Translation

May 2, 2016

Consolidated Financial Results for the Fiscal Year Ended March 31, 2016 <under Japanese GAAP>

Company name: **TAIYO HOLDINGS CO., LTD.**
Listing: First Section of the Tokyo Stock Exchange
Stock code: 4626
URL: http://www.taiyo-hd.co.jp
Representative: Eiji Sato, President and CEO
Inquiries: Hitoshi Inagaki, Manager, Office of President
TEL: +81-3-5999-1511

Scheduled date of ordinary general meeting of shareholders: June 21, 2016
Scheduled date to commence dividend payments: June 22, 2016
Scheduled date to file annual securities report: June 24, 2016
Preparation of supplementary results briefing material on financial results: Yes
Holding of financial results presentation meeting: Yes (for institutional investors, analysts and individual investors)

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

1. Consolidated financial results for the fiscal year ended March 31, 2016 (from April 1, 2015 to March 31, 2016)

(1) Operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2016	49,843	3.3	10,964	18.5	11,129	16.8	7,796	16.9
March 31, 2015	48,260	9.1	9,254	22.3	9,529	21.7	6,667	35.2

Note: Comprehensive income
For the fiscal year ended March 31, 2016: 5,891 million yen [(42.2)%]
For the fiscal year ended March 31, 2015: 10,199 million yen [26.1%]

	Basic earnings per share	Diluted earnings per share	Return on equity	Ordinary income/ total assets	Operating income/ net sales
Fiscal year ended	Yen	Yen	%	%	%
March 31, 2016	337.99	—	19.0	17.6	22.0
March 31, 2015	264.05	—	16.7	15.9	19.2

Reference: Share of (profit) loss of entities accounted for using equity method
For the fiscal year ended March 31, 2016: – million yen
For the fiscal year ended March 31, 2015: – million yen

(2) Financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
March 31, 2016	65,464	45,250	65.9	1,865.94
March 31, 2015	61,241	41,312	63.8	1,703.14

Reference: Equity (Net assets excluding non-controlling interests)
As of March 31, 2016: 43,115 million yen As of March 31, 2015: 39,073 million yen

(3) Cash flows

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at the end of period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2016	10,546	(6,750)	(2,740)	18,385
March 31, 2015	9,232	(2,913)	(9,919)	18,183

2. Cash dividends

	Annual cash dividends					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended March 31, 2015	–	45.00	–	45.00	90.00	2,186	34.1	5.5
Fiscal year ended March 31, 2016	–	55.00	–	55.00	110.00	2,547	32.5	6.2
Fiscal year ending March 31, 2017 (Forecasts)	–	55.00	–	55.00	110.00		46.2	

Note: The cash dividends presented above are cash dividends related to common shares. Please refer to "Cash dividends for class shares," presented below, for information on cash dividends for class shares (unlisted) that have a different relationship of rights compared with the common shares issued by the Company.

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2017 (from April 1, 2016 to March 31, 2017)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2016	23,000	(9.5)	4,100	(29.4)	3,950	(32.9)	2,800	(31.5)	121.18
Fiscal year ending March 31, 2017	45,700	(8.3)	8,000	(27.0)	7,800	(29.9)	5,500	(29.5)	238.03

Note: For consolidated earnings forecasts for the fiscal year ending March 31, 2017, see the reference values in "Consolidated forecasts for the next fiscal year" on page 4 of the Attached Materials.

* Notes

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

(2) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements after error corrections

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

b. Changes in accounting policies due to other reasons: None

c. Changes in accounting estimates: None

d. Restatement of prior period financial statements after error corrections: None

Note: For details see “5. Consolidated Financial Statements, (5) Notes to consolidated financial statements (Changes in accounting policies)” on page 23 of the Attached Materials.

(3) Number of issued shares (common shares)

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

As of March 31, 2016	27,485,600 shares
As of March 31, 2015	27,464,000 shares

b. Number of treasury shares at the end of the period

As of March 31, 2016	4,379,037 shares
As of March 31, 2015	4,521,990 shares

c. Average number of outstanding shares during the period

Fiscal year ended March 31, 2016	23,066,770 shares
Fiscal year ended March 31, 2015	25,249,372 shares

Notes: 1. First Series Class A shares have the equivalent rights with common shares in terms of rights to claim dividends and those to claim residual property distribution, and therefore, are included in the total number of issued shares at the end of the period and the average number of outstanding shares during the period.

2. The number of treasury shares includes the Company’s shares held by The Master Trust Bank of Japan, Ltd. (trust account for the Employee Stock Ownership Plan (ESOP) grant stock).

*** Indication regarding execution of audit procedures**

The completion of audit procedures in accordance with the Financial Instruments and Exchange Act is not required for preparing this financial results report. At the time of disclosure of this financial results report, the audit procedures for financial statements are in progress.

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

The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable. The Company makes no promise regarding achievement of any content in the forward-looking statements. Actual business and other results may differ substantially due to various factors. Please refer to the section of “1. Analysis of operating results and financial position” on page 2 of the attached materials for the suppositions that form the assumptions for earnings forecasts and cautions concerning the use of business results forecasts.

Cash dividends for class shares

The following is a breakdown of cash dividends per share related to class shares that have a different relationship of rights compared with common shares.

First Series Class A shares	Annual cash dividends				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2015	–	–	–	–	–
Fiscal year ended March 31, 2016	–	55.00	–	55.00	110.00
Fiscal year ending March 31, 2017 (Forecasts)	–	55.00	–	55.00	110.00

Attached Materials

Index

1. Analysis of operating results and financial position

- The following abbreviations of product group categories are used in this section.

Abbreviation	Meaning
PWB	Printed Wiring Board
SR	Solder Resist
PKG	Semiconductor Package
FPD	Flat Panel Display
PDP	Plasma Display Panel

- This financial report includes information on the fiscal year ended March 31, 2016 (12 months from April 1, 2015 to March 31, 2016). The following abbreviations for the quarters are used in this section.

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

(1) Analysis of operating results

In the global economy during the fiscal year ended March 31, 2016, the U.S. economy recovered modestly driven by low unemployment rate and a boost in consumer spending, and the European economy also continued on a recovery track. On the other hand, the trend of slowdown in the Chinese economy did not stop, and with the weakening domestic and external demands, manufacturing activities of companies also slowed down. Recovery of the Japanese economy came to a standstill, with weak consumer spending, etc.
In the electronics components industry, in which the Group operates, while demand for servers and vehicle installation parts remained firm, it was flat as a whole partly due to lackluster demand for materials for smartphones.
Under these conditions, net sales for the current fiscal year amounted to 49,843 million yen (up 3.3% year on year) mainly due to a weaker yen in the foreign exchange market.
In the PWB materials market, the sales volume for rigid board materials decreased year on year, but firm sales of high function products and yen depreciation in foreign exchange had an impact on results, which led to a year-on-year increase in net sales. As a result, net sales of PWB materials were 46,319 million yen (up 4.1% year on year).
In the FPD materials market, net sales decreased year on year, reflecting the end of manufacturing of PDP materials. As a result, net sales of FPD materials were 292 million yen (down 85.2% year on year).
As a result, operating income amounted to 10,964 million yen (up 18.5% year on year) with ordinary income at 11,129 million yen (up 16.8% year on year) and profit attributable to owners of parent at 7,796 million yen (up 16.9% 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, 2016.

