

TAIYO HOLDINGS CO., LTD.

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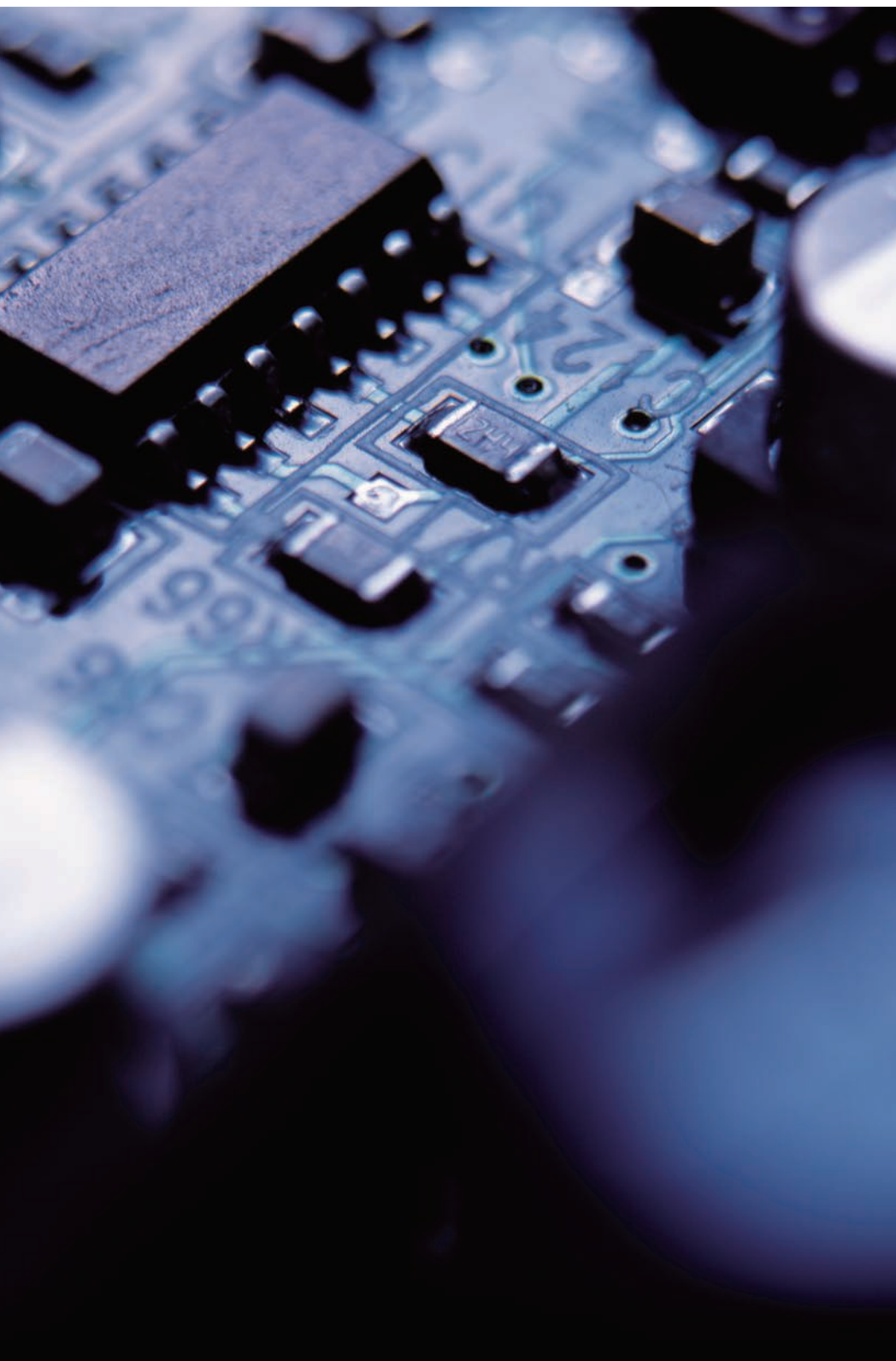
<http://www.taiyo-hd.co.jp/en/>

Passion for innovation

Annual Report 2018
Year Ended March 31, 2018

 TAIYO HOLDINGS CO., LTD.





