TAIYO HOLDINGS CO., LTD.

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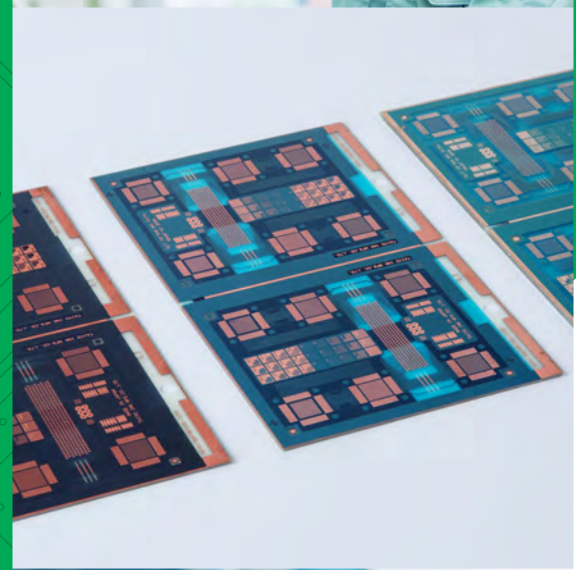
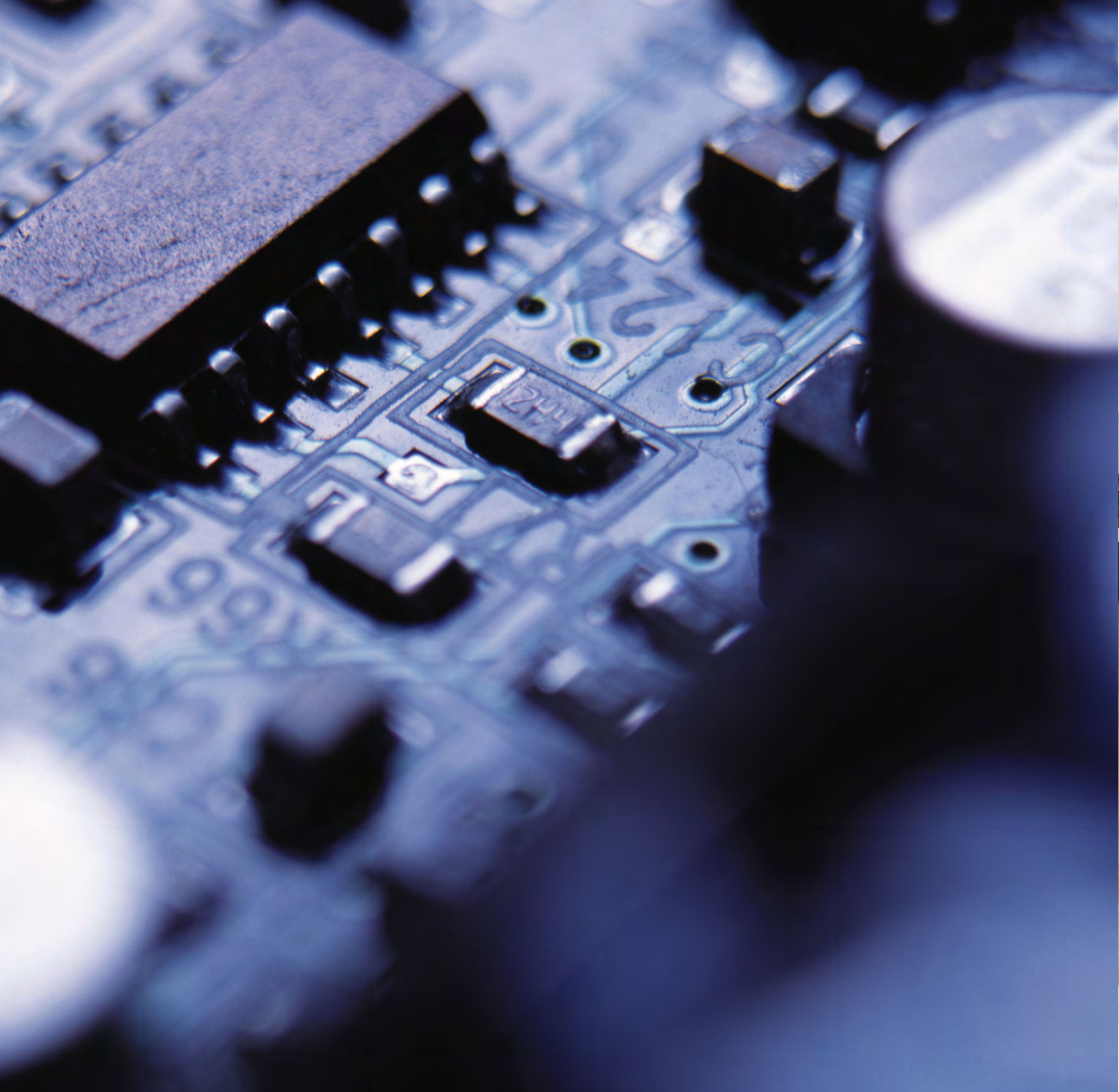
TAIYO HOLDINGS CO., LTD.

Passion for innovation

Annual Report 2015

Year Ended March 31, 2015





Management Philosophy

We will realize “a pleasant society” by further advancing “every technology” the Group has and creating a wide range of products to help fulfill the dreams for the whole world with our innovative products.

Our commitment to generating value

Launching new project teams to get products to market sooner

Development and manufacturing division personnel have been added and new project teams are being created with the aim of commercializing products within one to two years with particular emphasis on sales marketing. By fostering this type of environment where employees can devote themselves to development, we are able to create new products ahead of other companies.

Leading the global industry

Everywhere you need us to be

We are expanding our global networks so that we can supply exceptional products to customers worldwide. We have established manufacturing and sales bases in Japan, China, Taiwan, South Korea, and the United States and have marketing and technical service centers in Shenzhen and Hong Kong in China as well as in Singapore and Thailand, to cover global markets. In addition, we are actively increasing the overseas materials procurement rate to reduce risks posed by currency exchange rate fluctuations.

Creating the one and only product

Self-sufficient personnel are vital to the future of the group

For the Taiyo Group to achieve continuous growth, we need all employees to be self-sufficient, that is, personnel who are able to use opportunities and achieve personal growth. The Group creates such opportunities by dispatching employees to universities as well as improving workplace environments so that employees can create flexible ideas in their day-to-day work. Thanks to these innovations, in fiscal 2014, we also achieved results including increases in sales and income.

Profile

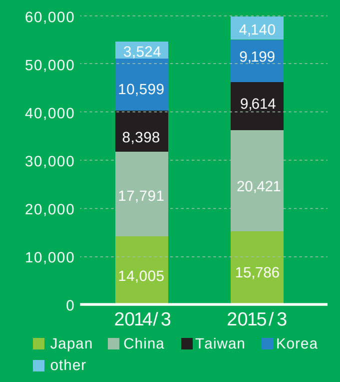
The Taiyo Group is the chemical manufacturer that commands a global market share of more than 60% for solder resist, which is essential for the printed wiring boards (PWBs) used in a variety of electronics products, from such IT devices as mobile phones, PCs, and other digital equipment to digital household appliances and in-vehicle electronics equipment.

Established in 1953 as Taiyo Ink Manufacturing Co., Ltd., with the manufacture and sale of printing ink and related material products as its business objective, the Group undertook a major transformation of its business domains in 1976, to a business in which solder resist was made its mainstay product.

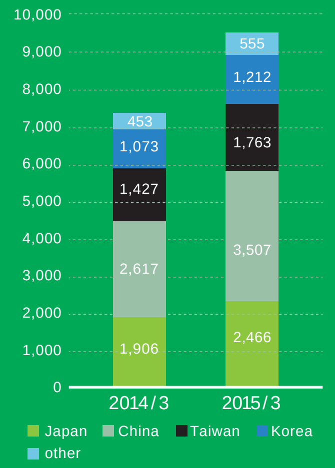
To target further growth this year, which marks the 60th anniversary of its establishment, the Group is enhancing “every technology” of all its companies based on the technological capabilities that have been accumulated in the development and manufacture of solder resist. The Group will continue to supply across the world innovative products that go beyond solder resist.

In addition to maintaining its unwavering No.1 position in the solder resist field, in the years to come, the Group will be focusing on research and development and on the cultivation of businesses that will become pillars of new growth.

Sales by Segment (including inter-segment sales and transactions)
(Millions of Yen)



Operating Income by Segment
(Millions of Yen)



Contents

Basic Management Policies

Taiyo Holdings Co., Ltd. (“we” or “our”) has identified its objectives as a corporate group in the Management Philosophy and Basic Management Policy below. We will develop by continuing the spirit of our Management Philosophy without changes and reviewing our Basic Management Policies to match changes in the environment and strategy on a long-term basis.

1. We will generate profit and increase corporate value, thereby contributing to the well-being and prosperity of customers, communities, shareholders, and employees.
2. We will discharge our corporate social responsibility with regard to the achievement of our Management Philosophy, including complying with the law, protecting the environment, ensuring thorough quality management, and contributing to society.
3. We will leverage our global system to always provide superior products and services.
4. We will constantly create opportunities for employees to challenge and develop themselves, aiming to have a corporate group composed of people who are highly motivated to be successful and to achieve goals set by themselves.
5. We will increase our comprehensive corporate strengths by maximizing cooperation between the Group companies and strengthen the teamwork of all employees with emphasis on “speed and communication.”
6. We aim to have a group of global companies able to contribute to the realization of a pleasant society by constantly working for technological innovation and creating new products and businesses.

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.

Main Products

Roles of Solder Resist

Printed wiring boards (PWBs) are used in various digital consumer electronics such as mobile phones as well as electronic products such as automobile electronics equipment. Solder resist (SR), a core product of the Taiyo Group, protects PWBs by coating the surface of the conductor circuits, preventing short circuits and other product problems, and making long-term, stable use possible.

1 Preventing solder attachment in areas where it is not needed

When various components are mounted on a PWB, SR plays a role in preventing short circuits that can occur as a result of solder adhering to areas other than contacts that are electrically connected.

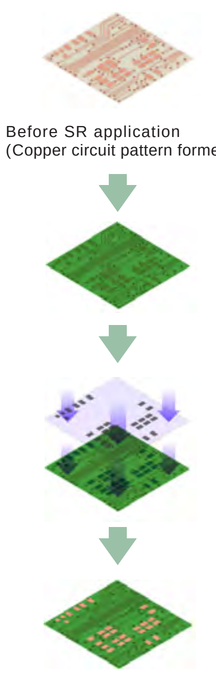
2 Protecting circuit patterns from dust, heat, and moisture

SR protects circuit patterns from the external environment including dust, heat, and moisture. This makes it possible for electronic devices to operate stably over extended periods.

3 Maintaining electrical insulation between circuit patterns

In conjunction with the miniaturization of electronic devices, package substrates are also becoming increasingly fine with circuit patterns on general circuit boards in the 50 µm to 150 µm range. SR maintains insulation between circuit patterns, preventing short circuits.

Photoimageable Solder Resist Pattern Formation Process (Photolithography)



Before SR application
(Copper circuit pattern formed)

1. Printing (coating)
SR is applied to the entire surface.

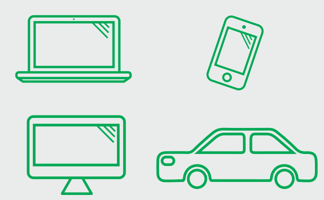
2. Pre-curing
The wiring board is heated to 80°C for 20 to 30 minutes and provisionally dried.

3. Light exposure
The wiring board is exposed to ultraviolet light passed through a negative film.
The SR in areas exposed to the light hardens.

4. Developing
The unhardened SR is washed off using a developing agent (a dilute alkali water solution).

5. Post-curing
The circuit board is heated to 150℃ for 50 to 60 minutes to harden the SR.
The SR pattern formation process is complete.

Features	Main applications
Electrical resistance	PCs
High temperature resistance	Automotive components
High resolution	Flat-screen televisions
Excellent strength and adhesion	Smart phones
Chemical resistance	



Liquid-Type SR

There are various types of SR, but Taiyo Ink was a pioneer in the development of alkaline developable liquid-type SR, which has now become a leading product. It is characterized by high sensitivity as well as outstanding gold plating resistance and water-soluble flux resistance. It is also used as SR on automotive PWBs for its excellent migration resistance and pressure cooker test resistance.

Taiyo Ink SR products

Dry Film-Type SR

Existing liquid-type SR can be preprocessed into a film and a uniform thickness can be achieved. The use of dry film-type SR on semiconductor PKG substrates is increasing. Because the drying process, which is essential for liquid-type SR, can be eliminated, it is expected that dry film-type SR will reduce manufacturing costs.

Technology Background

The volume of information processed by integrated circuits is increasing in conjunction with the incorporation of multiple functions into mobile information devices, and as a result, circuit designs are becoming denser and more complex. At the same time, mobile information devices are being made smaller and thinner, making the space available for mounting PWBs even smaller, and the demand for flexible printed circuits (FPCs) that are lightweight and can be curved for mounting is rising. In response to these issues, the Taiyo Group combined its technologies to develop photoimageable coverlay film and anisotropic conductive adhesive.

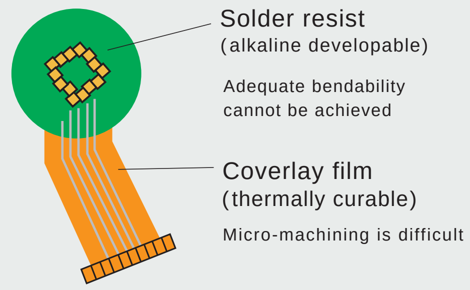
Features

Photoimageable Coverlay Film

This film offers excellent micro-machining properties and bendability while maintaining reliability, properties that were difficult to achieve in a single product, which will make it possible to integrate FPC materials in the future. In addition, customers that already use SR will be able to continue using their existing facilities, simplifying FPC manufacturing processes.

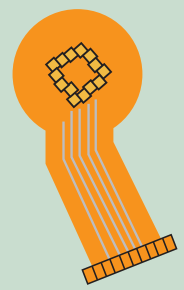
Current Status

Two types of insulator materials are used together



Taiyo Group's Proposal

Photoimageable Coverlay Film (alkaline developable)



High resolution & excellent bendability

1. Simplified manufacturing processes
2. Higher reliability through consolidation of materials
3. Lower total costs

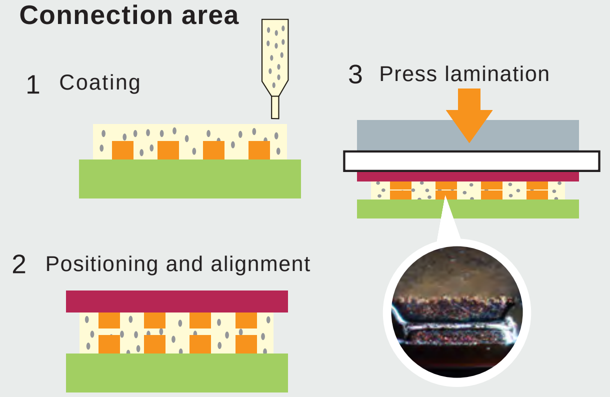
Anisotropic Conductive Adhesive

Mobile information devices and other equipment generally use connectors, a type of mechanical connection, as the method for joining rigid PWBs and flexible PWBs. To respond to higher component densities in conjunction with the development of smaller and lighter devices, we developed an anisotropic conductive adhesive that quickly cures at low temperature.

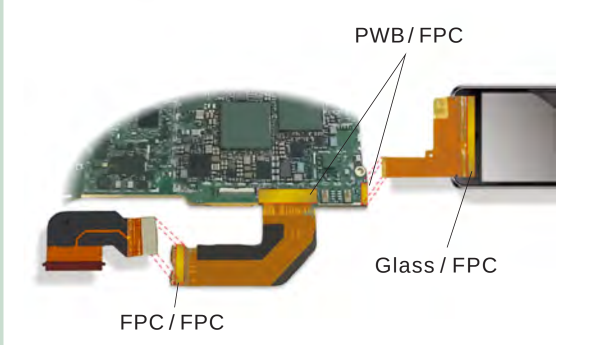
1. Rapid, low-temperature curing is possible
2. Good adhesive strength even on glass circuit boards
3. Reworking is possible

For diagram, see below.