(Millions of yen)

Name of product group category		Previous fiscal year results	Current fiscal year results	Compared to the previous fiscal year	
				Change	Rate of change (%)
PWB materials	Rigid board materials	33,539	35,242	1,702	5.1
	PKG board and flexible board materials	9,844	10,007	163	1.7
	Build-up board materials	1,091	1,069	(21)	(2.0)
FPD materials	PDP materials	1,976	292	(1,684)	(85.2)
Other related products	–	1,808	3,231	1,423	78.7
Total		48,260	49,843	1,583	3.3

Results by segment are as follows.

1) Japan

The consolidated companies comprising the Japan segment are Taiyo Ink Mfg. Co., Ltd. and Chugai Kasei Co., Ltd., manufacturing and marketing subsidiaries.

Overall demand remained flat for the high function products of PWB materials. However, the inclusion of Chugai Kasei Co., Ltd. in the scope of consolidation as of this first quarter ended June 30, 2016 had an impact, with the sales amount increasing year on year. On the other hand, the impact of upfront costs related to setting up the Kitakyushu Plant, Taiyo Ink Mfg. Co., Ltd.'s new factory, led profit to drop year on year.

As a result, net sales amounted to 17,002 million yen (up 7.7% year on year) with segment profit at 2,254 million yen (down 8.6% 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) Limited 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, in addition to firm sales of materials for lighting and vehicle installation parts, yen depreciation in foreign exchange contributed to a year-on-year increase in net sales and profit.

As a result, net sales amounted to 21,820 million yen (up 6.9% year on year) with segment profit at 4,775 million yen (up 36.1% 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 other three subsidiaries).

In the PWB materials market, demand notably for materials for smartphones was lackluster. The sales amount, however, rose year on year, partly owing to the impact of yen depreciation in foreign exchange, in addition to the shift to higher-priced PWB materials from lower-priced PWB materials.

As a result, net sales amounted to 9,854 million yen (up 2.5% year on year) with segment profit at 2,227 million yen (up 26.3% year on year).

4) Korea

The consolidated companies comprising the Korea segment are Taiyo Ink Co., (Korea) Ltd., a manufacturing and marketing subsidiary and Taiyo Ink Products Co., Ltd., a marketing subsidiary.

While demand for high-price PKG board materials remained firm in the PWB materials market, in the FPD materials market, net sales decreased year on year, reflecting the end of manufacturing of PDP materials. On the other hand, profit increased year on year partly due to a weaker yen in the foreign exchange market.

As a result, net sales amounted to 7,739 million yen (down 15.9% year on year) with segment profit at 1,414 million yen (up 16.6% 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.

Taiyo America performed at the same level as the corresponding period of the previous year.

Taiyo Ink International (Singapore) performed steadily due to the expansion of the market of material for vehicle installation parts and yen depreciation in foreign exchange contributed to a year-on-year increase in net sales and profit.

As a result, net sales amounted to 4,451 million yen (up 7.5% year on year) with segment profit at 597 million yen (up 7.7% year on year).

(Consolidated forecasts for the next fiscal year)

The operating environment in the next fiscal year ending March 31, 2017 is expected that demand for servers and vehicle installation parts will be firm in the electronics components industry in which the Group operates, while demand for small-sized information terminals, such as smartphones and tablet devices, and general home electric appliances will be low.

Moreover, since our ratio of overseas sales to net sales is high, our business performance is forecast to be affected by a further appreciation of yen in the next period.

	Net sales (Millions of yen)	Operating income (Millions of yen)	Ordinary income (Millions of yen)	Profit attributable to owners of parent (Millions of yen)	Basic earnings per share (yen)
For the fiscal year ending March 31, 2017 (Forecast)	45,700	8,000	7,800	5,500	238.03
For the fiscal year ended March 31, 2016 (Actual results)	49,843	10,964	11,129	7,796	337.99
Rate of change (%)	(8.3)	(27.0)	(29.9)	(29.5)	(29.6)

Forecast for fiscal year ending March 2017 is calculated with the average foreign exchange rate during the period of 105 yen/U.S. dollar.

For reference, the following is earnings forecast for fiscal year ending March 2017 calculated with the average foreign exchange rate during the period of 120 yen/U.S. dollar, an equivalent level as for fiscal year ended March 2016:

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2016	26,200	3.1	5,100	(12.2)	5,000	(15.1)	3,550	(13.2)	153.64
Fiscal year ending March 31, 2017	51,200	2.7	10,100	(7.9)	9,900	(11.0)	7,000	(10.2)	302.94

(2) 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, 2016.

	As of March 31, 2015 (Millions of yen)	As of March 31, 2016 (Millions of yen)	Change (Millions of yen)	Main factors (comparison with the end of the previous fiscal year)
Current assets	37,942	39,340	1,397	Cash and deposits increased approx. 1,600 million yen, and merchandise and finished goods decreased approx. 300 million yen.
Non-current assets	23,298	26,124	2,825	Construction in progress decreased approx. 1,200 million yen, buildings and structures increased approx. 2,500 million yen, machinery and equipment increased approx. 700 million yen, and tools, furniture and fixtures increased approx. 400 million yen.
Total assets	61,241	65,464	4,223	
Total liabilities	19,929	20,214	284	Asset retirement obligations increased approx. 200 million yen.
Total net assets	41,312	45,250	3,938	Profit increased approx. 7,700 million yen, cash dividends paid of approx. 2,300 million yen, foreign currency translation adjustment decreased approx. 2,100 million yen.
Total liabilities and net assets	61,241	65,464	4,223	

b. Cash flow position

The following is the position of cash flows for the fiscal year ended March 31, 2016.

	Fiscal year ended March 31, 2016 (Millions of yen)	Main factors
Net cash provided by (used in) operating activities	10,546	Profit before income taxes provided approx. 11,100 million yen, depreciation provided approx. 1,800 million yen and income taxes paid used approx. 3,200 million yen
Net cash provided by (used in) investing activities	(6,750)	Purchase of property, plant and equipment used approx. 4,200 million yen, payments into time deposits used approx. 4,300 million yen, proceeds from withdrawal of time deposits provided approx. 2,700 million yen.
Net cash provided by (used in) financing activities	(2,740)	Cash dividends paid used approx. 2,300 million yen.
Net increase (decrease) in cash and cash equivalents	38	
Cash and cash equivalents at end of period	18,385	

c. Trend of indicators

The following is the transition of cash flow indicators.

	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Equity ratio (%)	81.1	82.2	69.6	63.8	65.9
Equity ratio on mark-to-market basis (%)	138.7	156.0	133.1	158.3	134.5
Interest-bearing debt to cash flow ratio (year)	–	–	0.9	0.9	0.8
Interest coverage ratio (times)	992.5	3,850.3	331.3	304.8	168.4

Equity ratio: (Net assets- Non-controlling 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.

(3) 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 55 yen per share.

As already announced, we also plan to pay a year-end dividend of 55 yen and this will be placed on the agenda of the next Ordinary General Meeting of Shareholders. This will result in an annual dividend of 110 yen per share for the current fiscal year.

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 46.2%.

(4) Risk factors

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

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.