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.

Profile

The Taiyo Group was founded in 1953 as a manufacturing and sales company for printing ink and related supplies. In 1976, we redirected our business to make solder resists our leading product. Since then we have grown the solder resist business to obtain the top share of the global market.

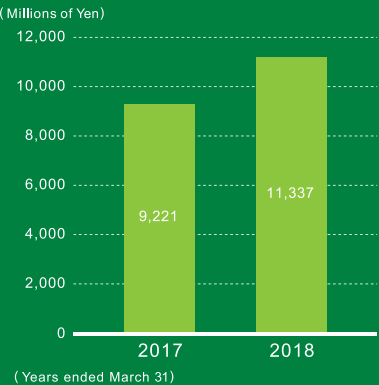
In our core business of materials and components for electronic devices, we have complemented solder resists by developing and commercializing lucrative products as we strive to create new business with a focus on chemistry. In addition to energy and food, we started up another new business in 2017 in medical and pharmaceuticals in our continuing search for the seeds of business opportunities.

In the future, we aim to raise enterprise value as a comprehensive chemical company as we push forward to strengthen the profitability of core businesses and achieve solid growth in new ones.

Sales



Operating Income



Contents

02	Pickup	34	Board of Directors and Audit & Supervisory Board Members
08	Basic Management Policies	35	Financial Section
10	History	36	Six-Year Summary
12	Message from the CEO	38	Management's Discussion and Analysis
14	Medium-term Business Plan	42	Consolidated Balance Sheet
15	Taiyo Pharma Feature	44	Consolidated Statement of Income
20	At a Glance	45	Consolidated Statement of Comprehensive Income
24	Main Product	46	Consolidated Statement of Changes in Equity
26	Supply Chains	48	Consolidated Statement of Cash Flows
28	CSR	50	Domestic and Global Network
32	Corporate Governance	51	Corporate Information

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.

Definition of Terms

"Fiscal 2018" or "Fiscal year 2018 (FY2018)" refers to the fiscal year ended March 31, 2018, and other fiscal years are referred to in a corresponding manner in this annual report.



Growth Fundamentals Built Up over 60 Years

Taiyo Holdings was founded in 1953 as a manufacturer and marketer of printing ink. In 1976, the company made the major shift of focusing on solder resist products for the electronics industry.

Today, having changed our company name from "Taiyo Ink Mfg. Co., Ltd." to "Taiyo Holdings Co., Ltd." and having revised our management philosophy in April 2013, we continue to evolve with the changing times while maintaining our founding desire to exist as a company that is useful to people everywhere and that brings light to the world like the sun. Moving forward, we will continue working to be a company that is loved by all.

1953

Taiyo Ink Mfg. Co., Ltd. established

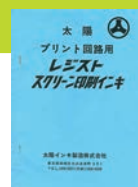
Taiyo Ink Manufacturing was established as a manufacturing and marketing company for printing ink in Minato-ku, Tokyo. In Japanese, "taiyo" means "sun". The name was decided on because it reflects our desire to be a useful existence for people everywhere and bring light to the world like the sun, which gives its blessings to all life on earth.



1976

Radical change in business policy

In a radical change in business policy, the company decided to switch from printing ink, its traditional mainstay since its founding, to solder resist products and other chemical materials for the electronics industry. At the time, the chemical materials business was still in the trial and error stage and the marketability of these products was unknown; the future of the company therefore rested on this decision.



1982

Ranzan Plant (current Ranzan Facility) established.

1984

Exhibited liquid developable solder resist at the JPCA Show.

1985

The company developed the current standard liquid alkaline developable solder resist (PSR-4000) and applied for a basic patent.