Connection area



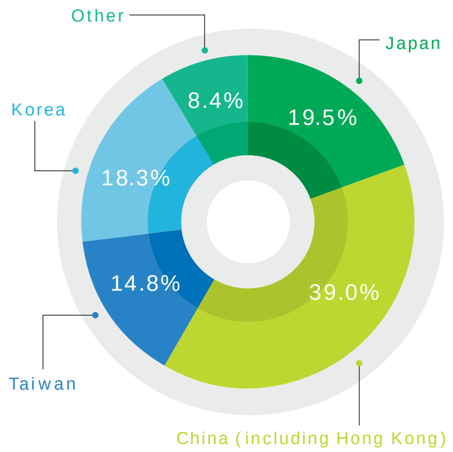
Application locations



Summary of Sales
by Segment

Consolidated Net Sales

¥48,260 million



Japan
¥9,410 million

Both sales volume and sales amount increased year on year due to firm performance of high functional products such as PKG substrate materials, mainly for smartphones.

China (including Hong Kong)
¥18,837 million

Both sales volume and sales amount increased from the previous year as a result of the inclusion in consolidated accounting of Onstatic Ink (Shenzhen) Co., Ltd. as well as strong sales of PWB materials, particularly automotive and smartphone related materials.

Taiwan
¥7,141 million

Both sales volume and sales amount were up year on year as a result of the inclusion in consolidated accounting of Onstatic Technology Co., Ltd. as well as strong sales of PWB materials, particularly automotive, server, and smartphone related materials.

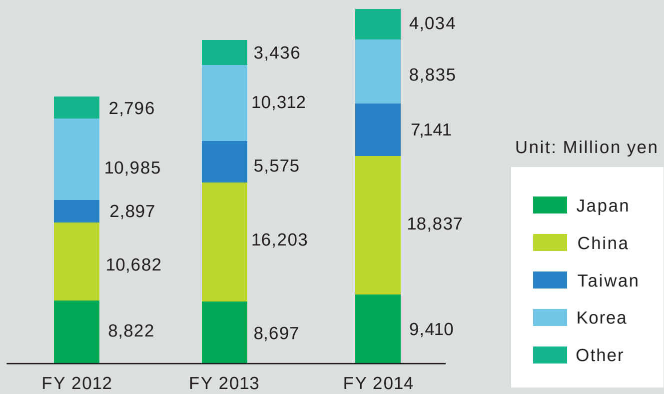
Korea
¥8,835 million

In the FPD materials market, both sales volume and sales amount decreased year on year, due to the effect of important clients withdrawing from the PDP business. On the other hand, demand was strong for the high function PKG substrate materials used in smartphones, which have a high-profit margin, and profit increased year on year.

Other
¥4,034 million

Exports to the European market were firm.
Sales in the ASEAN market were strong as a result of expansion of the automotive related materials market.

Changes in Sales
by Segment (Consolidated)

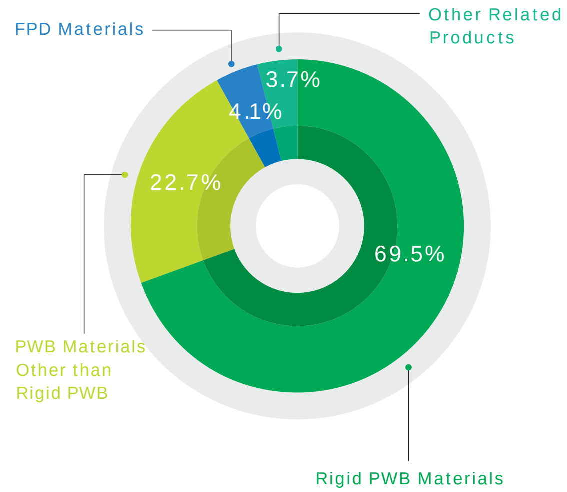


Note: Sales figures exclude transactions among Group companies within segments.

Summary of Sales
by Product Group

Consolidated Net Sales

¥48,260 million



Rigid PWB Materials
¥33,539 million

As a result of firm demand for smartphone, server, and automotive related materials and the effects of exchange rates, sales were up by 14.7% year on year.

PWB Materials Other than Rigid PWB
¥10,935 million

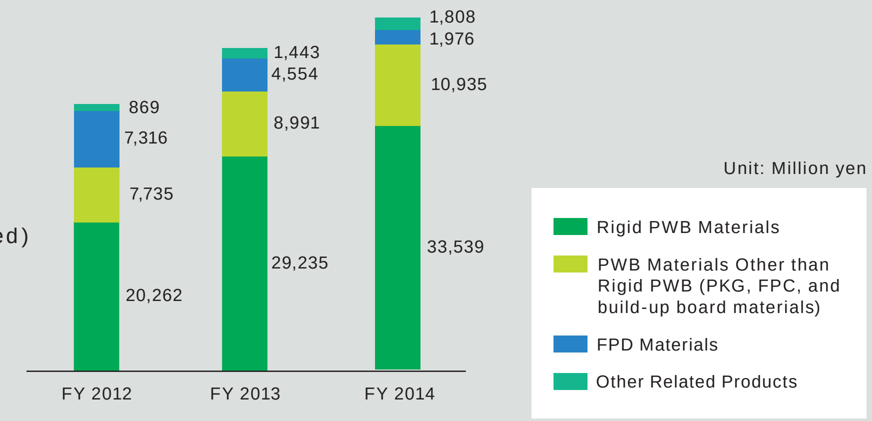
Sales for high-function PKG substrates materials were strong due to increased demand, particularly for smartphone related materials. As a result, sales increased by 21.6%.

FPD Materials
¥1,976 million

Both sales volume and sales amount were down due to the effects of the withdrawal of key customers from the plasma display panel (PDP) business. As a result, sales decreased 56.6% year on year.

Other Related Products
¥1,808 million

Changes in Sales
by Product Group (Consolidated)



A Strategy to Stay Ahead as World's No.1 Solder Resist Manufacturer

As of March 2015, four years have passed since I was appointed president and CEO. During that time, we have faced ongoing challenges including establishing new product development projects and transforming business structures that are impacted by exchange rate fluctuations.

New personnel have been added in the development and manufacturing divisions and new product teams are being launched emphasizing sales marketing with the aim of commercializing products in one to two years. By enabling personnel to devote themselves to development activities, we have created the seeds of several new businesses that will become core within our business in the future. In addition, we are creating processing technologies in-house that we previously outsourced, accumulating know-how so that we can rapidly develop new products.

The Taiyo Group holds the top share globally for solder resist and we have expanded our network and continue to introduce outstanding products and services. However, we must address the issue that the business structure is impacted by exchange rate fluctuations. To avoid these risks, we are developing systems to locally procure raw materials and produce goods to sell locally in an effort to unify income and expenditure within the one currency.

As a chemical manufacturer, the Group seeks to enhance all technologies and use innovation to develop products that people around the world dream of, and to create a better society. To achieve this, we require self-sufficient human resources. The Group has placed the highest priority on developing human resources by providing environments where employees can learn and can tackle new challenges. Specific measures include dispatching employees to universities and subsidizing activity expenses on days off. We do this because we believe that the accumulation of experience that cannot be gained in the workplace facilitates the emergence of new ideas and can also be applied in work. These values have taken root in our corporate culture and are reflected in our business results.

We achieved record high financial results in fiscal 2014. As a result of solid demand for smartphones and automotive electronics, net sales were ¥48,260 million (up 9.1% year on year), operating income was ¥9,254 million (up 22.3% year on year), and net income was ¥6,667 million (up 35.2% year on year). With the acquisition of Onstatic Technology Co., Ltd. (OTC) in fiscal 2013, we were able to avoid price competition and product prices stabilized. In addition, the Japanese government's policy of correcting the high value of the yen also boosted income. Increased sales of high added value products was another key factor.

In the coming fiscal year, we will expand the overseas procurement of raw materials, focus on development of new products and other areas, and continuously and actively make necessary investments. Our long-term goal is to achieve an operating income rate of 20% or higher. The market scale for interlayer dielectrics alone, for example, is approximately ¥30,000 million, and thus, there is still considerable untapped demand for our existing products.

We have achieved a cumulative shareholder return ratio of 111.5% for the five consecutive years since fiscal 2010, and we have continuously and stably provided high shareholder returns. We will continue paying stable dividends over the medium to long term with the aim of achieving a minimum dividend on equity (DOE) ratio of 5%. The industry is undergoing drastic change, but we will establish corporate structures that can respond more flexibly and maintain stable growth. I ask for the continued understanding and support of all our stakeholders.

Eiji Sato, President and CEO

Supply Chains

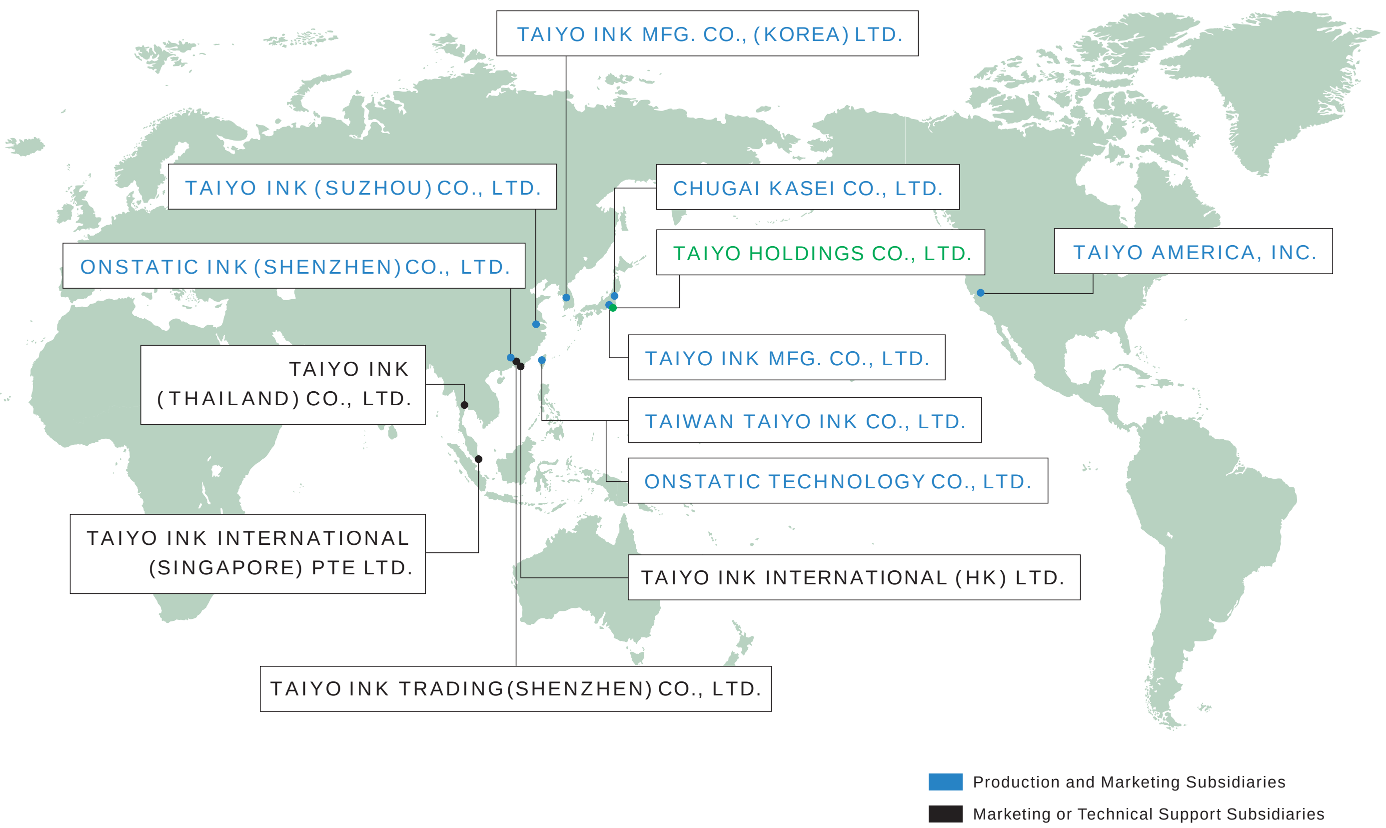
Network Covering the Global Market

In fiscal 2014, about 90% of the Taiyo Group sales were accounted for by PWB materials. The principal centers for production of PWBs have shifted from the United States and Europe to Japan and then to emerging countries, and, in recent years, production in China has risen rapidly.

While responding to these global changes in the business environment, the Group has conducted transactions with PWB manufacturers around the world. The Group has been aware that its most-important mission is to provide superior products and services at all times and has worked to expand this network to cover global markets. Today, the Group has manufacturing and marketing bases in Japan, China, Taiwan, Korea, and the United States as well as marketing and technical service centers in Shenzhen and Hong Kong in China, Singapore, and Thailand.

The quality of the Group's products and services together with the agility of its global network has enabled the Group to secure the leading share in SR in global markets, and overseas sales have climbed to account for about 80% of its net sales. Further growth is expected in the medium to long term in demand for PWB materials for use in electronics components around the world. The Group will step up its activities to develop its businesses globally and will endeavor to respond to burgeoning demand.

Global Network



Quality Management in the Overall Supply Chain

To provide superior products and services at all times to customers throughout the world, activities to improve quality through the Group's supply chain are indispensable.

First, to enable customers to select the optimal products for their needs from the diverse lineup of items the Group offers, marketing personnel in charge endeavor to match product specifications with client requirements through close communication. When client requirements exceed the specifications of existing products, this is communicated to product development divisions, designs are drawn up, and, after production process plans are prepared by the manufacturing divisions, the Group works to provide customers with products that match their specifications. To enhance quality and provide for smooth deliveries to customers, another important process is materials procurement.

To ensure the stable procurement of both volumes and quantities, the Group conducts audits of supplier factories and makes periodic assessments of their operations, while also setting standards for the acceptance of raw materials and ensuring that deliveries of raw materials that are not up to standard are prevented.

Moreover, the Group has structured a quality management system based on ISO 9001 at each of the Group's production bases.

Finally, the Group is aiming to win a high level of customer satisfaction by creating a detailed management system that extends from packing and shipment through to deliveries. The Group is also providing follow-up after deliveries and is asking for assessments as well as feedback from customers regarding each stage of the supply chain.

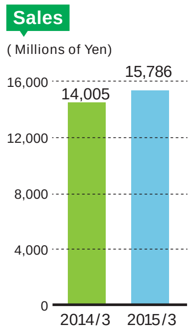
Offering Advantages to Customers through "Local Production and Local Procurement"

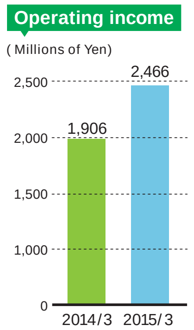
The Group does business with customers in virtually every country. In many cases, product sales prices are quoted in foreign currencies, and one management issue is that fluctuations in exchange rates have an impact on the Group's performance. To deal with this, the Group is promoting the implementation of "local production and local procurement" or, in other words, "products that are sold in local areas (markets) are made from materials procured in the local area and manufactured there." By increasing the percentage of raw materials that are procured locally, the Group is working to respond by having income and expenditures denominated in the same currency.

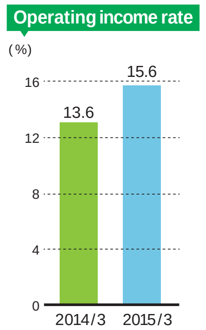
"Local production and local procurement" leads to strengthening the Group's capabilities for responding to client requests and needs. For example, through this approach, the Group can develop products that meet customers' needs in the local markets quickly, and lead time for filling orders can be shortened. This approach is also effective for facilitating business continuity plans (BCPs) because it means that prices of raw materials can be lowered and that multiple supply chains can be structured.

Especially regarding lead time, the Group is rapidly making preparations for shortening required delivery times to meet clients' requests and put into place systems that will enable the next-day delivery of orders.

Japan







Core of Marketing Activities

One of the consolidated Group companies located in Japan is Taiyo Ink Mfg. Co., Ltd., a manufacturing and sales subsidiary.

In fiscal 2014, sales volume and value increased from the previous year as a result of solid sales of PKG substrate materials and other high-performance products, particularly smartphone related materials. As a result, sales in Japan in fiscal year 2014 were ¥15,786 million (up 12.7% year on year) and operating income was ¥2,466 million (up 29.4% year on year).

One of the principal roles of the Group holding company is to be in overall charge of strategies for Asian markets and promote their implementation. In more-specific terms, the holding company must keep a watchful eye on the Asian markets as a whole at all times, identify needs before they emerge, and create new products that match these needs through R&D, based on marketing.

In China, for example, new entrants into the smartphone part market are emerging as manufacturing companies spin off or otherwise break away from large companies in the field. Grasping information on their presence is difficult for locally based companies acting alone. Therefore, the Group's base in Japan draws on its marketing capabilities and makes direct approaches to promising PWB manufacturers. If it is discovered that these companies have needs that have not been encountered thus far, the Group turns its attention to the consideration of developing new products answering those needs.