2. Overview of the corporate group

The corporate group (hereinafter the Group) consists of TAIYO HOLDINGS CO., LTD. (filing company), seventeen subsidiaries and one associated company. Its principal business is the manufacturing and sales of PWB materials.

[The Company and consolidated subsidiaries]

<table>
<tr><th>Relation to the filing company</th><th>Company name</th><th>Main business</th></tr>
<tr><td>Filing company</td><td>TAIYO HOLDINGS CO., LTD.</td><td>Development of management strategy for the Taiyo Holdings Group, management guidance for subsidiaries, and research and development of chemical products for use in electronic components</td></tr>
<tr><td>Consolidated subsidiary</td><td>TAIYO INK MFG. CO., LTD.</td><td>Manufacturing, purchasing and sales of PWB materials and other chemical products for use in electronic components</td></tr>
<tr><td>Consolidated subsidiary</td><td>CHUGAI KASEI CO., LTD. (Note 1)</td><td>Manufacturing and sales of dyes, pigments, chemicals and inks</td></tr>
<tr><td>Consolidated subsidiary</td><td>TAIYO INK (SUZHOU) CO., LTD.</td><td rowspan="5">Manufacturing, purchasing and sales of PWB materials and other chemical products for use in electronic components</td></tr>
<tr><td>Consolidated subsidiary</td><td>TAIWAN TAIYO INK CO., LTD.</td></tr>
<tr><td>Consolidated subsidiary</td><td>Onstatic Technology Co., Ltd.</td></tr>
<tr><td>Consolidated subsidiary</td><td>TAIYO INK CO., (KOREA) LTD.</td></tr>
<tr><td>Consolidated subsidiary</td><td>TAIYO AMERICA, INC.</td></tr>
<tr><td>Consolidated subsidiary</td><td>TAIYO INK INTERNATIONAL (HK) LIMITED</td><td rowspan="4">Purchasing and sales from associated companies, etc. of PWB materials and other chemical products for use in electronic components</td></tr>
<tr><td>Consolidated subsidiary</td><td>TAIYO INK TRADING (SHENZHEN) CO., LTD.</td></tr>
<tr><td>Consolidated subsidiary</td><td>TAIYO INK INTERNATIONAL (SINGAPORE) PTE LTD</td></tr>
<tr><td>Consolidated subsidiary</td><td>TAIYO INK PRODUCTS CO., LTD. (Note 2)</td></tr>
</table>

[Non-consolidated subsidiaries]

Relation to the filing company	Company name	Main business
Non-consolidated subsidiary	TAIYO INK (THAILAND) CO., LTD.	Technical services relating to PWB materials
Non-consolidated subsidiary	TAIYO GREEN ENERGY CO., LTD.	Electric power generation business by using natural energy, etc.

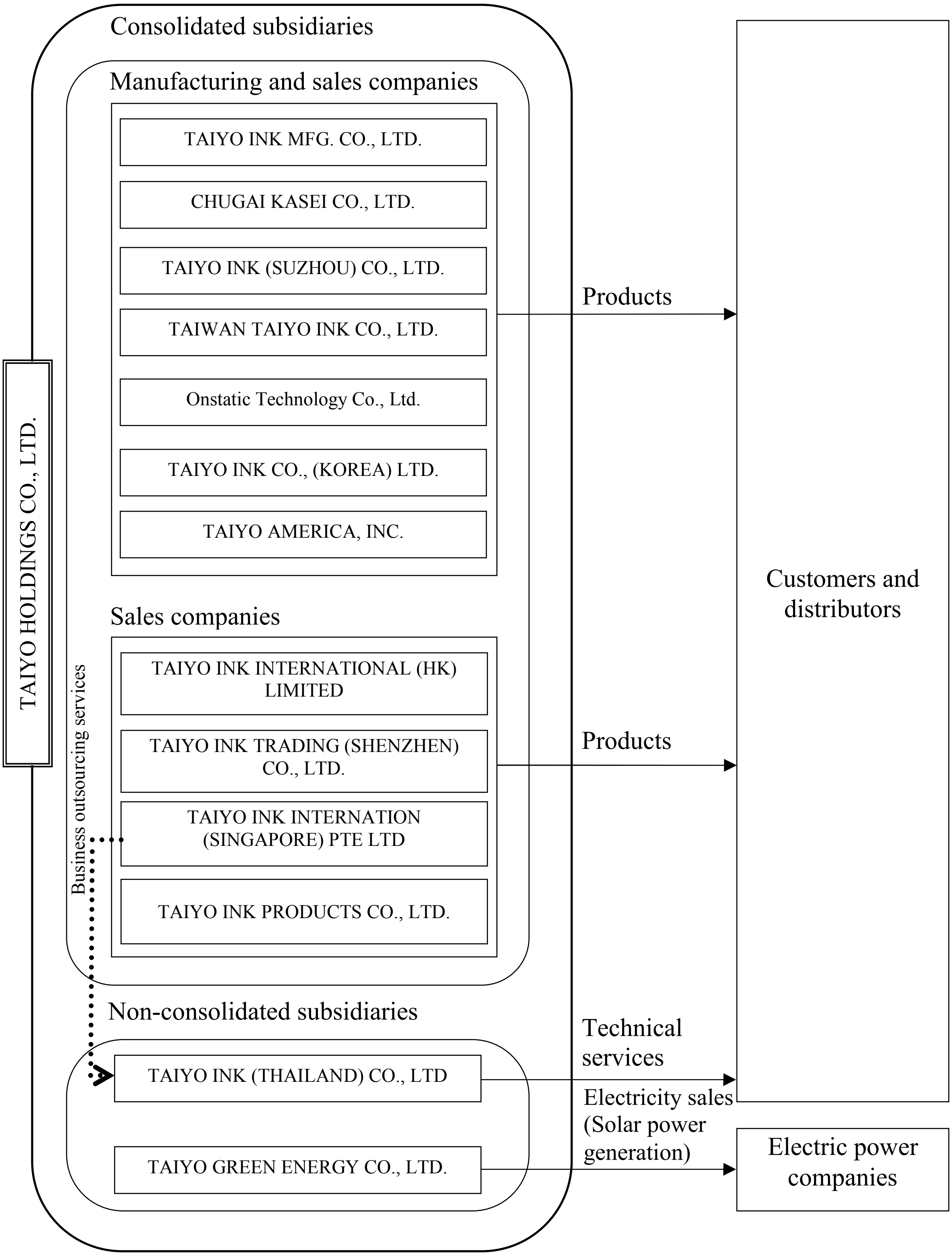
[Associated company]

Relation to the filing company	Company name	Main business
Associated company	Kowa Co., Ltd.	Investments with respect to real estate and marketable securities

Notes: 1. Chugai Kasei Co., Ltd. is a consolidated subsidiary which the Company newly acquired shares of in the current fiscal year.

2. Taiyo Ink Products Co., Ltd. is a consolidated subsidiary which was newly established in the current fiscal year.

The organization chart is as follows.



3. Business policies

(1) Basic management policies

The Group has identified its objectives as a corporate group in the Management Philosophy and Basic Management Policy below. The Group will develop by continuing the spirit of our management philosophy without changes and reviewing our basic management policy to match changes in the environment and strategy on a long-term basis.

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.

