,851
Other items:									
Depreciation	525	168	128	90	911	17	928	200	1,128
Increase in property, plant and equipment and intangible assets	152	108	128	61	449	16	465	62	527

	Thousands of U.S. Dollars								
	Reportable Segments								
Year Ended March 31, 2012	Japan	China	Taiwan	Korea	Total	Other	Total	Reconciliations	Consolidated
Sales:									
Sales to external customers	**$ 104,951**	**$ 128,574**	**$ 34,500**	**$ 185,780**	**$ 453,805**	**$ 31,524**	**$ 485,329**		**$ 485,329**
Intersegment sales or transfers	**38,805**	**1,146**	**10,695**	**17,488**	**68,134**	**415**	**68,549**	**$ (68,549)**	
Total sales	**$ 143,756**	**$ 129,720**	**$ 45,195**	**$ 203,268**	**$ 521,939**	**$ 31,939**	**$ 553,878**	**$ (68,549)**	**$ 485,329**
Segment profit	**$ 12,073**	**$ 21,353**	**$ 5,732**	**$ 7,927**	**$ 47,085**	**$ 3,329**	**$ 50,414**	**$ (1,146)**	**$ 49,268**
Segment assets	**107,805**	**101,597**	**50,256**	**76,817**	**336,475**	**20,671**	**357,146**	**139,232**	**496,378**
Other items:									
Depreciation	**3,475**	**2,000**	**1,610**	**1,000**	**8,085**	**171**	**8,256**	**4,500**	**12,756**
Increase in property, plant and equipment and intangible assets	**1,719**	**1,207**	**988**	**2,171**	**6,085**	**12**	**6,097**	**2,232**	**8,329**

Notes: (a) The "China" segment covers local subsidiaries in China and Hong Kong.
(b) The "Other" segment is not included in reportable segments and covers the business activities of local subsidiaries in the U.S. and other Asian countries.
(c) Depreciation does not include goodwill amortization.
(d) Segment profit of "Reconciliations" includes unallocated segment loss of ¥80 million ($976 thousand) and ¥151 million, which is mainly composed of the loss concerning the holding company in 2012 and 2011, respectively.
(e) Segment assets of "Reconciliations" include unallocated segment assets of ¥13,943 million ($170,037 thousand) and ¥14,806 million, which are mainly composed of the assets concerning the holding company in 2012 and 2011, respectively.

17. Related-Party Disclosures

Transactions of the Company with an officer and his/her close family members for the fiscal year ended March 31, 2012, were as follows:

Nature of Related Party	Name	Ownership of Voting Rights	Description of Transaction	Millions of Yen	Thousands of U.S. Dollars
Officer	Si-Bom, Yoo	—%	Purchase of shares of subsidiaries	**¥201**	**$2,451**

Note: Valuation of stocks is based on appraisal of outside agency

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of TAIYO HOLDINGS Co., Ltd.:

We have audited the accompanying consolidated balance sheet of TAIYO HOLDINGS Co., Ltd. and consolidated subsidiaries as of March 31, 2012, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in conformity with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in conformity with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of TAIYO HOLDINGS Co., Ltd. and consolidated subsidiaries as of March 31, 2012, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

June 27, 2012

Member of
Deloitte Touche Tohmatsu Limited

Corporate Information

(As of March 31, 2011)

Company Overview

Name: TAIYO HOLDINGS CO., LTD.
Head office: 2-7-1 Hazawa, Nerima-ku, Tokyo 176-8508, Japan
Phone: 81-3-5999-1511
Established: September 29, 1953
Capital: ¥6,134 million
Shares authorized: 50,000,000
Total number of issued shares: 27,464,000
Stock listings: Tokyo
Number of shareholders: 8,003
Major shareholders:

Name	Shares (thousands)	Shareholding as a percentage of total shares issued (%)
Kowa Co., Ltd.	6,554	23.86
Japan Trustee Services Bank, Ltd.	2,906	10.58
Company's Treasury Stock	2,025	7.37
State Street Bank and Trust Company 505223 (Standing proxy: Mizuho Corporate Bank, Ltd.)	979	3.56
The Master Trust Bank of Japan, Ltd.	801	2.91
SHIKOKU CHEMICALS CORPORATION	631	2.29
Toshin Yushi Co., Ltd.	538	1.96
NORTHERN TRUST COMPANY (AVFC) SUB A/C AMERICAN CLIENTS (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited Tokyo Branch)	528	1.92
Mellon Bank, N.A. as Agent for its Client Mellon Omnibus US Pension (Standing proxy: Mizuho Corporate Bank, Ltd.)	525	1.91
Mitsuo Kawahara	500	1.82
Total	15,992	58.22