In addition, we are constructing a new plant as a manufacturing base in Kitakyushu City from the perspectives of reinforcing production systems for semiconductor PKG substrate SR, demand for which is expected to grow in the future, as well as business continuity plans. In June 2015, the Group acquired Chugai Kasei Co., Ltd., which possesses strong research and development capabilities, primarily in the fine chemical field. Going forward, we will make complementary and effective use of both companies' management resources to expand new business development options, reinforce competitiveness, and develop business in new fields with the expectation of responding promptly and precisely to customer requirements.

In this way, Japan plays a role as the core for marketing in Asia and promotes improvement in performance in other countries in the region.

TAIYO INK MFG CO., LTD. Kitakyushu Plant

1 **Location** Yahatanishi-ku, Kitakyushu, Fukuoka (within Mitsubishi Chemical Corporation Kurosaki Plant)

2 **Site area** approx. 18,000 m²

3 **Investment amount** approx. 3.5 billion yen

4 **Product** Liquid-type SR and dry film-type SR for semiconductor PKG board

5 **Capacity** Liquid-type : 1,500 tons per year
Dry film-type : 2,800,000 m² per year

CHUGAI KASEI CO., LTD.

- **Founded** September 18, 1941
- **Paid-in capital** JPY 49.5 million
- **Office** Nihonmatsu Head Office / Factory, Urawa Factory, Tokyo Sales Office
- **Business description** Manufacture and marketing of dyes, pigments, chemicals, and inks

Voice of the Employee

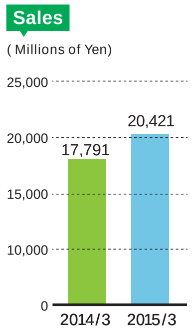
Takaoka Sachiko, PCB Materials Sales Department, Taiyo Ink Mfg. Co., Ltd.

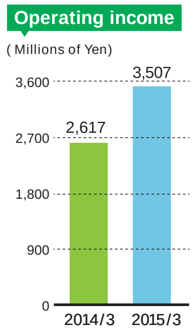
Current position :
Marketing Section, PCB Materials Sales Department

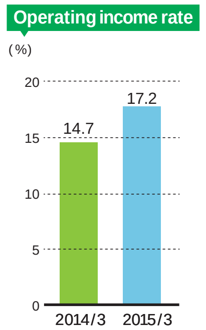
Job description :
Domestic and overseas marketing to expand PCB product sales (currently for the automotive industry)

What I want to contribute to the Company in the future :
I want to develop new customers and build good relationships so that I can establish structures for obtaining information from customers before anyone else.

China
(including Hong Kong)







Expanding Market Share through Three Strategies

The consolidated Group companies located in China are Taiyo Ink (Suzhou) Co., Ltd., a manufacturing and sales subsidiary that was established in 2001, and Onstatic Ink (Shenzhen) Co., Ltd., which is a subsidiary of Onstatic Technology Co., Ltd., which was acquired in 2013. In addition, the Taiyo Group has other subsidiaries: Taiyo Ink International (HK) Ltd. and Taiyo Ink Trading (Shenzhen) Co., Ltd., which are sales subsidiaries operating mainly in the southern China region.

In fiscal 2014, both sales volume and sales value were up from the previous year as a result of the inclusion starting in the first quarter of the consolidated fiscal term in consolidated accounting of the profit and loss statements of Onstatic Ink (Shenzhen), although profit and loss had been accounted for in the first quarter of the previous consolidated fiscal term using the equity method. Another contributing factor was strong sales, particularly of automotive and smartphone related materials. As a result, sales in China in fiscal year 2014 amounted to ¥20,421 million (up 14.8 % year on year), and operating income was ¥3,507 million (an increase of 34.0% over the previous fiscal year) (these figures include transactions among Group companies.).

The Taiyo Group has a market share of in the Chinese market and is implementing three strategies to further increase its share.

First, in the standard product field, the Group is procuring materials in the local market to reduce costs. Second, in the automotive market, the Group is marketing to automobile manufacturers that have selected and are using its PWB materials.

The Group's third strategy is to develop the market in the smartphone sector. The number of information terminals sold by Chinese manufacturers is forecast to rise to the top level in the world in view of China's population. New parts manufacturers based in China are entering the market, and, in some cases, these have developed to become top-notch companies in the terminal and parts markets. The Group is searching for new parts manufacturers, examining their technological capabilities and the customers they supply, and, in the years ahead, will tap into the substantial needs of these companies.

Voice of the Employee

Mao Zhong Xiang, Sales Department, Taiyo Ink (Suzhou) Co., Ltd.

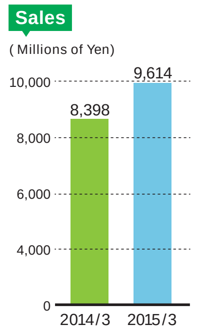
Current position : Chief of Sales Section Ⅱ, Sales Department

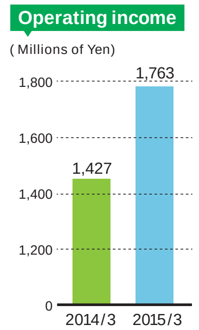
Job description : Sales and after-sales service in China

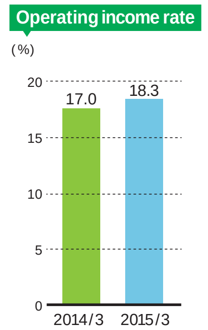
What I want to contribute to the Company in the future :

I want to actively communicate inside and outside the company, strengthen internal teamwork, meet the needs of customers, and contribute to the growth of the Taiyo Group in the Chinese market.

Taiwan







Substantial Rise in Sales and Income due to Consolidation of OTC

The consolidated company located in Taiwan is Taiwan Taiyo Co., Ltd., a manufacturing and marketing subsidiary, which was established as the Taiyo Group's first company in Taiwan in 1996. At present, other Group companies in Taiwan are Onstatic Technology Co., Ltd. (OTC) and three other subsidiaries, which are also actively engaged in manufacturing and marketing.

In fiscal 2014, sales volume and sales value were both up from the previous year as a result of the inclusion starting in the first quarter of the consolidated fiscal term, in consolidated accounting of the profit and loss statements of OTC and three other subsidiaries, although profit and loss had been accounted for in the first quarter of the previous consolidated fiscal term using the equity method. Also contributing to the increases was strong demand for automotive, server, and smartphone related materials. As a consequence, sales in Taiwan during fiscal year 2014 were ¥9,614 million (an increase of 14.5% year on year), and operating income was ¥1,763 million (a gain of 23.5% over the previous fiscal year) (these figures include transactions among Group companies.).

The economy of Taiwan is heavily dependent on exports, and, among export products, the largest contributor is electronics devices. However, as seen in the industrialized countries, Taiwanese manufacturers are shifting their production facilities to the emerging countries. PWB producers, in particular, have moved most of their production to China and other countries. However, R&D divisions remain in Taiwan, and, in general, decision making regarding the selection and adoption of new materials to be used in new products takes place in Taiwan. In addition, for semiconductors and the other high-valueadded components in core products, the processes from R&D through production continue to be located in Taiwan. Accordingly, the Group is working to expand its sales in Taiwan and is making aggressive product proposals to the R&D divisions of PWB manufacturers and other electronics related and other companies, including semiconductor companies.

Voice of the Employee

Yu Ya Ting, R&D Department, Taiwan Taiyo Ink Co., Ltd.

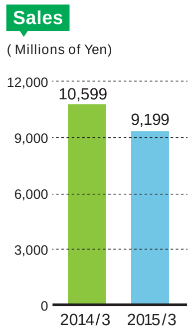
Current position : R&D Team, R&D Section, R&D Department

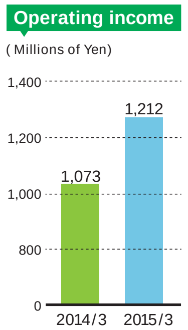
Job description : Customer support to resolve product faults; technical service and product improvement

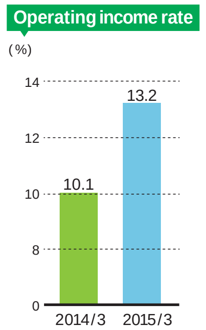
What I want to contribute to the Company in the future :

I hope to accumulate specialized knowledge and develop my innovative thinking capabilities, and I will strive to provide creative and high-quality products with future potential to customers.

Korea







Improving Profit Rates by Withdrawing from the PDP Business and Expanding Dry film-type SR

The Taiyo Group's consolidated subsidiary in Korea is Taiyo Ink Mfg. Co., (Korea) Ltd., a manufacturing and sales subsidiary established in 1988.

In fiscal 2014, flat panel display (FPD) materials sales volume and value both decreased compared to the previous year. In contrast, sales of PKG substrate materials were strong in conjunction with increased demand for high-performance smartphone related materials, and as a result, profits were up from the previous year. As a consequence, sales in Korea during fiscal 2014 were ¥9,199 million (down 13.2% year on year) and operating income was ¥1,212 million (a year on year increase of 12.9%) (these figures include transactions among Group companies).

Against this backdrop, strong demand for high-resolution plasma display panel (PDP) was expected in global markets, but demand for PDP in the flat-screen television market is declining, and numerous PDP manufacturers were withdrawing from the business. Under these circumstances, the Group terminated PDP production in September 2014 as a result of the effects from the withdrawal by leading customers from the PDP business, and sales of Taiyo Ink Mfg. Co., (Korea) Ltd., a manufacturing subsidiary, declined. On the other hand, sales of high-profit dry film-type SR for PKG substrate increased in Korea, and as a result profitability improved and the profit rate increased. Going forward, the Group will focus on further structuring its business strategy for the Korean market in ways that will improve profitability through cost cutting and other measures.

Voice of the Employee

Lim Seok Bong, Marketing & Sales Pioneering Office, Taiyo Ink Mfg. Co., (Korea) Ltd.

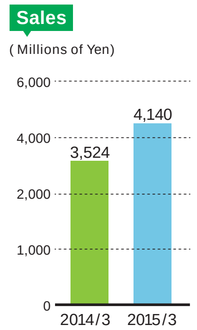
Current position : General Manager of Marketing & Sales Pioneering Office

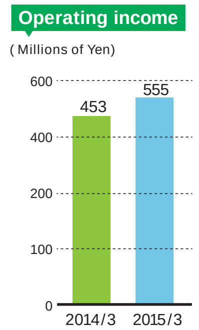
Job description : Development of new markets for existing products; discovery and development of new items

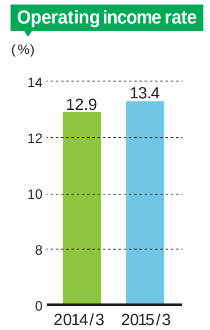
What I want to contribute to the Company in the future :

In the short term, I want to find methods of increasing the added value of liquid-type SR and commercialize products. In the long term, my contribution to the company will be creating an environment and providing support to team members who cooperate with one another so that they can freely and frequently propose new ideas that contribute to the company.

USA Singapore Thailand







USA Voice of the Employee

Curt Tims, Operations Department, Taiyo America, Inc.

Current position : Manager of Logistics Section, Operations Department

Job description : Manage inventories and costs of materials, plan production schedule and coordinate freight and delivery of finished goods

What I want to contribute to the Company in the future :

By using my skills and knowledge to ensure that Taiyo America continues to be successful in the global market, I want to contribute to the company by doing my best to control costs and helping my fellow employees for the greater good of the company.

Singapore Voice of the Employee

Law Moi Li, Accounts & Admin Department, Taiyo Ink International (Singapore) Pte Ltd.

Current position : Administrator of Accounts & Admin Department

Job description : Handling administration, accounts and sales coordination

What I want to contribute to the Company in the future :

I strive to be a positive and responsible Taiyo team member. I approach my job with commitment and passion by constantly expanding my experience and knowledge. I am ready to take on new challenge and contribute to the growth of the company.

Thailand Voice of the Employee

Jayawat Tungsiriwathanawong, Engineering Department, Taiyo Ink (Thailand) Co., Ltd.

Current position : Technical Support Engineer of Engineering Department

Job description : To cooperate with colleagues and customers on technical support and quality feedback for after sale service, including getting updated customer and competitor information

What I want to contribute to the Company in the future :

As I work in Taiyo Ink (Thailand) not in the product development segment but in customer support, I would like to build the best relationship with our customers through the best service and technical support. In my opinion, the customers are not only buyers but they should be our partners. Their trust in our company and products is going to be the brand loyalty.

Topics

Environmental Initiatives

Solar Power

Brighter Communities, Greener Environment: Launching a Solar Power Business

The Taiyo Group launched the solar power business with a water-based mega-solar installation in Ranzan-machi, located in the Hiki District of Saitama Prefecture, and a rooftop generating facility on the management building rooftop of the Ranzan Facility.

The Group's efforts started with the installation of generating facilities on the management building rooftop at the Ranzan Facility on February 27, 2015. This was followed in October 2015 by the lease of a regulating reservoir adjacent to the Ranzan-machi Hanamidai Industrial Park from the Ranzan-machi council and the installation of a water-based mega-solar facility. Approximately 4,500 solar panels provide enough electricity for around 370 households. In terms of reducing carbon dioxide emissions, the mega-solar facility alone is expected to cut emissions by approximately 400 tons annually.

In addition to these programs, the Group is making other active contributions to the local community through measures such as donating facilities equipped with solar panels and batteries to the Hanamidai Industrial Park Management Center, which is the designated evacuation area of Ranzan-machi, in order to provide electricity in the event of a power outage.

Plant Factory

Starting production of safe and secure vegetables at a clean room farm

In October of 2015, the Group began full-scale operations of a plant factory, which are increasingly common in recent years, as a part of its contributions, as a chemicals manufacturer, to a safe and secure food supply. The facility was established in a Taiyo Holdings research center and uses artificial light for hydroponic cultivation. Operations are not affected by the weather and regularly produce fresh, organic vegetables. Initially, the vegetables will help supplied the on-site employee cafeteria, and when stable production is achieved, sales channels will be expanded.

Compared to outdoor cultivation, the plant factory imposes fewer physical burdens on workers, and as the population ages, we expect that it will provide employment opportunities for senior citizens.

Creating Optimal Working Environments

Office Spaces

A new workplace environment designed to embrace CHANGE

CHANGE is essential for developing self-sufficient personnel who can freely express themselves without being constrained by existing ideas. For this reason, the Taiyo Group places particular emphasis on easy to use office environments that present a significant departure from existing workplaces. For example, partitions that separate divisions have been removed and glass has been installed in meeting and other individual rooms. Other innovations include pillars and walls that can be used as whiteboards to ensure that no ideas arising in these work spaces are lost.

Cafeteria

More than just a cafeteria —it's a place to meet up and exchange ideas

Effective internal communications are crucial for accelerating product development and customer proposals to outperform competitors. Based on this idea, the cafeteria was renovated to create a space that can also be used for meetings among employees and with business partners as well as for creating new ideas. "Local production for local consumption" is promoted through the use of locally-sourced ingredients, and the cafeteria interior is decorated with cedar and cypress from Saitama Prefecture.

Nursery School (On-Site Daycare Center)

An on-site daycare center will be opened for employees to let them focus on work without worries.

As a part of efforts to create an optimal work environment for employees, a daycare center will open at a site adjacent to the Ranzan Facility in December 2015. The center will be equipped with security facilities to provide peace of mind. There is a forest nearby, and there will be many opportunities for the children to experience the blessings of nature including living creatures and trees. Such efforts will assist in recruiting outstanding personnel, whether mid-career employees or recent graduates. The daycare center will also be open to local residents to enhance local options for childcare.

Designed and supervised by Atelier4A

Relationship with Shareholders

Investor Relations

In order to provide shareholders and investors with information that will be effective for making investment decisions, the Taiyo Holdings' fundamental policy is to carry out investor relations measures that ensure accuracy, fairness, and timeliness. Specific measures include the provision of investor relations information on the Group website, issuing annual reports, holding financial briefings for analysts and institutional investors, and meeting individually with institutional investors.
Since fiscal 2014, our announcement of financial results has been approximately one week earlier than usual as a result of our efforts to provide timely information disclosures.

Relationship with Suppliers

Implementation of Supplier Evaluations and On-Site Audits

This fiscal year, the Group continued conducting on-site audits in cooperation with suppliers in order to build and strengthen relationships of trust.
Audits are conducted by teams made up primarily of personnel from the Purchasing Department and Quality Assurance Division, and in some cases employees from manufacturing technology and design divisions also participate. Audits are conducted with the aim of enhancing the quality of raw materials and secondary materials.

Employee Stock Ownership Plan Introduced

Taiyo Holdings introduced an employee stock ownership plan (ESOP; a trust-type employee incentive plan) with the aim of enhancing its employee compensation programs by making use of its own stock.
Under the plan, Taiyo Holdings designates employees who meet certain requirements as beneficiaries of a trust that our company created by contributing capital acquired for the company's shares. Company shares are granted to employees at no cost during certain periods according to the number of years of employment and work skills.
Granting shares effectively increases wages and makes employees into company shareholders. This is expected to enhance employee awareness of the company's financial results and share price and to encourage the implementation of business operations with the aim of improving financial results.