Basic Management Policy

1. We will generate revenue 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.

(2) Mid- to long-term management strategies and current and future challenges

The Group has a global top share in its mainstay SR market, and more than 80% of its sales are generated at overseas. For such reasons, the Group’s sales and profit are greatly affected by such external factors as the trends of overall SR market, especially that of final products that use semiconductors, and fluctuation of foreign currency rates.
Under such circumstances, the Group’s top priority is to further expand its market share in the SR related products, to constantly launch new products that can be another source of profit following SR and to establish a corporate structure that can quickly turn such products into new businesses. By implementing various measures in line with the said policy, we believe that our Group will be able to grow perpetually.

1) Strengthening R&D structure

We believe that development of the R&D system is essential to create new products on an ongoing basis. We will implement role-sharing arrangement between basic research and product development by following a certain time axis. We will strengthen our basic research capability by forming an R&D team that specializes in mid-to-long-term research that is not directly linked to product commercialization. At the same time, we will set up a development team that will be engaged in the development of new technology to be turned into practical use and increase application of existing technology. By so doing, we aim to strengthen our ability to translate our basic research results into new product development. In addition, we will invest aggressively in new equipment for R&D and focus on hiring and fostering highly skilled researchers and technical personnel both in Japan and overseas.

2) Rapid commercialization of new products

The Group considers that new product development is equivalent to new business development since the Group is able to earn profit by marketing such products. For such reason, with a view to removing commercialization barrier, the Group will set up a task force consisting of selected personnel from marketing, manufacturing and development divisions and give certain responsibility and authority to commercialize new products when they have come close to commercialization.

3) Encouraging initiative in talent
For the Group to expand its share in the SR market while developing new businesses constantly and put them on track to achieve perpetual growth, we believe it is indispensable to nurture many self-sufficient employees who can set their own goals and enjoy attaining them. We will actively exchange our personnel between group companies to give them opportunities to experience difficulties and successes in a variety of jobs in various countries. We will also promote competent personnel to managers flexibly both in Japan and overseas so that they can gain actual management experience, thereby nurturing self-sufficient personnel and ultimately managers who can lead the next generation.

4) Development of measures to reduce foreign currency risk
Because sales prices of many of the Group’s products are denominated in foreign currency, foreign currency rates fluctuation can easily affect the Group’s earnings. The Group recognizes that taking appropriate measures to mitigate foreign currency risk is important. Therefore, the Group pursues “local production for local sales” strategy (our policy of making products close to markets where they are sold) and heightens the local procurement rate of raw materials to match the currency of revenue and expenditure. These measures will also contribute to enhance our ability to respond to our customers because they will lead to rapid development of products that meet customers’ needs, shorter order lead time, lower raw material cost and lower business maintenance risk thanks to diversification of raw materials suppliers.

(3) Other significant matters concerning management

No items to report.

4. Basic policy concerning the selection of accounting standards

The Group adopts the Japanese GAAP as the accounting standards in order to ensure comparability among other domestic companies in the same industry.

5. Consolidated Financial Statements

(1) Consolidated balance sheet

(Millions of yen)

	As of March 31, 2015	As of March 31, 2016
Assets		
Current assets		
Cash and deposits	19,766	21,408
Notes and accounts receivable - trade	13,111	12,836
Securities	0	-
Merchandise and finished goods	2,348	2,013
Work in process	291	410
Raw materials and supplies	1,886	1,593
Consumption taxes receivable	169	248
Deferred tax assets	99	72
Other	609	1,096
Allowance for doubtful accounts	(341)	(339)
Total current assets	37,942	39,340
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	8,014	10,523
Machinery, equipment and vehicles, net	1,970	2,764
Tools, furniture and fixtures, net	746	1,154
Land	4,342	4,616
Construction in progress	1,791	579
Other	-	4
Total property, plant and equipment	16,865	19,644
Intangible assets		
Goodwill	4,849	4,432
Leasehold right	128	112
Software	306	339
Other	43	34
Total intangible assets	5,327	4,919
Investments and other assets		
Investment securities	361	656
Shares of subsidiaries and associates	39	39
Deferred tax assets	63	97
Net defined benefit asset	339	356
Other	303	413
Allowance for doubtful accounts	(1)	(1)
Total investments and other assets	1,106	1,561
Total non-current assets	23,298	26,124
Total assets	61,241	65,464

(Millions of yen)

	As of March 31, 2015	As of March 31, 2016
Liabilities		
Current liabilities		
Notes and accounts payable - trade	5,661	5,765
Short-term loans payable	729	932
Current portion of long-term loans payable	340	440
Accounts payable - other	2,032	1,697
Income taxes payable	1,139	776
Accrued expenses	313	310
Deferred tax liabilities	403	412
Provision for bonuses	384	398
Provision for directors' bonuses	3	5
Other	48	160
Total current liabilities	11,056	10,898
Non-current liabilities		
Deferred tax liabilities	1,069	1,258
Long-term loans payable	7,685	7,413
Provision for directors' retirement benefits	10	157
Net defined benefit liability	–	116
Asset retirement obligations	55	331
Stock benefit allowance	42	27
Other	8	10
Total non-current liabilities	8,872	9,315
Total liabilities	19,929	20,214
Net assets		
Shareholders' equity		
Capital stock	6,134	6,188
Capital surplus	7,143	7,304
Retained earnings	36,997	42,490
Treasury shares	(14,598)	(14,141)
Total shareholders' equity	35,676	41,841
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	110	96
Foreign currency translation adjustment	3,332	1,190
Remeasurements of defined benefit plans	(46)	(12)
Total accumulated other comprehensive income	3,396	1,274
Non-controlling interests	2,238	2,135
Total net assets	41,312	45,250
Total liabilities and net assets	61,241	65,464

(2) Consolidated statement of income and consolidated statement of comprehensive income
(Consolidated statement of income)

(Millions of yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Net sales	48,260	49,843
Cost of sales	28,865	27,355
Gross profit	19,394	22,487
Selling, general and administrative expenses	10,139	11,522
Operating income	9,254	10,964
Non-operating income		
Interest income	113	103
Dividend income	13	8
Foreign exchange gains	127	24
Refunded consumption taxes	27	–
Subsidy income	4	22
Other	89	106
Total non-operating income	376	265
Non-operating expenses		
Interest expenses	30	69
Loss on investments in partnership	-	12
Commission for purchase of treasury shares	51	0
Other	19	18
Total non-operating expenses	101	100
Ordinary income	9,529	11,129
Extraordinary income		
Gain on sales of non-current assets	19	6
Gain on transfer of benefit obligation relating to employees' pension fund	–	34
Gain on sales of investment securities	386	–
Total extraordinary income	406	40
Extraordinary losses		
Loss on sales of non-current assets	0	0
Impairment loss	–	31
Loss on valuation of golf club membership	14	–
Total extraordinary losses	15	32
Profit before income taxes	9,920	11,137
Income taxes - current	2,670	2,855
Income taxes - deferred	277	153
Total income taxes	2,947	3,009
Profit	6,972	8,128
Profit attributable to non-controlling interests	305	331
Profit attributable to owners of parent	6,667	7,796

(Consolidated statement of comprehensive income)