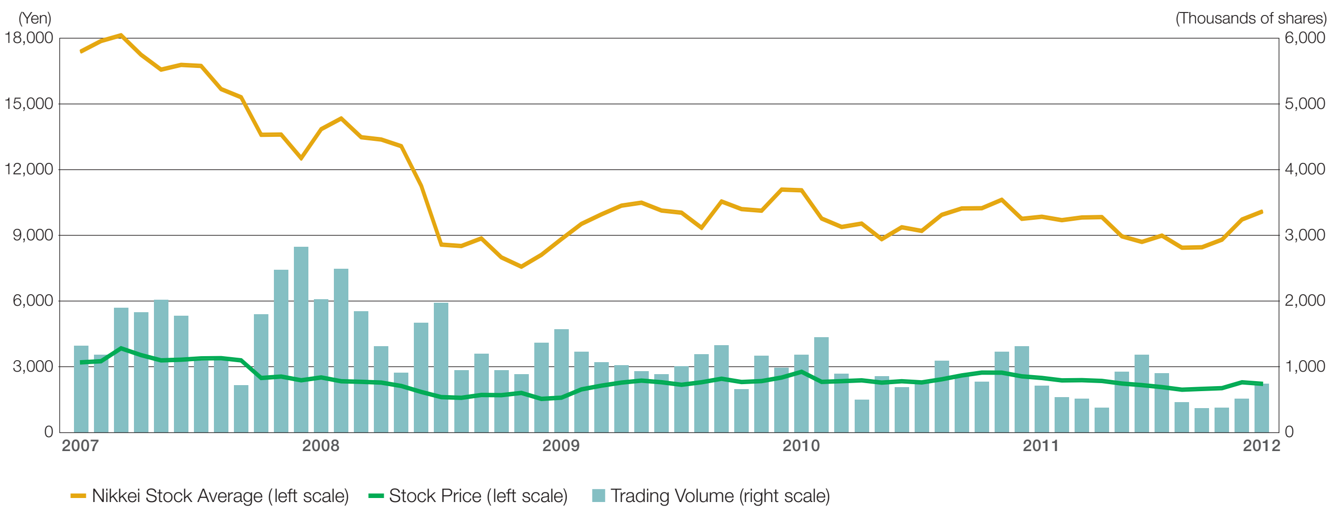
Accessing Our Investor Information Online

The TAIYO GROUP is committed to providing our shareholders and investors with up-to-date information on a regular basis. To this end, we have devoted a section of our corporate website (see link below) to a wide range of information aimed at investors and other stakeholders such as messages from the President, financial data, annual reports as well as an overview of mid-term management strategy and policies.

http://www.taiyo-hd.co.jp/English/Ir/index/

(Notes) 1. The number of shares indicated as held by Japan Trustee Services Bank, Ltd. includes 2,889 thousand shares held as part of trust banking services. This includes 1,116 thousand shares entrusted to the Sumitomo Mitsui Banking Corporation Retirement Benefit Trust Account.
2. The number of shares indicated as held by The Master Trust Bank of Japan, Ltd. includes 623 thousand shares held as part of trust banking services.
3. We received a change report for the large shareholding report submitted by Harris Associates L.P. dated November 30, 2010 (date of the change: November 24, 2010) in which said company claims a shareholding of 1,780 thousand shares of TAIYO stock as of the date of submission. As the Company was unable to verify the effective shareholdings listed in this change report regarding its shares as of the end of the fiscal year, Harris Associates L.P. has not been included in the above list of major shareholders.
The change report for the large shareholding report submitted by Harris Associates L.P. contained the following information:
Shareholder: Harris Associates L.P.
Address: Two North LaSalle Street, Suite 500, Chicago, IL 60602, USA
Shares: 1,780,700
Shareholding as a percentage of total shares issued: 6.48%
4. We received a change report for the large shareholding report submitted by Mondrian Investment Partners Limited dated November 16, 2011 (date of the change: November 10, 2011) in which said company claims a shareholding of 1,380 thousand shares of TAIYO stock as of the date of submission. As the Company was unable to verify the effective shareholdings listed in this change report regarding its shares as of the end of the fiscal year, Mondrian Investment Partners Limited has not been included in the above list of major shareholders.
The change report for the large shareholding report submitted by Mondrian Investment Partners Limited contained the following information:
Shareholder: Mondrian Investment Partners Limited
Address: 5th Floor, 10 Gresham Street, London, EC2V 7JD, U.K.
Shares: 1,380,000
Shareholding as a percentage of total shares issued: 5.02

Stock Price and Trading Volume



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http://www.taiyo-hd.co.jp/English

Printed in Japan

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Reusing aluminum plates during the printing of this publication reduced waste and contributed to the deduction of CO_2 emissions by 282.08kg.

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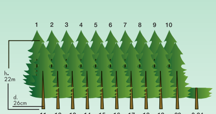
TAIYO HOLDINGS CO.,LTD. participates in an Indonesian reforestation project with print by MCP.



282.08kg of CO_2 is the amount that 20.24 fifty-year-old ceder trees would absorb in one year.
(source: forestry report 1997, Forestry Agency of Japan)

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