Relationship with Local Communities and Society

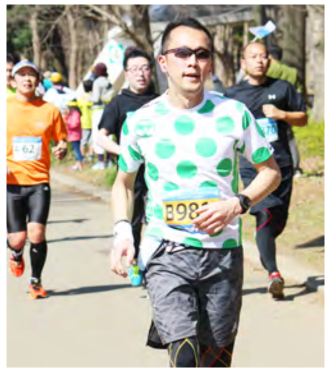
Support for Events

Interest in the health has been rising in recent years, and in conjunction with this change, various sporting events open to participation by members of the public are being held. The Group provides subsidies to such events with the hope of promoting the health of participants and contributing to the revitalization of local communities.
In fiscal 2014, we supported the Nerima Kobushi Half Marathon, which was held near the Taiyo Holdings head office, as well as the 22nd Ogawa Washi Marathon and the 37th Nihon Three-Day March, which were held near Ranzan-machi in Saitama Prefecture, where Taiyo Ink Mfg. Co., Ltd. is based.

Voice of the Employee

My Participation in a Half Marathon

I put on uniform created by supporters and ran the Nerima Kobushi Half Marathon with five others. I ran as hard as I could under the spring sun along the course with blooming magnolias and cherry trees and shouts of encouragement from my colleagues. When I initially took up long distance running, I hadn't intended to compete in the event, but I was able to achieve a sense of excitement and accomplishment different from my work, and I felt physically and mentally refreshed. I hope to contribute to society in the future through good communications with other employees and the local community.
Masahiro Hirata, PCB Sales Division, Taiyo Ink Mfg. Co., Ltd.



Environmental Protection Activities

Protection of Great Purple Emperor, Japan's National Butterfly

Designated Japan's national butterfly, the great purple emperor (Sasakia charonda) is found in nettle trees (Celtis sinensis), on which it feeds during the larval stage and on which adults deposit eggs. The butterfly inhabits the densely wooded areas in the town of Ranzan in Saitama Prefecture, including on two species of oak tree, Quercus serrata and Quercus acutissima, which produce the sap on which the adult butterflies feed.
Taiyo Ink undertakes protection activities in conjunction with the town, for instance by creating an environment within our Ranzan Facility site in which the butterflies can easily pass the winter. Employees also take an active part in the volunteer activity of creating secondary forest.

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.

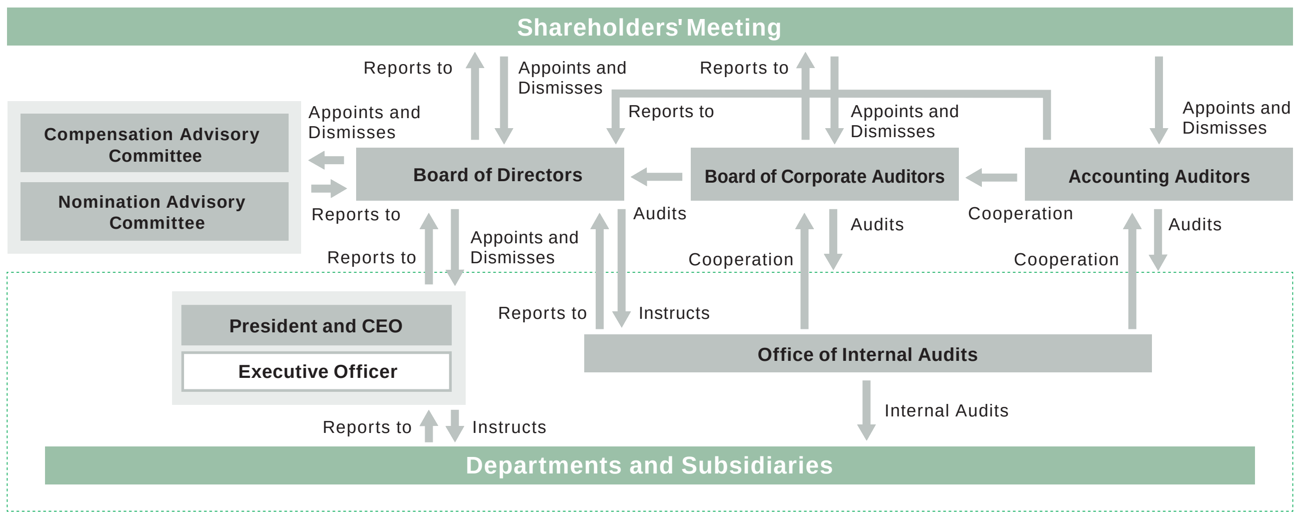
Basic Thinking on Corporate Governance

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 seek 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 Audit & Supervisory Board, whose members are both approved by resolutions at the Shareholders' Meeting. We have also adopted a system of executive officers to invigorate the Board of Directors and expedite operational execution.Executive officers are granted an extensive scope of decision-making authority for carrying out their duties, and it is believed that this will enable rapid decision-making. In addition, a discretionary Compensation Advisory Committee was established as an advisory body to the Board of Directors in order to ensure objectivity and transparency in director and executive officer compensation. A discretionary Nomination Advisory Committee was also established to ensure objectivity and transparency in nominating directors and audit & supervisory board members. The results of resolutions of both of these bodies are reported to the Board of Directors. Majorities of both the Compensation Advisory Committee and Nomination Advisory Committee are outside members, and the chairmen are selected from among the outside members.The Board of Directors is composed of eight directors, two of whom are outside directors. The Audit & Supervisory Board is composed of three audit & supervisory board members, 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. Audit & supervisory board members, 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. One of the audit & supervisory board member is full-time auditor with the power to submit questions to the Group employees. The system enables the audit & supervisory board members to conduct adequate monitoring of the execution of duties by directors.
The Internal Audit Department, 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 Audit & Supervisory board.

System Outline



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 Department that reports audit findings to the Board of Directors and the Audit & Supervisory Board, 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

In addition to base compensation, a director compensation system that provides for the payment of performance-basedmonetary compensation and performance-based stock compensation to executive directors (here and hereafter, directors specified in each item of Article 363, Paragraph 1 of the Companies Act of Japan) was approved at the ordinary General Shareholders' Meeting held on June 20, 2014.
This director compensation system is intended to provide even further motivation to executive directors to raise the corporate value of the Group over the medium to long term by increasing the degree to which executive directors share interests with shareholders.
Compensation paid to directors other than executive directors and to audit & supervisory board members consists of base compensation only. The amount of base compensation paid to directors and the methods of calculating amounts of performance-based monetary compensation and performance-based stock compensation paid to to executive directors as well as the timing of payment, distribution, and so on are determined by the Board of Directors with within the range approved by the General Shareholders' Meeting. When making such decisions, the chairman of the Compensation Advisory Committee, who is an outside director, performs an objective, comparative verification of compensation levels using officer compensation survey data from an outside research organization, deliberates on compensation policies and levels, and reports to the Board of Directors. The Board makes determinations based on the Committee's report.
Compensation paid to audit & supervisory board members is determined through consultations with the audit & supervisory board members within the range approved by the General Shareholders' Meeting.

Executive compensation for the year ended March 2015 is shown below.

Executive Category	Total Amount of Compensation (million yen)	Amounts of Compensation by Type (million yen)				Number of executives
		Base compensation	Performance-based monetary compensation	Performance-based stock compensation	Retirement Benefits	
Directors (excluding outside directors)	413	97	106	209	-	7
Audit & supervisory board members (excluding outside audit & supervisory board members)	12	12	-	-	-	2
Outside officers	31	31	-	-	-	4

Board of Directors and Audit & Supervisory Board Members

Front row (left to right)

Eiji Takehara	Masahisa Kakinuma	Eiji Sato	Seiki Kashima	Takayuki Morita	Takato Kawahara
Director	Director	President and CEO	Managing Director	Director	Director

Back row (left to right)

Haruomi Yoshimoto	Isamu Mori	Masayuki Hizume	Akihito Sakai	Kiyoshi Endo
Audit & Supervisory Board Member	Outside Director	Outside Director	Outside Audit & Supervisory Board Member	Outside Audit & Supervisory Board Member

Directors

Eiji Sato	President and CEO
Seiki Kashima	Managing Director
Masahisa Kakinuma	Director
Takayuki Morita	Director
Eiji Takehara	Director
Takato Kawahara	Director
Masayuki Hizume	Outside Director
Isamu Mori	Outside Director

Audit & Supervisory Board Members

Akihito Sakai	Outside Audit & Supervisory Board Member
Kiyoshi Endo	Outside Audit & Supervisory Board Member
Haruomi Yoshimoto	Audit & Supervisory Board Member

(As of June 19, 2015)

Financial Section

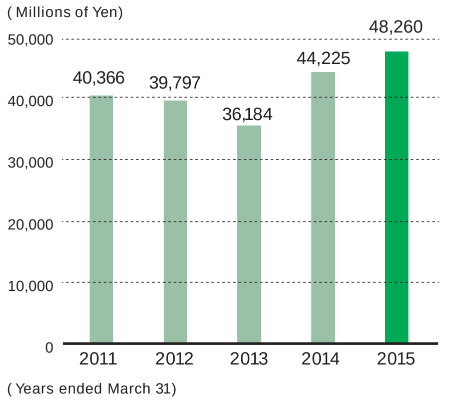
Six-Year Summary

TAIYO HOLDINGS CO., LTD. and Consolidated Subsidiaries
The years ended March 31

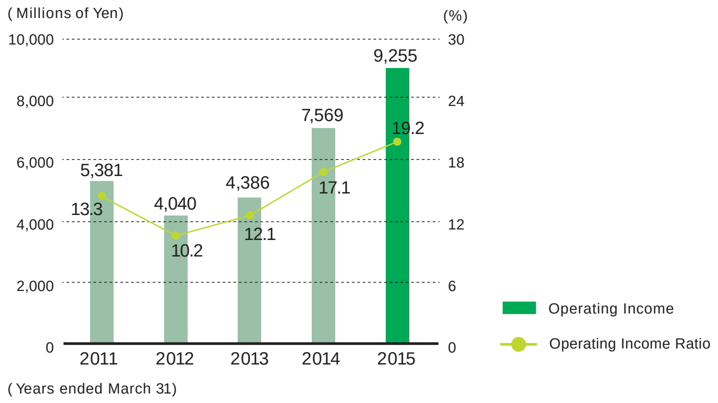
	Millions of Yen					
	2010	2011	2012	2013	2014	2015
For the Year :						
Net sales	¥ 35,056	¥ 40,366	¥ 39,797	¥ 36,184	¥ 44,225	¥ 48,260
Cost of sales	24,123	28,428		25,319	28,349	28,865
Selling, general and administrative expenses	6,089	6,557	5,934	6,479	8,307	10,140
Operating income	4,843	5,381	4,040	4,386	7,569	9,255
Net income	3,010	3,403	2,503	3,368	4,931	6,667
Depreciation and amortization	1,261	1,127	1,046	1,004	1,181	1,412
Net cash provided by operating activities	3,126	4,575	2,793	6,109	7,020	9,233
Net cash used in (provided by) investing activities	(70)	758	(1,343)	(2,478)	(3,839)	(2,913)
Net cash provided by (used in) financing activities	(2,366)	(3,696)	(2,979)	(2,314)	2,350	(9,920)
At year-end :						
Total assets	43,704	42,851	40,703	44,023	58,369	61,242
Property, plant and equipment, net	13,954	13,050	12,546	12,664	14,376	16,865
Total liabilities	8,018	8,664	7,227	7,213	15,713	19,929
Minority interests	679	696	478	605	2,046	2,238
Total equity	35,685	34,186	33,476	36,810	42,656	41,312
Per share data :						
Basic net income	¥ 116.08	¥ 131.78	¥ 98.38	¥ 132.38	¥ 193.83	¥ 264.05
Cash dividends applicable to the year	90.00	115.00	90.00	90.00	120.00	90.00
Net assets	1,349.61	1,316.53	1,297.18	1,423.26	1,596.45	1,703.14
Ratios :						
Ratio of operating income to net sales	13.8%	13.3%	10.2%	12.1%	17.1%	19.2 %
Return on equity	8.7	9.9	7.5	9.7	12.8	16.7
Equity ratio	80.1	78.2	81.1	82.2	69.6	63.8
Common stock :	Thousands of Shares					
Number of shares issued	27,464,000	27,464,000	27,464,000	27,464,000	27,464,000	27,464,000

See notes to consolidated financial statements.

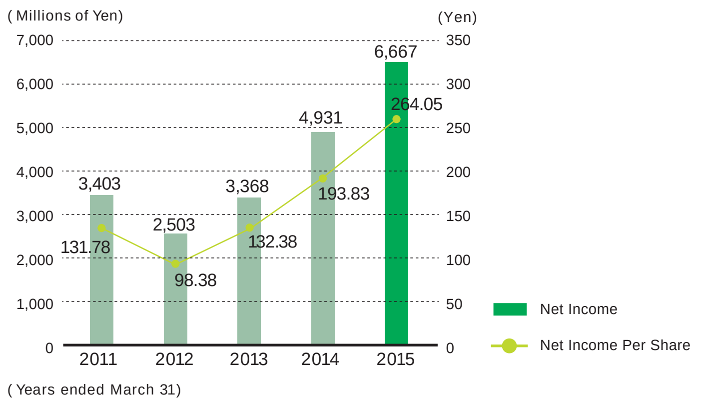
Net Sales



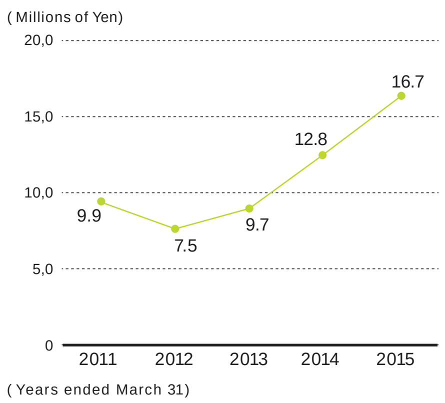
Operating Income and Operating Income Ratio



Net Income and Net Income Per Share



Return on Equity



Management's Discussion and Analysis

Analysis of operating results

In the global economy during the fiscal year ended March 31, 2015, the U.S. economy has been on solid upward trends, backed by bullish market confidence and a boost in consumer spending, and the European economy also showed signs of a recovery. On the other hand, in the Chinese economy, the speed for economic expansion slowed down, although the market sentiment of manufacturing industry temporarily recovered against the backdrop of the government's economic stimulus measures, etc. In the Japanese economy, the economic slump after the consumption tax hike has been fading and the economy remained on a moderate recovery track on the back of improvement in employment and income environment.

In the electronics components industry, in which the Group operates, demand for materials for smartphones, servers, and vehicle installation parts remained firm.

Under these conditions, net sales for the current fiscal year amounted to 48,260 million yen (up 9.1% year on year).

In the PWB (printed wiring board) materials market, the sales volume increased, reflecting firm sales of rigid board materials and PKG (semiconductor packages) board materials. The sales amount also increased year on year due to the favorable effect of foreign currency exchange rate. As a result, net sales of PWB materials were 44,475 million yen (up 16.3% year on year).

In the FPD (flat panel display) materials market, mainly consisting of PDP (plasma display panel) materials, sales volume decreased due to the effect of important clients withdrawing from the PDP business. As a result, net sales of FPD materials were 1,976 million yen (down 56.6% year on year).

As a result, operating income amounted to 9,254 million yen (up 22.3% year on year) with ordinary income at 9,529 million yen (up 21.7% year on year) and net income at 6,667 million yen (up 35.2% year on year).

Sales results by product group category

The following are sales results by product group category for the fiscal year ended March 31, 2015. (Millions of yen)

Name of product group category	Previous fiscal year results	Current fiscal year results	Compared to the previous fiscal year: Change	Compared to the previous fiscal year: Rate of change (%)
PWB materials				
Rigid board materials	29,235	33,539	4,304	14.7
PKG board and flexible board materials	7,965	9,844	1,878	23.6
Build-up board materials	1,025	1,091	65	6.4
FPD materials				
PDP materials	4,554	1,976	(2,577)	(56.6)
Other related products	1,443	1,808	365	25.3
Total	44,224	48,260	4,035	9.1

Results by segment are as follows.

1. Japan

The consolidated company comprising the Japan segment is Taiyo Ink Mfg. Co., Ltd., a manufacturing and marketing subsidiary.

Both the sales volume and the sales amount increased year on year due to firm performance of high function products such as PKG board materials, mainly for smartphones.