(Millions of yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Profit	6,972	8,128
Other comprehensive income		
Valuation difference on available-for-sale securities	(125)	(14)
Foreign currency translation adjustment	3,323	(2,256)
Remeasurements of defined benefit plans, net of tax	29	33
Total other comprehensive income	3,227	(2,236)
Comprehensive income	10,199	5,891
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	9,651	5,673
Comprehensive income attributable to non-controlling interests	548	217

(3) Consolidated statement of changes in equity

Fiscal year ended March 31, 2015

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Shareholders' equity
Net assets	6,134	7,102	32,257	(5,373)	40,120
Cumulative effects of changes in accounting policies			362		362
Restated balance	6,134	7,102	32,619	(5,373)	40,483
Changes of items during period					
Dividends of surplus			(2,289)		(2,289)
Profit (loss) attributable to owners of parent			6,667		6,667
Purchase of treasury shares				(9,519)	(9,519)
Disposal of treasury shares		41		294	336
Net changes of items other than shareholders' equity					
Total changes of items during period	–	41	4,377	(9,225)	(4,806)
Net assets	6,134	7,143	36,997	(14,598)	35,676

	Accumulated other comprehensive income				Non-controlling interests	Net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasure-ments of defined benefit plans	Valuation and translation adjustments		
Net assets	235	328	(74)	489	2,045	42,655
Cumulative effects of changes in accounting policies						362
Restated balance	235	328	(74)	489	2,045	43,017
Changes of items during period						
Dividends of surplus						(2,289)
Profit (loss) attributable to owners of parent						6,667
Purchase of treasury shares						(9,519)
Disposal of treasury shares						336
Net changes of items other than shareholders' equity	(125)	3,003	28	2,907	193	3,100
Total changes of items during period	(125)	3,003	28	2,907	193	(1,705)
Net assets	110	3,332	(46)	3,396	2,238	41,312

Fiscal year ended March 31, 2016

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Shareholders' equity
Net assets	6,134	7,143	36,997	(14,598)	35,676
Changes of items during period					
Dividends of surplus			(2,303)		(2,303)
Profit (loss) attributable to owners of parent			7,796		7,796
Issuance of new shares	53	53			106
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		107		457	565
Net changes of items other than shareholders' equity					
Total changes of items during period	53	160	5,493	456	6,164
Net assets	6,188	7,304	42,490	(14,141)	41,841

	Accumulated other comprehensive income				Non-controlling interests	Net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasure-ments of defined benefit plans	Valuation and translation adjustments		
Net assets	110	3,332	(46)	3,396	2,238	41,312
Changes of items during period						
Dividends of surplus						(2,303)
Profit (loss) attributable to owners of parent						7,796
Issuance of new shares						106
Purchase of treasury shares						(0)
Disposal of treasury shares						565
Net changes of items other than shareholders' equity	(14)	(2,141)	33	(2,122)	(103)	(2,225)
Total changes of items during period	(14)	(2,141)	33	(2,122)	(103)	3,938
Net assets	96	1,190	(12)	1,274	2,135	45,250

(4) Consolidated statement of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Cash flows from operating activities		
Profit before income taxes	9,920	11,137
Depreciation	1,411	1,891
Loss (gain) on investments in partnership	–	12
Impairment loss	–	31
Loss (gain) on transfer of benefit obligation relating to employees’ pension fund	–	(34)
Amortization of goodwill	253	280
Increase (decrease) in allowance for doubtful accounts	34	13
Increase (decrease) in allowance for stocks benefit	42	(15)
Increase (decrease) in provision for bonuses	23	(11)
Increase (decrease) in provision for directors’ retirement benefits	–	5
Increase (decrease) in provision for directors’ bonuses	(58)	1
Decrease (increase) in net defined benefit asset	–	31
Increase (decrease) in net defined benefit liability	(44)	11
Interest and dividend income	(126)	(112)
Interest expenses	30	69
Tangible gain on sale of fixed assets	(19)	(6)
Loss on sale of tangible fixed assets	0	0
Loss (gain) on sales of investment securities	(386)	–
Loss on valuation of golf club memberships	14	–
Decrease (increase) in notes and accounts receivable - trade	365	(592)
Decrease (increase) in inventories	274	464
Decrease (increase) in other current assets	(217)	75
Increase (decrease) in notes and accounts payable - trade	(579)	349
Increase (decrease) in other current liabilities	30	141
Other, net	205	49
Subtotal	11,175	13,797
Interest and dividend income received	120	105
Interest expenses paid	(30)	(62)
Income taxes paid	(2,032)	(3,293)
Net cash provided by (used in) operating activities	9,232	10,546
Cash flows from investing activities		
Payments into time deposits	(2,188)	(4,372)
Proceeds from withdrawal of time deposits	1,579	2,708
Purchase of property, plant and equipment	(2,710)	(4,217)
Proceeds from sales of property, plant and equipment	66	10
Purchase of software	(127)	(160)
Purchase of investment securities	–	(114)
Proceeds from sales of investment securities	571	–
Payments for the acquisition of non-consolidated subsidiaries	(20)	–
Purchase of shares of subsidiaries	(33)	–
Payments of long-term loans receivable	(30)	(602)
Collection of long-term loans receivable	16	21
Other, net	(36)	(23)
Net cash provided by (used in) investing activities	(2,913)	(6,750)

		(Millions of yen)
	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	136	261
Proceeds from long-term loans payable	6,632	500
Repayments of long-term loans payable	(4,925)	(984)
Purchase of treasury shares	(9,201)	(0)
Proceeds from sales of treasury shares	17	1
Cash dividends paid	(2,289)	(2,303)
Dividends paid to non-controlling interests	(290)	(321)
Proceeds from issuance of common shares	–	106
Net cash provided by (used in) financing activities	(9,919)	(2,740)
Effect of exchange rate change on cash and cash equivalents	1,445	(1,017)
Net increase (decrease) in cash and cash equivalents	(2,154)	38
Cash and cash equivalents at beginning of period	20,338	18,183
Increase in cash and cash equivalents due to stock exchange	–	163
Cash and cash equivalents at end of period	18,183	18,385

(5) Notes to consolidated financial statements

(Notes on premise of going concern)

No items to report.

(Significant matters forming the basis of preparing the consolidated financial statements)

1) Scope of consolidation

Number of consolidated subsidiaries: 15

Number of non-consolidated subsidiaries: 2

Names of consolidated subsidiaries:

TAIYO INK MFG. CO., LTD., CHUGAI KASEI CO., LTD., TAIYO INK (SUZHOU) CO., LTD., TAIWAN TAIYO INK CO., LTD., Onstatic Technology Co., Ltd., TAIYO INK CO., (KOREA) LTD., TAIYO AMERICA, INC., TAIYO INK INTERNATIONAL (HK) LIMITED, TAIYO INK TRADING (SHENZHEN) CO., LTD., TAIYO INK INTERNATIONAL (SINGAPORE) PTE LTD., TAIYO INK PRODUCTS CO., LTD.

Among the above subsidiaries, Chugai Kasei Co., Ltd. is included within the scope of consolidation because the Company newly acquired its shares in the current fiscal year.

Taiyo Ink Products Co., Ltd. is included within the scope of consolidation because it was newly established in the current fiscal year.

The number of consolidated subsidiaries under the Company is 15, as Onstatic Technology Co., Ltd. owns four associated companies under its umbrella.

Names of non-consolidated subsidiaries:

TAIYO INK (THAILAND) CO., LTD. and TAIYO GREEN ENERGY CO., LTD.

The non-consolidated subsidiaries were excluded from the scope of consolidation because they are small in size, and its accounts, such as total assets, net sales, profit or loss (for the Company's equity interest) and retained earnings (for the Company's equity interest), have no significant effects on the Company's consolidated financial statements.

2) Fiscal year-end of consolidated subsidiaries

Among the consolidated subsidiaries, the fiscal year-end of Taiyo Ink (Suzhou) Co., Ltd. and Taiyo Ink Trading (Shenzhen) Co., Ltd. is December 31. Taiyo Ink (Suzhou) Co., Ltd. and Taiyo Ink Trading (Shenzhen) Co., Ltd. perform tentative closings and prepare financial statements as of and for the period ended March 31.

Among the consolidated subsidiaries, the fiscal year-end of Onstatic Technology Co., Ltd. is December 31, which is different from the consolidated fiscal year-end. However, since the difference between the fiscal year-end of the subsidiary and the consolidated fiscal year-end does not exceed three months, consolidated financial statements are prepared based on the financial statements of the said subsidiary. However, adjustments required for consolidated financial statements were made on the significant matters which occurred during the consolidated fiscal period from January 1, 2016 to March 31, 2016.

Fiscal year-ends of other consolidated subsidiaries coincide with that for consolidated financial statements.

3) Application of the equity method

Status of non-consolidated subsidiaries outside the scope of equity method application

Non-consolidated subsidiaries are excluded from the scope of equity method application, since they have no significant impact on the Company's profit or loss (for the Company's equity interest) and retained earnings (for the Company's equity interest), and have no materiality as a whole.

4) Bases for accounting policies

I. Valuation bases and methods for significant assets

i Securities

Shares of non-consolidated subsidiaries to which the equity method was not applied

Stated at cost using the moving-average method.

Other securities (available-for-sale securities)

Securities with fair market value

Stated at market value based on fair market value etc. as of the closing date (Net unrealized holding gains or losses, net of the applicable income taxes, are directly included in a component of shareholders' equity. The cost of securities sold is measured using the moving-average method)

Securities with no fair market value

Stated at cost using the moving-average method

Regarding contributions to investment partnership (which are deemed as securities pursuant to Article 2, Paragraph 2 of the Financial Instruments and Exchange Act), the net amount equivalent to the Company's equity interest is included, based on the available financial statements, etc. depending on the reporting day of financial results prescribed in the partnership agreement.

ii Derivatives

Stated at fair market value

iii Inventories

Mainly stated at moving-average cost (figures on the balance sheet are adjusted by writing down the book value where the profitability declines.)

II Method of depreciation for significant depreciable assets

i Property, plant and equipment

Buildings:

Depreciated mainly by the straight-line method

Property, plant and equipment other than buildings:

Depreciated mainly by the declining-balance method

Useful lives of major property, plant and equipment are as follows.

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

ii Intangible assets

Leasehold right:

Amortized by the straight-line method

Software (for internal use):

Amortized by the straight-line method over the internally estimated useful life of the software (5 years)

Others:

Amortized by the straight-line method

Useful lives of major intangible assets are as follows:

Leasehold right	50 years
Software (for internal use)	5 years

III Accounting for significant reserves

i Allowance for doubtful accounts

To provide reserve for potential losses from bad debts, the Company recognizes and records allowance for doubtful accounts based on historical uncollectible rate for general accounts receivables, and on an estimate of collectability of specific accounts for which collection appears doubtful.

ii Provision for bonuses

Provision for bonuses are recorded by the Company and certain consolidated subsidiaries to accrue the bonus to employees for the fiscal year.

iii Provision for directors' bonuses

To prepare for the payment of bonuses to directors and corporate auditors, the projected payment amount attributable to the current fiscal year is provided.

iv Provision for directors' retirement benefits

To prepare for the payment of directors' and corporate auditors' retirement benefits, the Company provides the amount of projected payments, determined according to internal rules for the payment of directors' and corporate auditors' retirement benefits as of the end of the fiscal year.

The Company, at a 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.

The increase in provision for directors' retirement benefits in the fiscal year ended March 31, 2016 was due to Chugai Kasei Co., Ltd. which became a consolidated subsidiary from the current fiscal year.

v Stock benefit allowance

To prepare for the grant of the Company's shares to employees in accordance the regulations for the delivery of stock, the Company records the amount decided based on liability for stock benefit estimated as of March 31, 2016.

IV Accounting treatment related to retirement benefits

i Method of attributing the projected benefits to periods of service

In calculation of retirement benefit obligations, the method of attributing the projected benefits to periods until the end of the current fiscal year is based on the benefit formula basis.

ii Method of amortization of actuarial gains or losses and prior service cost

Prior service cost will be recognized as expenses mainly by amortizing the amount by the straight-line method over a certain period of time (mainly five years) which is shorter than the employees' average remaining service period.

Actuarial gains or losses are mainly amortized as incurred over the periods, which are shorter than the average remaining service years of employees (mainly five years), by the straight-line method, starting from the following fiscal years.

Unrecognized actuarial gain or loss and unrecognized prior service cost are recorded in remeasurements of defined benefit plans in accumulated other comprehensive income under the section of net assets after adjusting tax effect.

V Basis of translation from significant foreign currency-denominated assets and liabilities to yen

Foreign currency-denominated monetary claims and liabilities are translated to yen with the spot exchange rate of the consolidated balance sheet date with translation differences charged to profit and loss in the corresponding fiscal year.

Assets and liabilities of overseas consolidated subsidiaries are translated to yen with the spot exchange rate of the consolidated balance sheet date. Revenue and expenses thereof are translated to yen with the average exchange rate during the period. Exchange differences are included in foreign currency translation adjustment and non-controlling interests in the section of net assets.

VI Important methods of hedge accounting

i. Methods of hedge accounting

Deferred hedge accounting is adopted. For investment in equities of overseas consolidated subsidiaries, the amount of foreign currency difference incurred by hedging instruments is included in foreign currency translation adjustment. Hedging transactions using interest rate swaps are accounted for by the exceptional treatment, as they meet conditions required for the exceptional treatment.

ii. Hedging instruments and hedged items

Hedging instrument	Hedged item
Loans payable denominated in foreign currencies	Equity investments in overseas consolidated subsidiaries
Interest rate swaps	Long-term loans payable (including current portion of long-term loans payable)

iii. Hedging policy

The Company has the policy of using, within the scope of hedged items, hedging instruments for the purpose of avoiding exchange rate fluctuation risks arising from equity investments in overseas consolidated subsidiaries and interest rate fluctuation risks exposed by loans payable.

iv. Methods to evaluate hedging effectiveness

As to equity investments in overseas consolidated subsidiaries, hedging effectiveness is evaluated based on fluctuation amounts of hedged items and hedging instruments by comparing cumulative results of market fluctuations between hedged items and hedging instruments during the period between the start of hedging and the point of the determination of effectiveness.

The evaluation of hedging effectiveness is omitted in transactions using interest rate swaps which are accounted for by the exceptional treatment.

VII Goodwill amortization method and period

Goodwill is amortized by the straight-line method over 5 years or 20 years.