As a result, net sales amounted to 15,786 million yen (up 12.7% year on year) with segment profit at 2,466 million yen (up 29.4% year on year).

2. China (including Hong Kong)

The consolidated companies comprising the China segment are Taiyo Ink (Suzhou) Co., Ltd. and Onstatic Ink (Shenzhen) Co., Ltd., manufacturing and marketing subsidiaries, and Taiyo Ink International (HK) Ltd and Taiyo Ink Trading (Shenzhen) Co., Ltd., marketing subsidiaries operating mainly in the southern China region. Onstatic Ink (Shenzhen) Co., Ltd. is a subsidiary of Onstatic Technology Co., Ltd.

In the PWB materials market, both the sales volume and the sales amount increased year on year. This reflected not only the consolidation, effective from the first quarter ended June 30, 2014, of the statement of income of Onstatic Ink (Shenzhen) Co., Ltd., for which profit and loss was accounted for under the equity method in the first quarter ended June 30, 2013, but also strong sales mainly of materials related to vehicle installation parts and smartphones.

As a result, net sales amounted to 20,421 million yen (up 14.8% year on year) with segment profit at 3,507 million yen (up 34.0% year on year).

3. Taiwan

The consolidated companies comprising the Taiwan segment are manufacturing and marketing subsidiaries Taiwan Taiyo Ink Co., Ltd., and Onstatic Technology Co., Ltd. (and another three subsidiaries).

In the PWB materials market, both the sales volume and the sales amount increased year on year. This reflected not only the consolidation, effective from the first quarter ended June 30, 2014, of the statement of income of Onstatic Technology Co., Ltd. (and another three subsidiaries), for which profit and loss was accounted for under the equity method in the first quarter ended June 30, 2013, but also strong demand for materials for vehicle installation parts, servers and smartphones.

As a result, net sales amounted to 9,614 million yen (up 14.5% year on year) with segment profit at 1,763 million yen (up 23.5% year on year).

4. Korea

The consolidated company comprising the Korea segment is Taiyo Ink Co., (Korea) Ltd., a manufacturing and marketing subsidiary.

In the FPD materials market, both the sales volume and the sales amount decreased year on year, due to the effect of important clients withdrawing from the PDP business. On the other hand, demand was strong for the high function PKG board materials used in smartphones, which have a high-profit margin, and profit increased year on year.

As a result, net sales amounted to 9,199 million yen (down 13.2% year on year) with segment profit at 1,212 million yen (up 12.9% year on year).

5. Other

The consolidated companies comprising the operations in areas other than the above are Taiyo America, Inc. and Taiyo Ink International (Singapore) Pte Ltd.

At Taiyo America, exports performed strongly.

Taiyo Ink International (Singapore) performed steadily due to the expansion of the market of material for vehicle installation parts.

As a result, net sales amounted to 4,140 million yen (up 17.5% year on year) with segment profit at 555 million yen (up 22.5% year on year).

Consolidated forecasts for the next fiscal year

The operating environment in the next fiscal year ending March 31, 2016 is expected that demand for small-sized information terminals such as smartphones and tablet devices, servers and vehicle installation parts continues to be strong in the electronics components industry in which the Group operates.

Under these circumstances, the Group will continue to strengthen its marketing capability, expand the proportion of raw materials that it procures from overseas markets and improve productivity. At the same time, it will actively promote the development and marketing of new products with the ultimate goal of increasing its market share and expanding earnings.

	Net sales (Millions of yen)	Operating income (Millions of yen)	Ordinary income (Millions of yen)	Profit attributable to owners of parent (Millions of yen)	Net income per share (yen)
For the fiscal year ending March 31, 2016 (Forecast)	51,500	10,200	10,300	7,000	305.12
For the fiscal year ended March 31, 2015 (Actual results)	48,260	9,254	9,529	6,667	264.05
Rate of change (%)	6.7	10.2	8.1	5.0	15.6

Analysis of financial position

a. Positions of assets, liabilities and net assets

The following shows the positions of assets, liabilities and net assets as of March 31, 2015.

	As of March 31, 2014 (Millions of yen)	As of March 31, 2015 (Millions of yen)	Change (Millions of yen)	Main factors (comparison with the end of the previous fiscal year)
Current assets	37,798	37,942	144	Cash and deposits decreased approx. 1,300 million yen, notes and accounts receivable - trade increased approx. 1,200 million yen, merchandise and finished goods increased approx. 100 million yen, and prepaid expenses increased approx. 100 million yen.
Non-current assets	20,570	23,298	2,728	Construction in progress increased approx. 1,500 million yen, buildings and structures increased approx. 400 million yen, machinery and equipment increased approx. 400 million yen, and net defined benefit asset increased approx. 300 million yen.
Total assets	58,369	61,241	2,872	

	As of March 31, 2014 (Millions of yen)	As of March 31, 2015 (Millions of yen)	Change (Millions of yen)	Main factors (comparison with the end ofthe previous fiscal year)
Total liabilities	15,713	19,929	4,215	Long-term loans payable increased approx. 2,000 million yen, accounts payable - other increased approx. 600 million yen, income taxes payable increased approx. 600 million yen, current portion of long-term loans payable increased approx. 300 million yen, and deferred tax liabilities increased approx. 400 million yen.
Total net assets	42,655	41,312	(1,343)	Treasury shares increased approx. 9,200 million yen due to share buyback, net income increased approx. 6,700 million yen, foreign currency translation adjustment increased approx. 3,000 million yen, cash dividends paid of approx. 2,300 million yen, and retained earnings increased approx. 400 million yen due to change in accounting policies.
Total liabilities and net assets	58,369	61,241	2,872	

b. Cash flow position

The following is the position of cash flows for the fiscal year ended March 31, 2015.

	Fiscal year ended March 31, 2015 (Millions of yen)	Main factors
Net cash provided by (used in) operating activities	9,232	Income before income taxes and minority interests provided approx. 9,900 million yen, depreciation provided approx. 1,400 million yen and income taxes paid used approx. 2,100 million yen
Net cash provided by (used in) investing activities	(2,913)	Purchase of property, plant and equipment used approx. 2,700 million yen, payment into time deposits used approx. 2,200 million yen, proceeds from withdrawal of time deposits provided approx. 1,600 million yen and proceeds from sales of investment securities provided approx. 700 million yen.
Net cash provided by (used in) financing activities	(9,919)	Purchase of treasury shares used approx. 9,200 million yen, proceeds from long-term loans payable provided approx. 6,600 million yen, repayments of long-term loans payable used approx. 4,900 million yen and cash dividends paid used approx. 2,300 million yen.
Net increase (decrease) in cash and cash equivalents	(2,154)	
Cash and cash equivalents at end of period	18,183	

c. Trend of indicators

The following is the transition of cash flow indicators.

	Fiscal year ended March 31, 2011	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015
Equity ratio (%)	78.2	81.1	82.2	69.6	63.8
Equity ratio on mark-to-market basis (%)	152.0	138.7	156.0	133.1	158.3
Interest-bearing debt to cash flow ratio (year)	–	–	–	0.9	1.0
Interest coverage ratio (times)	1,350.2	992.5	3,850.3	331.3	302.2

Equity ratio: (Net assets - Minority interests) / Total assets
Equity ratio on mark-to-market basis: Total market capitalization / Total assets
Interest-bearing debt to cash flow ratio: Interest-bearing debt / Cash flow
Interest coverage ratio: Operating cash flow / Interest paid

(1) The above indicators are calculated based on consolidated financial figures.

(2) Total market capitalization is calculated based on total number of issued shares at the fiscal year end (excluding treasury shares) × stock market price at the fiscal year end

(3) Net cash provided by (used in) operating activities stated in the consolidated statement of cash flows is used for “Cash flows.” “Interest paid” are the amounts stated under interest expenses paid in the consolidated statement of cash flows.

Basic policy on profit distribution and dividends for the current fiscal year and next fiscal year

The Company regards profit distribution to shareholders in cash as an important policy and will effectuate a continuous, stable profit distribution at high levels. We use the dividend on equity ratio as our target index, keeping this figure at least 5% of consolidated financial results for the mid-to long-term.
In accordance with this policy, the Company paid an interim dividend of 45 yen per share.

As already announced, we also plan to pay a year-end dividend of 45 yen and this will be placed on the agenda of the next General Meeting of Shareholders. This will result in an annual dividend of 90 yen per share for the current fiscal year.
In addition, in the current fiscal year, the Company acquired treasury shares worth 9,200 million yen through the resolution at the Board of Directors' meeting. As a result, returns to shareholders, as a basis of the current fiscal year, amounted to 11,377 million yen (or the ratio of 170.6%), and the ratio of returns to shareholders on a cumulative basis for the five fiscal periods from the fiscal year ended March 31, 2011 to the fiscal year ended March 31, 2015 was 111.5%. In the aforementioned calculation, the dividend amounts and the amount used for the acquisition of treasury shares pertaining to the Employee Stock Ownership Plan (“ESOP”) trust for granting stock were excluded.
Concerning dividends of the next fiscal year, we plan to pay an interim dividend of 55 yen and a year-end dividend of 55 yen, and this will result in an annual dividend of 110 yen per share and a rate of return to shareholders of 36.1%.

Risk factors

The following are the main risks that may influence the business development of the Company.

a. Technological innovation risks

Our Group is reliant on the manufacture and sale 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 as important issue in the field of research and development to find possible new methods for PWBs.

b. 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, in the event a patent application, etc. does not result in the granting of rights or a third-party requests invalidation, insufficient protection of our rights as a Group may result. Moreover, infringing the intellectual property rights owned by a third-party could impact the performance of our Group as a result of the payment of royalties or large amounts of damages.

c. 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 is damaged by a natural disaster and manufacturing functions are obstructed, manufacturing and supply functions would be switched to another manufacturing base as an emergency measure. However, this would require some preparation and adjustment and our business would be affected in the interim.

d. Risk related to procurement of raw materials

The Group procures many of its raw materials from external raw material manufacturers. Problems at these raw material manufacturers or a lack of supplies that hinder the Group’s production activities may affect the performance of the Group.

e. 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, and other country-specific risks could impact on the business strategies and performance of our Group.

f. Risk of exchange rate fluctuations

Our ratio of overseas sales to net sales is high and there are many instances when we calculate product prices 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.

g. 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 with rival companies including local companies as well as other Japanese firms regarding SR. 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.

h. 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.

i. 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.

j. Risks related to the soaring cost of raw materials

Due to the state of the oil market, the prices of certain raw materials have risen, which may affect the performance of our Group.

Consolidated Balance Sheet

TAIYO HOLDINGS CO., LTD. and Consolidated Subsidiaries
March 31, 2015

ASSETS	Millions of Yen 2015	Millions of Yen 2014	Thousands of U.S. Dollars (Note 1) 2015
CURRENT ASSETS:			
Cash and cash equivalents (Note 13)	¥ 18,183	¥ 20,338	$ 151,273
Time deposits (Note 13)	1,584	811	13,178
Notes and accounts receivable—trade (Notes 4 and 13)	13,112	11,891	109,085
Marketable securities (Note 3)		1	
Inventories (Note 5)	4,527	4,388	37,662
Consumption taxes receivable	169	151	1,406
Deferred tax assets (Note 11)	100	91	832
Other current assets	609	400	5,067
Allowance for doubtful accounts (Note 13)	(341)	(273)	(2,837)
Total current assets	37,943	37,798	315,666
PROPERTY, PLANT, AND EQUIPMENT (Note 6):			
Land	4,342	4,237	36,123
Buildings and structures—net	8,014	7,626	66,672
Machinery, equipment, and vehicles—net	1,970	1,608	16,389
Tools, furniture, and fixtures—net	747	657	6,215
Construction in progress	1,792	248	14,909
Total property, plant, and equipment	16,865	14,376	140,308
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 3 and 13)	362	749	3,012
Investments in unconsolidated subsidiaries (Note 13)	39	19	324
Goodwill	4,850	4,745	40,349
Software	306	236	2,546
Net defined benefit asset (Note 9)	340		2,828
Deferred tax assets (Note 11)	63	16	524
Other assets	475	431	3,952
Allowance for doubtful accounts	(1)	(1)	(8)
Total investments and other assets	6,434	6,195	53,527
TOTAL	¥ 61,242	¥ 58,369	$ 509,501

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen 2015	Millions of Yen 2014	Thousands of U.S. Dollars (Note 1) 2015
CURRENT LIABILITIES:			
Short-term bank loans (Notes 8 and 13)	¥ 730	¥ 534	$ 6,073
Current portion of long-term debt (Notes 8 and 13)	340		2,829
Notes and accounts payable—trade (Note 13)	5,661	5,433	47,096
Accounts payable—other (Note 13)	2,033	1,394	16,913
Income taxes payable (Note 13)	1,139	563	9,476
Accrued expenses	702	654	5,840
Deferred tax liabilities (Note 11)	403	287	3,353
Other current liabilities	49	71	408
Total current liabilities	11,057	8,936	91,988
LONG-TERM LIABILITIES:			
Long-term debt (Notes 8 and 13)	7,686	5,658	63,944
Liability for retirement benefits (Note 9)	10	327	83
Asset retirement obligations	56	55	466
Accrued liability for stock benefits	42		349
Deferred tax liabilities (Note 11)	1,070	702	8,902
Other long-term liabilities (Note 9)	9	35	75
Total long-term liabilities	8,873	6,777	73,819
COMMITMENTS AND CONTINGENT LIABILITIES (Note 15)			
EQUITY (Notes 10 and 20):			
Shareholders' equity:			
Common stock—authorized, 50,000,000 shares; issued, 27,464,000 shares in 2015 and 2014	6,135	6,135	51,040
Capital surplus	7,144	7,102	59,434
Retained earnings	36,997	32,257	307,796
Treasury stock—at cost, 4,521,990 shares in 2015 and 2,026,110 shares in 2014	(14,599)	(5,373)	(121,456)
Total shareholders' equity	35,677	40,121	296,814
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	111	235	923
Foreign currency translation adjustments	3,332	329	27,721
Remeasurements of defined benefit plans (Note 9)	(46)	(75)	(383)
Total accumulated other comprehensive income	3,397	489	28,261
Minority interests	2,238	2,046	18,619
Total equity	41,312	42,656	343,694
TOTAL	¥ 61,242	¥ 58,369	$ 509,501

Consolidated Statement of Income

TAIYO HOLDINGS CO., LTD. and Consolidated Subsidiaries
Year Ended March 31, 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	2015
NET SALES	¥48,260	¥44,225	$ 401,498
COST OF SALES	28,865	28,349	240,142
Gross profit	19,395	15,876	161,356
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES (Note 12)	10,140	8,307	84,359
Operating income	9,255	7,569	76,997
OTHER INCOME (EXPENSES):			
Interest and dividend income	126	150	1,048
Interest expense	(30)	(33)	(250)
Foreign exchange gain—net	127	24	1,057
Subsidy income	5		42
Refunded consumption taxes	28		233
Commission for purchase of treasury shares	(52)		(433)
Gain on sales of investment securities	387		3,220
Loss on valuation of golf club membership	(15)		(125)
Equity in earnings of associated companies		13	
Loss on impairment of long-lived assets (Note 7)		(279)	
Loss on step acquisitions (Note 19)		(73)	
Gain on liquidation of subsidiaries and affiliates		59	
Other—net	89	164	740
Other income—net	665	25	5,532
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	9,920	7,594	82,529
INCOME TAXES (Note 11):			
Current	2,671	1,909	22,221
Deferred	277	485	2,305
Total income taxes	2,948	2,394	24,526
NET INCOME BEFORE MINORITY INTERESTS	6,972	5,200	58,003
MINORITY INTERESTS IN NET INCOME	305	269	2,537
NET INCOME	¥ 6,667	¥ 4,931	$ 55,466

	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Notes 2.t and 18):			
Basic net income	¥ 264.05	¥ 193.83	$ 2.20
Cash dividends applicable to the year	90.00	120.00	0.75

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

TAIYO HOLDINGS CO., LTD. and Consolidated Subsidiaries
Year Ended March 31, 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	2015
NET INCOME BEFORE MINORITY INTERESTS	¥ 6,972	¥ 5,200	$ 58,003
OTHER COMPREHENSIVE INCOME (Note 17):			
Valuation difference on available-for-sale securities	(125)	100	(1,040)
Foreign currency translation adjustments	3,324	2,790	27,654
Remeasurements of defined benefit plans	29		242
Total other comprehensive income	3,228	2,890	26,856
COMPREHENSIVE INCOME	¥ 10,200	¥ 8,090	$ 84,859
COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥ 9,651	¥ 7,560	$ 80,291
Minority interests	549	530	4,568

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

TAIYO HOLDINGS CO., LTD. and Consolidated Subsidiaries
Year Ended March 31, 2015

	Millions of Yen					
		Shareholders' Equity				
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock—At Cost	Total Shareholders' Equity
BALANCE, APRIL 1, 2013	25,438,174	¥ 6,135	¥ 7,102	¥ 30,379	¥ (5,372)	¥ 38,244
Net income				4,931		4,931
Dividends from surplus				(3,053)		(3,053)
Purchase of treasury stock	(284)				(1)	(1)
Changes of items during the year						
BALANCE, MARCH 31, 2014 (as previously reported)	25,437,890	6,135	7,102	32,257	(5,373)	40,121
Cumulative effects of changes in accounting policies				362		362
BALANCE, APRLI 1, 2014 (as restated)		6,135	7,102	32,619	(5,373)	40,483
Net income				**6,667**		**6,667**
Dividends from surplus				**(2,289)**		**(2,289)**
Purchase of treasury stock	(2,606,180)				**(9,520)**	**(9,520)**
Disposal of treasury stock	**110,300**		**42**		**294**	**336**
Changes of items during the year						
BALANCE, MARCH 31, 2015	22,942,010	¥ 6,135	¥ 7,144	¥ 36,997	¥ (14,599)	¥ 35,677

	Millions of Yen					
	Accumulated Other Comprehensive Income					
	Valuation Difference on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Remeasurements of Defined Benefit Plans	Total Accumulated Other Comprehensive Income (Loss)	Minority Interests	Total Equity
BALANCE, APRIL 1, 2013	¥ 135	¥ (2,174)		¥ (2,039)	¥ 605	¥ 36,810
Net income						4,931
Dividends from surplus						(3,053)
Purchase of treasury stock						(1)
Changes of items during the year	100	2,503	(75)	2,528	1,441	3,969
BALANCE, MARCH 31, 2014 (as previously reported)	235	329	(75)	489	2,046	42,656
Cumulative effects of changes in accounting policies						362
BALANCE, MARCH 31, 2014 (as restated)	235	329	(75)	489	2,046	43,018
Net income						**6,667**
Dividends from surplus						**(2,289)**
Purchase of treasury stock						**(9,520)**
Disposal of treasury stock						**336**
Changes of items during the year	**(124)**	**3,003**	**29**	**2,908**	**192**	**3,100**
BALANCE, MARCH 31, 2015	¥ 111	¥ 3,332	¥ (46)	¥ 3,397	¥ 2,238	¥ 41,312

See notes to consolidated financial statements.

	Thousands of U.S. Dollars (Note 1)				
	Shareholders' Equity				
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock—At Cost	Total Shareholders' Equity
BALANCE, MARCH 31, 2014 (as previously reported)	$ 51,040	$ 59,085	$ 268,361	$ (44,701)	$ 333,785
Cumulative effects of changes in accounting policies			3,012		3,012
BALANCE, APRIL 1, 2014 (as restated)	51,040	59,085	271,373	(44,701)	336,797
Net income			**55,466**		**55,466**
Dividends from surplus			**(19,043)**		**(19,043)**
Purchase of treasury stock				**(79,201)**	**(79,201)**
Disposal of treasury stock		**349**		**2,446**	**2,795**
Changes of items during the year					
BALANCE, MARCH 31, 2015	$ 51,040	$ 59,434	$ 307,796	$ (121,456)	$ 296,814

	Thousands of U.S. Dollars (Note 1)					
	Accumulated Other Comprehensive Income					
	Valuation Difference on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Remeasurements of Defined Benefit Plans	Total Accumulated Other Comprehensive Income (Loss)	Minority Interests	Total Equity
BALANCE, MARCH 31, 2014 (as previously reported)	$ 1,955	$ 2,737	$ (624)	$ 4,068	$ 17,022	$ 354,875
Cumulative effects of changes in accounting policies						3,012
BALANCE, MARCH 31, 2014 (as restated)	1,955	2,737	(624)	4,068	17,022	357,887
Net income						**55,466**
Dividends from surplus						**(19,043)**
Purchase of treasury stock						**(79,201)**
Disposal of treasury stock						**2,795**
Changes of items during the year	**(1,032)**	**24,984**	**241**	**24,193**	**1,597**	**25,790**
BALANCE, MARCH 31, 2015	$ 923	$ 27,721	$ (383)	$ 28,261	$ 18,619	$ 343,694

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

TAIYO HOLDINGS CO., LTD. and Consolidated Subsidiaries
Year Ended March 31, 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	2015
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 9,920	¥ 7,594	$ 82,529
Adjustments for:			
Income taxes—paid	(2,033)	(1,956)	(16,914)
Depreciation and amortization	1,412	1,181	11,747
Gain on sales of investment securities	(387)		(3,220)
Impairment loss		279	
Decrease (increase) in notes and accounts receivable—trade	366	(228)	3,045
Decrease in inventories	275	722	2,288
Decrease in notes and accounts payable—trade	(580)	(200)	(4,825)
Increase (decrease) in other current liabilities	31	(334)	258
(Decrease) increase in accrued expenses	(14)	35	(116)
Other—net	243	(73)	2,022
Total adjustments	(687)	(574)	(5,715)
Net cash provided by operating activities	9,233	7,020	76,814
INVESTING ACTIVITIES:			
Payments into time deposits	(2,188)	(3,284)	(18,203)
Proceeds from withdrawal of time deposits	1,579	3,449	13,136
Purchases of property, plant, and equipment	(2,711)	(1,728)	(22,554)
Purchase of OTC, net of cash acquired		(1,927)	
Purchase of investments in subsidiaries resulting in change in scope of consolidation		(862)	
Purchase of software	(127)	(143)	(1,056)
Proceeds from sales of investment securities	571		4,750
Other—net	(37)	656	(308)
Net cash provided by operating activities	(2,913)	(3,839)	(24,235)
FINANCING ACTIVITIES:			
Proceeds from short-term loans	1,808		15,042
Repayments of short-term loans	(1,671)		(13,902)
Proceeds from long-term debt	6,632	5,619	55,175
Repayments of long-term debt	(4,925)		(40,973)
Purchase of treasury stock	(9,201)	(1)	(76,548)
Disposal of treasury stock	18		150
Cash dividends paid	(2,290)	(3,053)	(19,052)
Cash dividends paid to minority shareholders	(291)	(215)	(2,421)
Net cash provided by operating activities	(9,920)	2,350	(82,529)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	1,445	1,040	12,022
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS—(Forward)	¥ (2,155)	¥ 6,571	$ (17,928)

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	2015
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS—(Forward)	¥ (2,155)	¥ 6,571	$ (17,928)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	20,338	13,767	169,201
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 18,183	¥ 20,338	$ 151,273

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

TAIYO HOLDINGS CO., LTD. and Consolidated Subsidiaries
Year Ended March 31, 2015

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 accordance 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 2014 consolidated financial statements to conform to the classifications used in 2015.

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 ¥120.2 to $1, the approximate rate of exchange at March 31, 2015. 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, 2015, include the accounts of the Company and its 14 significant (14 as of March 31, 2014) subsidiaries (collectively, the "Group").

Under the control and influence concepts, 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 using 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.
ONSTATIC TECHNOLOGY CO., LTD. ("OTC")

As OTC owns 5 subsidiaries, the total number of consolidated subsidiaries is 14.
On February 20, 2015, one subsidiary of OTC was liquidated.

Investments in the remaining two (one as of March 31, 2014) unconsolidated subsidiaries 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 5 or 20 years.

There are no investments in associated companies accounted for using the equity method in 2015 and 2014.

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 (three as of March 31, 2014) consolidated subsidiaries closed their accounts on December 31. To prepare the Company's consolidated financial statements, Taiyo Ink (Suzhou) Co., Ltd. and Taiyo Ink Trading (Shenzhen) Co., Ltd., prepared a set of accounts with a closing date of March 31 and these were used for consolidation purposes. The Company used the financial statements of OTC whose fiscal year ends on December 31 for consolidation since the difference of fiscal year ends between the Company and OTC is no more than three months. The necessary adjustments for significant transactions, if any, during the intervening period are made on consolidation.

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 accounting principles generally accepted 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 recorded in equity through other comprehensive income; (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 Combinations

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 on the acquisition date immediately 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 using 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, while 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 using 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. Accrued Liability for Stock Benefits

The Company accrues liability for stock benefits to be granted to employees in accordance with the " Rules on Distribution of Shares" based on the projected stock benefit liability.

n. Retirement and Pension Plans

The benefit formula basis is used to attribute expected benefits to periods of services in calculating projected benefit obligations.
Prior service costs are amortized using the straight-line method over five years. Actuarial gains (losses) are amortized using the straight-line method over five years from the following year after incurrence. Unrecognized actuarial gains (losses) and unrecognized prior service cost are accounted for as remeasurements of defined benefit plans before tax in accumulated other comprehensive income.
The main clause of Article 35 of the "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26 issued on May 17, 2012, hereinafter "Retirement Benefits Accounting Standard") and the main clause of Article 67 of the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25 issued on March 26, 2015, hereinafter "Retirement Benefits Guidance") were adopted from the current fiscal year. Accordingly, the calculation methods of projected benefit obligation and service cost were changed. Specifically, the method of determining the portion of projected benefit obligations attributed to periods was changed from the straight-line method to the benefit formula basis. In addition, the method of determining the discount rates applied in the calculation of projected benefit obligation was changed from the method using the average period up to estimated benefit payment date to the method using the single weighted-average discount rate that reflects the estimated period and amount of benefit payment in each period.
The Retirement Benefits Accounting Standard and other standards were applied in accordance with the transitional treatment set forth in Article 37 of the Retirement Benefits Accounting Standard, and the effects of the change in calculation methods of projected benefit obligations and service cost were added to or deducted from retained earnings as of April 1, 2014.
As a result, net defined benefit liability decreased by ¥317 million ($2,637 thousand), net defined benefit asset increased by ¥245 million ($2,038 thousand), and retained earnings increased by ¥362 million ($3,012 thousand), as of April 1, 2014. Also, operating income and income before income taxes and minority interest for the year ended March 31, 2015, decreased by ¥25 million ($208 thousand).

In addition, net assets per share as of March 31, 2015, increased ¥11.82 ($0.10) and net income per share for the year ended March 31, 2015, decreased by ¥0.98 ($0.01).
Liability for directors and corporate auditors is recorded to account 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.

o. 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.

p. 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 income tax rates 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.

q. 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 consolidated balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income.

r. 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 consolidated balance sheet date, except for equity, which is translated at the historical exchange rates. Differences arising from such translation are 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.

s. Derivative Financial Instruments

The Company enters into derivative financial instruments to manage foreign exchange risks and interest rate risks. The Company uses long-term borrowings denominated in foreign currency to reduce foreign currency risks arising from investments in foreign subsidiaries. The Company also uses interest rate swap contracts for the purpose of hedging the interest rate risk associated with the underlying borrowings.
All derivative financial instruments are recognized at fair value in the consolidated balance sheet. For derivatives used for hedging purpose, the gains and losses are deferred until the hedge item is recognized. The Company records in "Foreign currency translation adjustments" the gains or losses on the derivative financial instruments that are designated as hedging instruments for investments in foreign subsidiaries. Exceptional treatment is applied for interest rate swap contracts which qualify for hedge accounting and meet specific matching criteria.
The Company evaluates effectiveness of hedging activities for investments in foreign subsidiary by referring the accumulated gains or losses on the hedging instruments and the related hedged items from the commencement of the hedging transactions. The Company omits the assessment of hedge effectiveness of interest rate swaps which qualify for hedge accounting and meet specific criteria.

t. Per Share Information

Basic net earnings per share ("EPS") is computed by dividing net income available to common shareholders by the weighted average number of common shares outstanding for the period.
Diluted net EPS 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 at the end of the year.

u. 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 Presentation—When the presentation of consolidated financial statements is changed, prior-period consolidated 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 consolidated financial statements is discovered, those consolidated 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 fiscal years beginning on or after April 1, 2011.

v. Employee Stock Ownership Plan

The Company has applied the "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts (Practical Issue Task Force (PITF) No. 30 issued on March 26, 2015)" for the year ended March 31, 2015.

(1) Outline of transactions

At the board of directors' meeting held on May 2, 2014, a resolution was made to introduce the Employee Stock Ownership Plan ("ESOP") trust for granting stock as an employee incentive plan. The purpose of this incentive plan is (i) to increase employee commitment and encourage involvement in the management of the business; (ii) to raise morale and give employees an incentive to behave in ways that will contribute to the Company's long-term performance and stock price; and (iii) to improve the mid- and long-term corporate value of the Company.

Under this plan, the Company establishes a trust for persons who satisfy the beneficiary requirements from among employees, and entrust money necessary for acquisition of the Company's shares. The trustee of the trust will acquire the Company's shares, to be distributed to employees in the future, from the Company in accordance with the "Rules on Distribution of Shares." Afterward, the trustee will grant a certain number of the Company's shares to beneficiaries based on "qualification grade etc." during the trust term. Beneficiaries will assume no cost in this regard since the underlying funds in the trust are fully contributed by the Company.

Assets and liabilities in relation to the trust are recorded in the consolidated balance sheet, and gains and losses therefrom are recorded in the consolidated statement of income.

(2) The Company's shares held by the trust

The Company's shares held by the trust were accounted for as treasury stock in net assets at book value (that do not include transaction costs paid to acquire the shares) in the trust. Under the trust, the book value and the number of shares of treasury stocks as of March 31, 2015, were ¥301 million and 98,760 shares, respectively.

w. Accounting Standards Issued but Not Yet Adopted

"Accounting Standard for Business Combinations" (ASBJ Statement No. 21, September 13, 2013)

"Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, September 13, 2013)

"Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, September 13, 2013)

"Accounting Standard for Earnings Per Share" (ASBJ Statement No. 2, September 13, 2013)

"Guidance on Accounting Standards for Business Combinations and Business Divestitures" (ASBJ Guidance No. 10, September 13, 2013)

"Guidance on Accounting Standard for Earnings Per Share" (ASBJ Guidance No. 4, September 13, 2013)

(1) Overview

These accounting standards have been revised in relation to transactions such as the acquisition of additional shares of a subsidiary. The revisions primarily pertain to (i) treatment of changes in the parent company's ownership interest in a subsidiary when the parent company retains control over the subsidiary, (ii) the treatment of acquisition costs, (iii) the presentation of net income and the change in presentation from minority interests to non controlling interests, and (iv) the process for the treatments of provisional accounting and other changes related to transactions such as the acquisition of additional shares of a subsidiary.

(2) Scheduled date of application

These accounting standards are effective from the year beginning on April 1, 2015. The revised standards for provisional accounting treatment are effective for a business combination which will be carried out on or after April 1, 2015.

(3) Effect of the adoption of accounting standards

The impact of adopting the accounting standards and relevant regulations on consolidated financial statements is currently under assessment.

3. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2015 and 2014, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Noncurrent:			
Marketable equity securities	¥ 350	¥ 731	$ 2,912
Government and corporate bonds		1	
Total	¥ 350	¥ 732	$ 2,912

The costs and aggregate fair values of marketable and investment securities as of March 31, 2015 and 2014, were as follows:

	Millions of Yen			
March 31, 2015	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available for sale:				
Equity securities	¥ 188	¥ 164	¥ 2	¥ 350
Debt securities				
Total	¥ 188	¥ 164	¥ 2	¥ 350
March 31, 2014				
Securities classified as available for sale:				
Equity securities	¥ 365	¥ 374	¥ 8	¥ 731
Debt securities	1			1
Total	¥ 366	¥ 374	¥ 8	¥ 732

March 31, 2015	Thousands of U.S. Dollars Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available for sale:				
Equity securities	$ 1,564	$ 1,364	$ 16	$ 2,912
Debt securities				
Total	$ 1,564	$ 1,364	$ 16	$ 2,912

Available-for-sale securities whose fair values were not readily determinable as of March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Available-for-sale—equity securities	¥ 12	¥ 18	$ 100

The information for available-for-sale securities, which were sold during the year ended March 31, 2015, is as follows:

March 31, 2015	Millions of Yen Proceeds	Realized Gains	Realized Losses
Securities classified as available for sale—			
Equity securities	¥ 572	¥ 390	¥ 4
Total	¥ 572	¥ 390	¥ 4

There were no available-for-sale securities which were sold during the year ended March 31, 2014.