VIII Scope of cash and cash equivalents on the consolidated statement of cash flows

Consists of cash on hand, deposits that can be quickly accessed, and easily convertible short-term investments that are only mildly affected by market price fluctuations, that mature within three months of acquisition, or the redemption date is not more than three months away.

IX Other significant matters for preparation of consolidated financial statements

i. Treatment of consumption taxes

Treatment of consumption taxes is based on the tax excluded method.

ii. Application of consolidated tax system

The consolidated tax system is adopted.

(Changes in accounting policies)

(Application of Accounting Standard for Business Combinations, etc.)

Effective from the fiscal year ended March 31, 2016, the Company has applied the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, September 13, 2013), the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013), and the “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013), etc. As a result, the method of recording the amount of difference caused by changes in the Company’s ownership interests in subsidiaries in the case of subsidiaries under ongoing control of the Company was changed to one in which it is recorded as capital surplus, and the method of recording acquisition-related costs was changed to one in which they are recognized as expenses for the fiscal year in which they are incurred. Furthermore, for business combinations carried out on or after the beginning of the fiscal year ended March 31, 2016, the accounting method was changed to one in which the reviewed acquisition cost allocation resulting from the finalization of the provisional accounting treatment is reflected in the quarterly consolidated financial statements for the fiscal year to which the date of business combination belongs. In addition, the presentation method for “net income” and other related items was changed, and the presentation of “minority interests” was changed to “non-controlling interests.” To reflect these changes, the Company has reclassified its full-year consolidated financial statements for the previous fiscal year.

Application of the Accounting Standard for Business Combinations, etc. is in line with the transitional measures provided for in paragraph 58-2 (4) of the Accounting Standard for Business Combinations, paragraph 44-5 (4) of the Accounting Standard for Consolidated Financial Statements and paragraph 57-4 (4) of the Accounting Standard for Business Divestitures. The Company is applying the said standard, etc. prospectively from the beginning of the fiscal year ended March 31, 2016.

As a result, the changes in operating income, ordinary income and Profit before income taxes amount to a decrease of 68 million yen for each of the aforementioned. There is no impact on the capital surplus as of March 31, 2016.

In the consolidated statements of cash flows for the fiscal year ended March 31, 2016, cash flows related to the purchase or sales of investments in subsidiaries that do not result in changes in the scope of consolidation are stated in “net cash provided by (used in) financing activities.” Cash flows for expenses associated with the purchase of investments in subsidiaries that do result in changes in the scope of subsidiaries and cash flows for expenses associated with the purchase or sales of investments in subsidiaries that do not result in changes in the scope of consolidation are stated in “net cash provided by (used in) operating activities.”

(Changes in presentation methods)

(Consolidated balance sheet)

Since “long-term loans receivable” under “investments and other assets” set down separately until the previous fiscal year lacks monetary significance, it is included in “other” under “investments and other assets” for the current fiscal year. To reflect this change in presentation methods, the Company has reclassified its consolidated financial statements for the previous fiscal year.

As a result, 2 million yen presented as “long-term loans receivable” under “investments and other assets” in the consolidated balance sheet for the previous fiscal year is reclassified as “other” under investments and other assets.

(Notes to consolidated statement of cash flows)

Since “increase (decrease) in accrued consumption taxes” under “cash flows from operating activities” set down separately until the previous fiscal year lacks monetary significance, it is included in “other” for the current fiscal year. To reflect this change in presentation methods, the Company has reclassified its consolidated financial statements for the previous fiscal year.

As a result, (21) million yen presented as “increase (decrease) in accrued consumption taxes” under “cash flows from operating activities” in the consolidated statement of cash flows for the previous fiscal year is reclassified as “other.”

While the gross amounts were presented for “increase in short-term loans payable” and “decrease in short-term loans payable” under “cash flows from financing activities” until the previous fiscal year, since they are short-term and quickly revolving items, their net amounts are presented as “net increase (decrease) in short-term loans payable” for the current fiscal year. To reflect this change in presentation methods, the Company has reclassified its consolidated financial statements for the previous fiscal year.

As a result, 1,808 million yen presented as “increase in short-term loans payable” and (1,671) million yen as “decrease in short-term loans payable” under “cash flows from financing activities” in the consolidated statement of cash flows for the previous fiscal year is reclassified as 136 million yen of “net increase (decrease) in short-term loans payable.”

(Segment information, etc.)

[Segment information]

I Fiscal year ended March 31, 2015 (From April 1, 2014 to March 31, 2015)

1. Overview of reportable segments
   The reportable segments of the Group are components of the Group whose separate financial information is available. These segments are periodically evaluated by the Board of Directors in deciding how to allocate management resources and in assessing the performance.
   The business of the Group consists mainly of one activity, the manufacturing and marketing of solder resist for PWBs, among others. Each Group company formulates comprehensive strategies and deploys business activities, operating under a holding company system whereby the Company is the holding company. The Company 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, the Group liquidated one of the subsidiaries of Onstatic Technology Co., Ltd. (and other five subsidiaries) during the fiscal year ended March 31, 2015. The liquidated subsidiary was included in Taiwan segment.

2. Information on the calculation of net sales, profit or loss, assets and liabilities, and other items by reportable segment
   Accounting method applied to data in the reportable segment is mostly the same as the method stated in the “Significant matters forming the basis of preparing the consolidated financial statements.”
   Profit by reportable segment represents operating income.
   Inter-segment revenue and transactions are based on the market prices.

3. Information regarding net sales, profit or loss, assets and liabilities, and other items by reportable segment

(Millions of yen)

<table>
<tr><th rowspan="2"></th><th colspan="5">Reportable segments</th><th rowspan="2">Other
(Note 2)</th><th rowspan="2">Total</th></tr>
<tr><th>Japan</th><th>China
(Note 1)
(Note 4)</th><th>Taiwan
(Note 4)</th><th>Korea</th><th>Total</th></tr>
<tr><td>Net sales</td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>External sales</td><td>9,410</td><td>18,837</td><td>7,141</td><td>8,835</td><td>44,225</td><td>4,034</td><td>48,260</td></tr>
<tr><td>Inter-segment sales or transactions</td><td>6,375</td><td>1,583</td><td>2,472</td><td>363</td><td>10,795</td><td>106</td><td>10,901</td></tr>
<tr><td>Total sales</td><td>15,786</td><td>20,421</td><td>9,614</td><td>9,199</td><td>55,021</td><td>4,140</td><td>59,161</td></tr>
<tr><td>Segment profit</td><td>2,466</td><td>3,507</td><td>1,763</td><td>1,212</td><td>8,950</td><td>555</td><td>9,505</td></tr>
<tr><td>Segment assets</td><td>12,617</td><td>15,079</td><td>14,682</td><td>8,612</td><td>50,992</td><td>2,419</td><td>53,411</td></tr>
<tr><td>Other items</td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>Depreciation (Note 3)</td><td>398</td><td>237</td><td>207</td><td>154</td><td>997</td><td>14</td><td>1,012</td></tr>
<tr><td>Increase in property, plant and equipment and intangible assets</td><td>2,033</td><td>414</td><td>98</td><td>108</td><td>2,655</td><td>16</td><td>2,672</td></tr>
</table>

Notes: 1. The “China” segment covers local subsidiaries in China and Hong Kong.
2. 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.
3. Depreciation does not include goodwill amortization.
4. The net sales and operating income of Onstatic Technology Co., Ltd. (and other four subsidiaries) have been presented in the Taiwan and China segments.
As one of the subsidiaries of Onstatic Technology Co., Ltd. does not operate any business, it does not constitute a reportable segment.

4. Differences between total amounts in reportable segments and the amount recorded on consolidated financial statements, and details of thereof (reconciliation)

(Millions of yen)

Profit/Loss	Fiscal year ended March 31, 2015
Reportable segments total	8,950
“Other” segment profit	555
Inter-segment eliminations	85
Amortization of goodwill	(253)
Profit/loss not allocated to business segments (Note)	(65)
Other adjusted amounts	(17)
Operating income in the consolidated statement of income	9,254

Note: Profit/loss primarily related to the holding company (company filing the consolidated financial statements).

(Millions of yen)

Assets	Fiscal year ended March 31, 2015
Reportable segments total	50,992
“Other” segment assets	2,419
Inter-segment eliminations	(9,307)
Assets not allocated to business segments (Note)	17,141
Reclassification by tax effect accounting	(4)
Total assets in the consolidated balance sheet	61,241

Note: Assets primarily related to the holding company (company filing the consolidated financial statements).

(Millions of yen)

Other items	Reportable segment total	Other	Adjustments (Note)	Amount on the consolidated financial statements
	FY ended March 31, 2015	FY ended March 31, 2015	FY ended March 31, 2015	FY ended March 31, 2015
Depreciation	997	14	399	1,411
Increase in property, plant and equipment and intangible assets	2,655	16	649	3,321

Note: Primarily related to the holding company (company filing the consolidated financial statements).

II Fiscal year ended March 31, 2016 (From April 1, 2015 to March 31, 2016)

1. Overview of reportable segments
   The reportable segments of the Group are components of the Group whose separate financial information is available. These segments are periodically evaluated by the Board of Directors in deciding how to allocate management resources and in assessing the performance.
   The business of the Group consists mainly of one activity, the manufacturing and marketing of solder resist for PWBs, among others. Each Group company formulates comprehensive strategies and deploys business activities, operating under a holding company system whereby the Company is the holding company. The Company is composed of four reportable segments divided by geographic area, namely “Japan,” “China,” “Taiwan,” and “Korea,” based on our manufacturing and marketing system.

2. Information on the calculation of net sales, profit or loss, assets and liabilities, and other items by reportable segment
   Accounting method applied to data in the reportable segment is mostly the same as the method stated in the “Significant matters forming the basis of preparing the consolidated financial statements.”
   Profit by reportable segment represents operating income.
   Inter-segment revenue and transactions are based on the market prices.

3. Information regarding net sales, profit or loss, assets and liabilities, and other items by reportable segment

(Millions of yen)

	Reportable segments					Other (Note 3)	Total
	Japan	China (Note 1) (Note 2)	Taiwan (Note 2)	Korea	Total		
Net sales							
External sales	10,565	20,687	6,864	7,385	45,502	4,340	49,843
Inter-segment sales or transactions	6,437	1,132	2,990	353	10,914	110	11,024
Total sales	17,002	21,820	9,854	7,739	56,417	4,451	60,868
Segment profit	2,254	4,775	2,227	1,414	10,671	597	11,269
Segment assets	16,214	14,847	9,362	7,724	48,148	2,393	50,541
Other items							
Depreciation (Note 4)	832	288	189	134	1,444	16	1,461
Increase in property, plant and equipment and intangible assets	2,586	348	94	74	3,105	8	3,114

Notes: 1. The “China” segment covers local subsidiaries in China and Hong Kong.
2. The net sales and operating income of Onstatic Technology Co., Ltd. (and other four subsidiaries) have been presented in the China and Taiwan segments.
   The Group liquidated one company of Onstatic Technology Co., Ltd. (and other four subsidiaries) as of February 20, 2015.
   As one of the subsidiaries of Onstatic Technology Co., Ltd. does not operate any business, it does not constitute a reportable segment.
3. The “Other” segment is not included in reportable segments and covers the local subsidiaries in the U.S. and other Asian countries.
4. Depreciation does not include goodwill amortization.

4. Differences between total amounts in reportable segments and the amount recorded on consolidated financial statements, and details of thereof (reconciliation)

(Millions of yen)

Profit/Loss	Fiscal year ended March 31, 2016
Reportable segments total	10,671
“Other” segment profit	597
Inter-segment eliminations	222
Amortization of goodwill	(280)
Profit/loss not allocated to business segments (Note)	(246)
Other adjusted amounts	0
Operating income in the consolidated statement of income	10,964

Note: Profit/loss primarily related to the holding company (company filing the consolidated financial statements).

(Millions of yen)

Assets	Fiscal year ended March 31, 2016
Reportable segments total	48,148
“Other” segment assets	2,393
Inter-segment eliminations	(4,656)
Assets not allocated to business segments (Note)	19,655
Reclassification by tax effect accounting	(75)
Total assets in the consolidated balance sheet	65,464

Note: Assets primarily related to the holding company (company filing the consolidated financial statements).

(Millions of yen)

Other items	Reportable segment total	Other	Adjustments (Note)	Amount on the consolidated financial statements
	FY ended March 31, 2016	FY ended March 31, 2016	FY ended March 31, 2016	FY ended March 31, 2016
Depreciation	1,444	16	429	1,891
Increase in property, plant and equipment and intangible assets	3,105	8	941	4,055

Note: Primarily related to the holding company (company filing the consolidated financial statements).

(Per share information)

Fiscal year ended March 31, 2015 (From April 1, 2014 to March 31, 2015)		Fiscal year ended March 31, 2016 (From April 1, 2015 to March 31, 2016)	
Net assets per share	1,703.14 yen	Net assets per share	1,865.94 yen
Basic earnings per share	264.05 yen	Basic earnings per share	337.99 yen

Note 1: Diluted earnings per share is not presented because there are no dilutive shares.
Note 2: Basis for calculating basic earnings per share is shown below.

	Fiscal year ended March 31, 2015 (From April 1, 2014 to March 31, 2015)	Fiscal year ended March 31, 2016 (From April 1, 2015 to March 31, 2016)
Profit attributable to owners of parent (Millions of yen)	6,667	7,796
Amount not attributable to common shareholders and shareholders equivalent to common shareholders (Millions of yen)	–	–
Profit attributable to owners of parent concerning common shares and common share-equivalents (Millions of yen)	6,667	7,796
Average number of outstanding common shares and common share-equivalents during the period (Shares)	25,249,372	23,066,770
(of which common shares)	(25,249,372)	(23,050,155)
(of which First Series Class A shares)	(–)	(16,615)

Notes: 1. Regarding the average number of outstanding common shares during the period, as treasury shares to be deducted in the calculation, the own stock of the Company owned as trust account for Employee Stock Ownership Plan grant stock are included (84,474 shares for the previous fiscal year and 81,912 shares for the current fiscal year).
2. First Series Class A shares have the equivalent rights with common shares in terms of rights to claim dividends and those to claim residual property distribution, and therefore, are included in common shares when calculating per share information.

(Significant subsequent events)

No items to report