March 31, 2015	Thousands of U.S. Dollars Proceeds	Realized Gains	Realized Losses
Securities classified as available for sale—			
Equity securities	$ 4,759	$ 3,245	$ 33
Total	$ 4,759	$ 3,245	$ 33

4. NOTES MATURING ON MARCH 31, 2015 AND 2014

Notes that were to mature at the consolidated balance sheet date were accounted for at the date of actual settlement. The year end of March 31, 2015, of certain subsidiaries and the year end of March 31, 2014, coincided with a bank holiday and the following notes maturing on March 31, 2015 and 2014, were included in the consolidated balance sheets as of March 31, 2015 and 2014:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Notes receivable—trade			

5. INVENTORIES

Inventories as of March 31, 2015 and 2014, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Merchandise and finished products	¥ 2,349	¥ 2,227	$ 19,542
Work in process	292	320	2,429
Raw materials and supplies	1,886	1,841	15,691
Total	¥ 4,527	¥ 4,388	$ 37,662

6. PROPERTY, PLANT, AND EQUIPMENT

Accumulated depreciation at March 31, 2015 and 2014, was ¥22,864 million ($190,216 thousand) and ¥21,024 million, respectively.

7. LONG-LIVED ASSETS

The Group reviewed its long-lived assets for impairment for the years ended March 31, 2015 and 2014.
No impairment losses were recognized for the year ended March 31, 2015.
The Group recognized impairment losses for the year ended March 31, 2014, as follows:

Location	Usage	Classification	Millions of Yen
TAIYO INK CO., (KOREA) LTD.	Business use	Buildings	**¥ 125**
		Machinery and equipment	**154**

In principle, business use assets are grouped based on the department of the Group.
Business use assets of Taiyo Ink Co., (Korea) Ltd., a consolidated subsidiary of the Company, were written down to recoverable amounts because their profitability and fair values declined drastically compared to their book values.
The recoverable amount is measured at its value in use and the recoverable amount is deemed as zero since no future cash flow is expected.

8. SHORT-TERM BANK LOANS AND LONG-TERM DEBT

The weighted-average interest rates applicable to the short-term borrowings at March 31, 2015 and 2014, were 0.62% and 0.66%, respectively.

Long-term debt as of March 31, 2015, consisted of the following :

	Millions of Yen	Thousands of U.S. Dollars
Current portion of long-term debt, with weighted average interest of 0.70% as of March 31, 2015	¥ 340	$ 2,829
Long-term debt, 2020 with weighted-average interest of 0.59% as of March 31, 2015	7,686	63,943
Total	¥ 8,026	$ 66,772

Long-term debt as of March 31, 2014, consisted of the following :

	Millions of Yen
Long-term debt, 2018 with weighted-average interest of 0.15% as of March 31, 2014	¥ 5,658
Total	¥ 5,658

Annual maturities of long-term debt for the next five years and thereafter as of March 31, 2015, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2016	¥ 340	$ 2,829
2017	340	2,829
2018	340	2,829
2019	4,966	41,314
2020	2,040	16,971
2021 and thereafter		
Total	¥ 8,026	$ 66,772

9. 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 types of plans.

The liability for retirement benefits at March 31, 2015 and 2014, for directors and corporate auditors is ¥10 million ($83 thousand) and ¥10 million, respectively. The retirement benefits for directors and corporate auditors are paid subject to the approval of the shareholders.

Defined Benefit Plans

The changes in projected benefit obligations for the years ended March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Balance at beginning of year (as previously reported)	¥ 2,772	¥ 2,541	$ 23,062
Cumulative effects of changes in accounting policies	(561)		(4,668)
Balance at beginning of year (as restated)	2,211	2,541	18,394
Service cost	208	169	1,730
Interest cost	36	42	300
Actuarial (gains) losses	(14)	76	(116)
Benefits paid	(126)	(122)	(1,048)
Transfer to defined contribution plans	(512)		(4,260)
Foreign exchange difference	53	66	441
Balance at end of year	¥ 1,856	¥ 2,772	$ 15,441

The changes in plan assets for the years ended March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Balance at beginning of year	¥ 2,455	¥ 2,271	$ 20,424
Expected return on plan assets	42	34	349
Actuarial (gains) losses	(4)	12	(33)
Employer contribution	133	206	1,106
Benefits paid	(160)	(121)	(1,331)
Transfer to defined contribution plans	(318)		(2,645)
Foreign exchange difference	47	53	391
Balance at end of year	¥ 2,195	¥ 2,455	$ 18,261

A reconciliation between the liabilities recorded in the consolidated balance sheet and the balances of projected benefit obligations and plan assets as of March 31, 2015 and 2014, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Funded projected benefit obligations	¥ 1,855	¥ 2,772	$ 15,433
Plan assets	(2,195)	(2,455)	(18,261)
Net (asset) liability for defined obligations	¥ (340)	¥ 317	$ (2,828)
(Asset) liability for retirement benefits	¥ (340)	¥ 317	$ (2,828)
Net (asset) liability for defined benefit obligations	¥ (340)	¥ 317	$ (2,828)

The components of net periodic benefit costs for the years ended March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Service cost	¥ 208	¥ 169	$ 1,730
Interest cost	36	42	299
Expected return on plan assets	(42)	(34)	(349)
Recognized actuarial gains (losses)	33	(8)	275
Amortization of prior service cost	10	10	83
Net periodic benefit costs	¥ 245	¥ 179	$ 2,038

Amounts recognized in other comprehensive income (before income tax effect) in respect of defined benefit plans before tax for the years ended March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Actuarial losses	¥ 46		$ 383
Prior service cost	10		83
Total	¥ 56		$ 466

Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined benefit plans before tax as of March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Unrecognized actuarial losses	¥ (18)	¥ (64)	$ (150)
Unrecognized prior service cost	(41)	(51)	(341)
Total	¥ (59)	¥ (115)	$ (491)

Plan assets as of March 31, 2015 and 2014, consisted of the following:

	2015	2014
General account	100%	100%
Total	100%	100%

The expected long-term rate of return on plan assets is determined considering the current and expected distribution of plan assets and the current and expected long-term rate of return derived from various components of plan assets.

Assumptions used for the years ended March 31, 2015 and 2014, were set forth as follows:

	2015	2014
Discount rate	0.645%	1.2%
Expected long-term rate of return on plan assets	1.0	1.0
Projected rate of salary increases	14.12	14.12

Defined Contribution Plans

The required contribution amount to the defined contribution plans by the Company and its certain consolidated subsidiaries at March 31, 2015 and 2014, is ¥46 million ($383 thousand) and ¥30 million, respectively.

10. 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, including (1) having a board of directors; (2) having independent auditors; (3) having a 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 a 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.

11. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes, which, in the aggregate, resulted in normal effective statutory tax rates of approximately 36% and 38% for the years ended March 31, 2015 and 2014, respectively.
The tax effects of significant temporary differences, which resulted in deferred tax assets and liabilities as of March 31, 2015 and 2014, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Deferred tax assets:			
Retirement benefits	¥ 3	¥ 89	$ 25
Unrealized profit	100	96	832
Deduction of foreign corporation tax carried forward	48	72	399
Allowance for doubtful accounts	27	1	225
Accrued expenses	97	96	807
Accrued liability for stock benefits	14		116
Other	259	272	2,155
Total deferred tax assets	548	626	4,559
Less valuation allowance	(133)	(171)	(1,107)
Total deferred tax assets, net of valuation allowance	415	455	3,452
Deferred tax liabilities:			
Undistributed earnings of associated companies	(1,480)	(1,083)	(12,313)
Reserve for technique and development	(24)	(57)	(200)
Valuation difference on available-for-sale securities	(52)	(130)	(432)
Net defined benefit assets	(115)		(957)
Other	(54)	(67)	(449)
Total deferred tax liabilities	(1,725)	(1,337)	(14,351)
Net deferred tax liabilities	¥ (1,310)	¥ (882)	$ (10,899)

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of income for the year ended March 31, 2015, with the corresponding figures for 2014, is as follows:

	2015	2014
Normal effective statutory tax rate	35.52%	37.87%
Tax rates difference relating to overseas subsidiaries	(13.31)	(14.75)
Elimination of dividend income	0.85	0.95
Deduction of foreign corporation tax carried forward	(0.10)	(0.12)
Undistributed earnings of associated companies	3.67	2.86
Nondeductible withholding income tax of dividends	4.89	5.53
Tax exemption for experiments and research expenses and other	(2.57)	(1.82)
Valuation allowance	(0.34)	(0.92)
Other	1.10	1.92
Actual effective tax rate	29.71%	31.52%

The "Act on Partial Revision of the Income Tax Act" (Act No. 9 of 2015) and "Act on Partial Revision of the Local Tax Act" (Act No. 2 of 2015) were promulgated on March 31, 2015. Accordingly, the normal effective statutory tax rates used to calculate deferred tax assets and deferred tax liabilities were changed to 32.95% for temporary differences which are expected to reverse in the fiscal year beginning on April 1, 2015, and 32.18% for those in the fiscal year beginning on April 1, 2016.
The effects of this change are immaterial.

12. R&D COSTS

R&D costs charged to income for the years ended March 31, 2015 and 2014, were ¥2,213 million ($18,411 thousand) and ¥1,594 million, respectively.

13. 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 additionally exposed 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 and others are used to hedge the exchange rate fluctuation risk associated with foreign currency-denominated operating assets and others.
Please see Note 14 for more details about derivatives.

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 and long-term debt, 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 derivative 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

The 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

Carrying amounts, fair values, and unrealized gain (loss) as of March 31, 2015 and 2014, were as follows:
Financial instruments whose fair values are difficult to measure are excluded from the table below.

	Millions of Yen		
March 31, 2015	Carrying Amount	Fair Value	Unrealized Loss
(1) Cash and cash equivalents	¥ 18,183	¥ 18,183	
(2) Time deposits	1,584	1,584	
(3) Notes and accounts receivable—trade	13,112		
Less allowance for doubtful receivables	(341)		
	12,771	12,771	
(4) Investment securities	350	350	
(5) Notes and accounts payable—trade	5,661	5,661	
(6) Accounts payable—other	2,033	2,033	
(7) Income taxes payable	1,139	1,139	
(8) Short-term bank loans	730	730	
(9) Long-term debt	8,026	8,050	¥ (24)
(10) Derivatives—net			
(a) Derivatives to which hedge accounting is not applied			
(b) Derivatives to which hedge accounting is applied			

March 31, 2014	Carrying Amount	Fair Value	Unrealized Loss
(1) Cash and cash equivalents	¥ 20,338	¥ 20,388	
(2) Time deposits	811	811	
(3) Notes and accounts receivable—trade	11,891		
Less allowance for doubtful receivables	(273)		
	11,618	11,618	
(4) Investment securities	731	731	
(5) Notes and accounts payable—trade	5,433	5,433	
(6) Accounts payable—other	1,394	1,394	
(7) Income taxes payable	563	563	
(8) Short-term bank loans	534	534	
(9) Long-term debt	5,658	5,658	
(10) Derivatives—net	16	16	

March 31, 2015	Thousands of U.S. Dollars Carrying Amount	Fair Value	Unrealized Loss
(1) Cash and cash equivalents	$ 151,273	$ 151,273	
(2) Time deposits	13,178	13,178	
(3) Notes and accounts receivable—trade	109,085		
Less allowance for doubtful receivables	(2,837)		
	106,248	106,248	
(4) Investment securities	2,912	2,912	
(5) Notes and accounts payable—trade	47,096	47,096	
(6) Accounts payable—other	16,913	16,913	
(7) Income taxes payable	9,476	9,476	
(8) Short-term bank loans	6,073	6,073	
(9) Long-term debt	66,772	66,972	$ (200)
(10) Derivatives—net			
(a) Derivatives to which hedge accounting is not applied			
(b) Derivatives to which hedge accounting is applied			

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

The value of assets and liabilities arising from derivatives is shown at net value.

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 values 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. Fair value information for investment securities by classification is included in Note 4.

(5) Notes and accounts payable—trade, (6) Accounts payable—other, (7) Income taxes payable, and (8) Short-term bank loans

The fair values of the above approximate carrying values due to the short maturity of these instruments.

(9) Long-term debt

For long-term debt with floating interest rates, the fair values approximate carrying value due to the variable interest rate which reflects the market rate in a short period of time and the fact that the credit status of the Company has not changed drastically since the execution of borrowings. For long-term debt with interest rate swap contracts to which hedge accounting is applied, the fair values are calculated by discounting the total amount of principal and interest at interest rates based on the expected rate of new debts.

(10) Derivatives

Please see Note 14.

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

	Millions of Yen 2015	Millions of Yen 2014	Thousands of U.S. Dollars 2015
Investment securities—unlisted securities	¥ 12	¥ 18	$ 100
Investments in unconsolidated subsidiaries:			
Unlisted securities			
Investment in partnership	39	19	324

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

	Millions of Yen	
March 31, 2015	Due in One Year or Less	Due after One Year through Five Years
Cash and cash equivalents	¥ 18,183	
Time deposits	1,584	
Notes and accounts receivable—trade	13,112	
Government and corporate bonds		
March 31, 2014		
Cash and cash equivalents	¥ 20,338	
Time deposits	811	
Notes and accounts receivable—trade	11,891	
Government and corporate bonds	1	

	Thousands of U.S. Dollars	
March 31, 2015	Due in One Year or Less	Due after One Year through Five Years
Cash and cash equivalents	$ 151,273	
Time deposits	13,178	
Notes and accounts receivable—trade	109,085	
Government and corporate bonds		

Please see Note 8 for annual maturities of long-term debt.

14. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative transactions to which hedge accounting is not applied as of March 31, 2015 and 2014, were as follows:

	Millions of Yen			
March 31, 2015	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain (Loss)
Foreign exchange forward contracts:				
Selling U.S. dollar	¥ 745			
Buying yen	39			
March 31, 2014				
Foreign exchange forward contracts:				
Selling U.S. dollar	¥ 3,340		¥ (10)	¥ (10)
Buying yen	397		(6)	(6)

	Thousands of U.S. Dollars			
March 31, 2015	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain (Loss)
Foreign exchange forward contracts:				
Selling U.S. dollar	$ 6,198		$ 8	$ 8
Buying yen	324			

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

Derivative transactions to which hedge accounting is applied as of March 31, 2015, were as follows:

	Millions of Yen			
March 31, 2015	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Interest rate swaps—Floating rate receipt, fixed-rate payment	Long-term debt	¥ 3,400	¥ 3,060	

Notes:

Interest rate swaps to which exceptional treatment is applied are accounted for together with long-term debt designated as a hedged item. Therefore, their fair values are included in the fair value of long-term debt.

There were no derivative transactions to which hedge accounting is applied as of March 31, 2014

	Thousands of U.S. Dollars			
March 31, 2015	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Interest rate swaps—Floating rate receipt, fixed-rate payment	Long-term debt	$ 28,286	$ 25,458	

15. CONTINGENT LIABILITIES

The Group's contingent liabilities as of March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Export bill discount	¥ 29	¥ 26	$ 241

16. BUSINESS COMBINATIONS

Please see Note 20 for information about business combinations.

17. OTHER COMPREHENSIVE INCOME

Components of other comprehensive income for the years ended March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Valuation difference on available-for-sale securities:			
Gain arising during the year	¥ (203)	¥ 156	$ (1,689)
Income tax effect	78	(56)	649
	(125)	100	(1,040)
Foreign currency translation adjustments—			
Gain arising during the year	3,324	2,790	27,654
Remeasurements of defined benefit plans:			
Gain arising during the year	56		466
Income tax effect	(27)		(224)
	29		242
Total other comprehensive income	¥ 3,228	¥ 2,890	$ 26,856

18. NET INCOME PER SHARE

A reconciliation of the differences between basic and diluted net EPS for the years ended March 31, 2015 and 2014, was as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
Year Ended March 31, 2015	Net Income	Weighted-Average Shares	EPS	
Basic EPS—Net income available to common shareholders	¥ 6,667	25,249	¥ 264.05	$ 2.20
Year Ended March 31, 2014				
Basic EPS—Net income available to common shareholders	¥ 4,931	25,438	¥ 193.83	

Notes:

Diluted net EPS is not disclosed as there were no dilutive securities.
The Company's shares owned by the ESOP trust are included in treasury stock. The ESOP trust owned 84,474 weighted-average shares of the Company for the year ended March 31, 2015.

19. SUPPLEMENTAL CASH FLOW INFORMATION

There was no supplemental cash flow information to be disclosed for the year ended March 31, 2015.
The Company acquired and newly consolidated OTC and six companies during the year ended March 31, 2014.
In the third quarter of the year ended March 31, 2014, one subsidiary of OTC was liquidated.

The details of assets and liabilities of these companies at the date of consolidation and reconciliation between acquisition costs of the shares and net payment for the acquisition are as follows:

	Millions of Yen
Current assets	¥ 4,998
Noncurrent assets	414
Goodwill	3,330
Current liabilities	(1,359)
Noncurrent liabilities	(118)
Minority interests in consolidated subsidiaries	(1,943)
Valuation difference	(24)
Subtotal	5,298
Acquisition costs before consolidation	(2,669)
Valuation by equity method before consolidation	(73)
Loss on step acquisition	73
Total acquisition costs	2,629
Cash and cash equivalents held by acquired companies	(1,767)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	¥ 862

20. SUBSEQUENT EVENTS

The appropriation of retained earnings as of March 31, 2015, approved at the Company's shareholders' meeting held on June 19, 2015, is as follows:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥45 ($0.37) per share	¥ 1,037	$ 8,627

(Business Combination through Share Exchange)

a. Overview of Business Combination

(1) Name of acquired company and description of business

Name of acquired company:	CHUGAI KASEI CO., LTD. ("Chugai Kasei")
Description of business:	Manufacturing and distribution of dyes, pigments, chemical products and inks

(2) Purpose of the business combination

The Company believes that it can leverage management resources in a complementary and effective manner with the combination of Chugai Kasei's basic technology related to organic compounds and the Company's well established sales network by making Chugai Kasei its wholly owned subsidiary.
This combination will enable the Company to respond faster and more flexibly to customer needs by offering options for new business development, strengthening competitiveness, and deploying its product in new markets.

(3) Date of the business combination

April 30, 2015 (acquisition date for the purpose of the consolidation)

(4) Legal form of the business combination

Share exchange

(5) Name of the company after the business combination

TAIYO HOLDINGS CO., LTD.

(6) Acquired voting rights

100%

(7) Grounds for determination of the acquiring company

The Company was selected as the acquiring company by comprehensively considering several factors, such as a relatively large percentage of voting rights of its shareholders, the difference in the scale of the business and so on, as well as the fact that the Company became a wholly owning parent company.

b. Acquisition Cost and Breakdown

	Millions of Yen	Thousands of U.S. Dollars
Consideration for acquisition—Acquisition costs—ordinary shares of Taiyo Holdings Co., Ltd.	¥ 491	$ 4,085

c. Exchange Ratio and the Calculation Methods by Type of Shares and Number of Shares Issued

(1) Exchange ratio by type of shares

1 ordinary share of Chugai Kasei:	0.12 ordinary shares of Taiyo Holding

(2) Calculation method of share exchange ratio

(a) Reason and Rationale for Allotment Ratio of Shares

In order to ensure the fairness and appropriateness of the share exchange ratio for the Share Exchange, the Company and Chugai Kasei decided to each obtain valuation of the share exchange ratio by KPMG FAS KK ("KPMG" hereafter), an independent third-party valuation institution, in determining the share exchange ratio. The Company carefully considered the share exchange ratio, referring to the calculation concerning the share exchange ratio conducted by the third-party valuation institution. The Company and Chugai Kasei negotiated and consulted with each other on the share exchange ratio, considering various factors, including each party's financial condition, operating performance, and the market level of the share price of the Company. As a result, the Company and Chugai Kasei came to the conclusion that the share exchange ratio (as described in c.(1) above) is fair and the Share Exchange with such share exchange ratio will not undermine the interests of each party's respective shareholders. At the board of directors' meeting held on April 20, 2015, the Company and Chugai Kasei determined to implement the share exchange at the share exchange ratio and entered into the share exchange agreement on the same date.

In the event any material change occurs with respect to the conditions that constitute the basis of the share exchange ratio, the Company and Chugai Kasei may consult with each other and change such ratio pursuant to the terms of the share exchange agreement.

(b) Basis for Calculation

1. Name of valuation institution and its relationship with the Company and Chugai Kasei

KPMG, a third-party valuation institution of the Company and Chugai Kasei is independent of the Company and Chugai Kasei. KPMG is not a related party to either the Company or Chugai Kasei and does not have any material interest in connection with the Share Exchange.

2. Calculation methods

KPMG appraised the Company's share value based on the average market price analysis given that there is a market price of the ordinary shares of the Company due to it being listed on a stock exchange. The appraisal for Chugai Kasei is based on (a) the comparable companies analysis (given that there are multiple listed companies that are similar to and comparable with Chugai Kasei and it is therefore possible to infer the share value based on that method) and (b) discounted cash flow analysis ("DCF analysis") (so as to reflect the state of future business activities of Chugai Kasei in the appraisal). Substantial increase or decrease in the profit and significant changes in assets and liabilities compared to recent financial statements are not anticipated in Chugai Kasei's business plan, on which KPMG relied in appraising Chugai Kasei's share value based on the DCF analysis.

The following shows the share exchange ratio ranges calculated by KPMG when the share value per ordinary share of Chugai Kasei is set at 1:

Method Adopted		Appraisal Results of Share Exchange
The Company	Chugai Kasei	
Average market price analysis	Comparable companies analysis	0.068–0.230
	DCF analysis	0.083–0.152

(c) Number of Shares Issued

118,800 shares

21. 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 a 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 printed wiring boards, 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.
On February 20, 2015, one of OTC's five subsidiaries which was included in the "Taiwan" reportable segment was liquidated.

(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, 2015	Japan	China	Taiwan	Korea	Total	Other	Total	Reconcili-ations	Consolidated
Sales:									
External customers	¥ 9,411	¥ 18,837	¥ 7,142	¥ 8,836	¥ 44,226	¥ 4,034	¥ 48,260		¥ 48,260
Intersegment	6,375	1,584	2,472	364	10,795	107	10,902	¥ (10,902)	
Total sales	¥ 15,786	¥ 20,421	¥ 9,614	¥ 9,200	¥ 55,021	¥ 4,141	¥ 59,162	¥ (10,902)	¥ 48,260
Segment profit	¥ 2,467	¥ 3,508	¥ 1,763	¥ 1,212	¥ 8,950	¥ 555	¥ 9,505	¥ (250)	¥ 9,255
Segment assets	12,618	15,079	14,683	8,613	50,993	2,419	53,412	7,830	61,242
Other items:									
Depreciation	399	238	207	154	998	15	1,013	399	1,412
Increase in property, plant, and equipment and intangible assets	2,034	414	99	108	2,655	17	2,672	649	3,321

	Millions of Yen								
	Reportable Segments								
Year Ended March 31, 2014	Japan	China	Taiwan	Korea	Total	Other	Total	Reconcili-ations	Consolidated
Sales:									
External customers	¥ 8,698	¥ 16,203	¥ 5,575	¥ 10,312	¥ 40,788	¥ 3,437	¥ 44,225		¥ 44,225
Intersegment	5,307	1,588	2,824	288	10,007	88	10,095	¥ (10,095)	
Total sales	¥ 14,005	¥ 17,791	¥ 8,399	¥ 10,600	¥ 50,795	¥ 3,525	¥ 54,320	¥ (10,095)	¥ 44,225
Segment profit	¥ 1,906	¥ 2,617	¥ 1,428	¥ 1,074	¥ 7,025	¥ 453	¥ 7,478	¥ 91	¥ 7,569
Segment assets	7,897	12,369	13,000	7,625	40,891	2,053	42,944	15,425	58,369
Other items:									
Depreciation	243	210	194	203	850	15	865	317	1,182
Increase in property, plant, and equipment and intangible assets	1,267	275	171	444	2,157	10	2,167	389	2,556

	Thousands of U.S. Dollars								
	Reportable Segments								
Year Ended March 31, 2015	Japan	China	Taiwan	Korea	Total	Other	Total	Reconcili-ations	Consolidated
Sales:									
External customers	$ 78,294	$ 156,714	$ 59,417	$ 73,511	$ 367,936	$ 33,562	$ 401,498		$ 401,498
Intersegment	53,037	13,178	20,566	3,028	89,809	889	90,698	$ (90,698)	
Total sales	$ 131,331	$ 169,892	$ 79,983	$ 76,539	$ 457,745	$ 34,451	$ 492,196	$ (90,698)	$ 401,498
Segment profit	$ 20,524	$ 29,185	$ 14,667	$ 10,083	$ 74,459	$ 4,618	$ 79,077	$ (2,080)	$ 76,997
Segment assets	104,975	125,449	122,155	71,656	424,235	20,124	444,359	65,142	509,501
Other items:									
Depreciation	3,320	1,980	1,722	1,281	8,303	125	8,428	3,319	11,747
Increase in property, plant, and equipment and intangible assets	16,922	3,444	824	898	22,088	142	22,230	5,399	27,629

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) The "Taiwan" and "China" segments include sales and operating income of OTC (including OTC's four subsidiaries). As one of its subsidiaries is not engaged in any business activities, the subsidiary is not included in the segments above.

(e) Segment profit of "Reconciliations" includes unallocated segment loss of ¥65 million ($541 thousand) and unallocated segment income of ¥133 million, which is mainly composed of the income or loss concerning the holding company in 2015 and 2014, respectively.

(f) Segment assets of "Reconciliations" include unallocated segment assets of ¥17,141 million ($142,604 thousand) and ¥23,714 million, which are mainly composed of the assets concerning the holding company in 2015 and 2014, respectively.

22. RELATED-PARTY DISCLOSURES

Transactions of the Company with related parties for the fiscal year ended March 31, 2015, were as follows:

Nature of related party:	Other related entity (shareholder)
Name:	KOWA CO., LTD.
Location:	Tokyo, Japan
Capital amount:	¥ 27 million ($225 thousand)
Business:	Investments in securities and real estates
Voting shares of the Company:	17.6%
Description of transaction:	Purchase of treasury stock
Transaction amount:	¥ 9,195 million ($76,498 thousand)

Notes:

The Company determined the per share value of the Company's stock, taking into consideration certain discount factors, based on the average closing price of the Company's ordinary shares traded on the first section of the Tokyo Stock Exchange for the three-month-period up to the business day proceeding the day on which the resolution by the board of directors of the Company was made.

There were no transactions of the Company with related parties for the fiscal year ended March 31, 2014.

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Japan

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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 its consolidated subsidiaries as of March 31, 2015, 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 accordance 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 misstatement, 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 accordance 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 its consolidated subsidiaries as of March 31, 2015, and the consolidated results of their operations and their cash flows for the year then ended in accordance 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 accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

June 24, 2015

Member of
Deloitte Touche Tohmatsu Limited

Domestic 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

CHUGAI KASEI CO., LTD.
35-3 Akaizawa, Nihonmatsu-shi, Fukushima 964-0982, Japan
PHONE: 81-243-22-6050 FAX: 81-243-22-6070

TAIYO GREEN ENERGY CO., LTD.
388 Ohkura, Ranzan-machi, Hiki-gun, Saitama 355-0222, Japan
PHONE: 81-493-62-9001 FAX: 81-493-62-2330

Global Network

Company	Voting Shares Held	Business Description
TAIWAN TAIYO INK CO., LTD.	99.8%	Manufacture and marketing of PWB materials
TAIYO INK MFG. CO., (KOREA) LTD.	90.4%	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
ONSTATIC TECHNOLOGY CO., LTD.	69.2%	Manufacture and marketing of PWB materials
ONSTATIC INK (SHENZHEN) CO., LTD.	＊1	Manufacture and marketing of PWB materials
TAIYO INK INTERNATIONAL(SINGAPORE) PTE LTD	100.0%	Marketing of 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
TAIYO INK (THAILAND) CO., LTD.	100.0%	Technical support for PWB materials

＊1 ONSTATIC INK (SHENZHEN) CO.,LTD. is a wholly-owned subsidiary of ONSTATIC TECHNOLOGY CO., LTD.

Production and Marketing Subsidiaries

Taiwan

TAIWAN TAIYO INK CO., LTD.
No.7, Datong 2nd Rd., Guanyin Industry Park, Guanyin Dist., Taoyuan City 32849, Taiwan (R.O.C.)
PHONE: 886-3-483-3230 FAX:886-3-483-3240 http://www.taiyoink.com.tw

ONSTATIC TECHNOLOGY CO., LTD.
7F., No.1, Ren' ai Rd., Yingge Dist., New Taipei City 239, Taiwan, R.O.C.
PHONE: 886-2-26777481 FAX: 886-2-26777484 http://www.otcink.com.tw

Korea

TAIYO INK MFG. CO., (KOREA) LTD.
166, Manhae-ro, Danwon-gu, Ansan-City, Gyeonggi-do, Korea
PHONE: 82-31-491-9250 FAX: 82-31-491-7671 http://www.taiyoink.co.kr

China

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

ONSTATIC INK (SHENZHEN) CO., LTD.
Building No. 38, Western Industrial Zone, Sha-Yi Village, Sha-Jing Town, Shenzhen, Guangdong, China
PHONE: 86-755-8173-7288 FAX: 86-755-8173-7282

USA

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.
133 New Bridge Road #09-08 Chinatown Point, Singapore 059413
PHONE: 65-6372-1141 FAX: 65-6372-1151

Hong Kong

TAIYO INK INTERNATIONAL (HK) LTD.
Room 2305, 23/F, The Metropolis Tower, 10 Metropolis Drive, Hunghom, Kowloon, Hong Kong
PHONE: 852-2735-0636 FAX: 852-2375-7332

China

TAIYO INK TRADING (SHENZHEN) CO., LTD.
Rm1509, Office Tower, Shun Hing Square Di Wang Comm. Centre, 5002 Shen Nan Dong Road, Shenzhen city, Guangdong, PRC
PHONE: 86-755-2583-4787 FAX: 86-755-8207-0989

Thailand

TAIYO INK (THAILAND) CO., LTD.
1199 Piyavan Tower, 14F/Room 14C Phaholyothin Rd, Samsen-Nai, Phayathai, Bangkok 10400, Thailand
PHONE: 66-2-619-5670 FAX: 66-2-619-7527

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: ¥6,135 million

Shares authorized: 50,100,000

Total number of issued shares: 27,464,000

Stock listing: Tokyo

Number of shareholders: 5,623

Major shareholders

Name	Shares (thousands)	Investment Ratio (%)
Company's Treasury Stock	4,423	16.10
Kowa Co., Ltd.	4,054	14.76
The Master Trust Bank of Japan, Ltd. (Trust account)	1,399	5.09
Japan Trustee Services Bank, Ltd. (Trust account)	1,390	5.06
Japan Trustee Services Bank, Ltd. (shares retrusted to Sumitomo Mitsui Trust Bank, Limited, and shares entrusted to Sumitomo Mitsui Banking Corporation retirement benefit trust account)	1,116	4.06
Credit Suisse Securities (USA) LLC-SPCL. FOR EXCL. BEN	1,004	3.65
SHIKOKU CHEMICALS CORPORATION	631	2.29
Toshin Yushi Co., Ltd.	538	1.96
Mellon Bank Treaty Clients Omnibus	511	1.86
Mitsuo Kawahara	500	1.82

Accessing Our Investor Information Site: An Introduction to Taiyo Holdings's Website

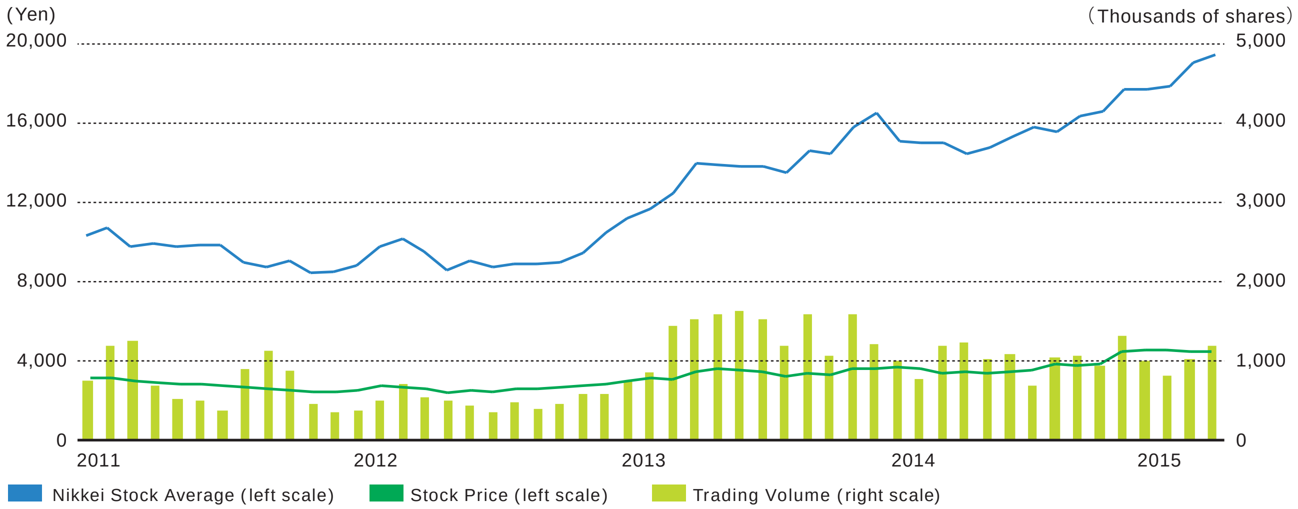
Taiyo Holdings is committed to providing a full range of information to all stakeholders including shareholders, investors, customers, and business partners.

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

TAIYO HOLDINGS CO., LTD.

Investor Information

Stock Price and Trading Volume



(As of March 31, 2015)