1988

Commenced locally-based production overseas

In order to respond to rapidly increasing sales in Korea, Taiyo Ink Mfg. Co., (Korea) Ltd. was established and locally-based production was commenced. With locally-based production commencing in the USA, Taiwan, and China, Taiyo Ink has built up a global supply system focused on local production and local marketing.

1988

Established Taiyo Ink Co., (Korea) Ltd.

1990

Established sales subsidiary Taiyo America, Inc. in Nevada, USA.

1995

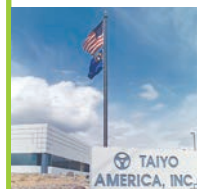
Transformed USA sales subsidiary Taiyo America, Inc. into a manufacturing and marketing company.

1996

Established local production subsidiary Taiwan Taiyo Ink Co., Ltd. in Taiwan.

1999

Established sales subsidiaries Taiyo Ink International (Singapore) Pte Ltd in Singapore and Taiyo Ink International (HK) Limited in Hong Kong.



2001

Listed on the First Section of the Tokyo Stock Exchange

Our listing on the First Section of the Tokyo Stock Exchange and the completion of the Ranzan-Kitayama Facility (current headquarters of Taiyo Ink Mfg. Co., Ltd.) enabled higher quality and more stable product supply in both Japan and overseas. Responding to the dramatically changing external environment, we also launched production and marketing in China.



2001

Opened the Ranzan-Kitayama Facility, the company's main domestic production base.

Established technical support subsidiary Taiyo Ink (Thailand) Co., Ltd. in Thailand and local production subsidiary Taiyo Ink (Suzhou) Co., Ltd. in China.

2010

Company Split implemented and corporate name changed to Taiyo Holdings Co., Ltd.

Established sales subsidiary Taiyo Ink Trading (Shenzhen) Co., Ltd. in Shenzhen, China.



2013

Commemorating our 60th anniversary, and taking on new challenges

As part of our strategy for ongoing Group growth, we are working to expand our share of the solder resist market while also creating a framework for the continuous development and rapid commercialization of new products that will grow into profit drivers to rival solder resist.

2013

Obtained Taiwanese company, "Onstatic Technology Co., Ltd." 's share and made it subsidiary company.

2014

Established photovoltaic power generation business subsidiary Taiyo Green Energy Co., Ltd. in Japan.

2015

Established Taiyo Ink Products Co., Ltd. in Korea as a sales subsidiary of Taiyo Ink Mfg. Co., Ltd.

Obtained Japanese company, "Chugai Kasei Co., Ltd." 's share by a stock swap and made it subsidiary company.

2017

Established pharmaceutical business subsidiary Taiyo Pharma Co., Ltd.

2018

Obtained all share of two systems engineering companies, Micro Network Technologies Corp. (MNT) and Thou-Management Corp (TMC) and made them subsidiary companies.



Eiji Sato
President and CEO

Creating New Cross-segment Businesses to Evolve Into a Comprehensive Chemical Company

In fiscal 2018, overall the market was firm and we were able to conduct business in a very favorable operating environment. In particular, sales of products for automobiles and semiconductors were a driving force that propelled us to year-on-year growth in sales and operating income. We also saw signs of growth for flexible boards, which thus far has represented a low share of sales. With increasing needs being driven by the remarkable growth of the IoT sector, we expect continued growth for these products.

On the other hand, demand for semiconductors used in smartphones has peaked and even the China market is seeing new issues on the horizon as competition from generic products intensifies. At the same time, the number of fields incorporating semiconductors continues to increase and, as an overall market for products used in semiconductors, we believe this segment will continue to have promising growth potential. Amid market expansion, we will work to solidify market share for our products. We will polish our technological capabilities and pay attention to the latest market trends as an aim to further increase market share.

The year ended March 31, 2018 was also the first year of our Medium-term Business Plan NEXT STAGE 2020. As part of this plan, we worked to strengthen and launch new businesses in addition to our mainstay business of materials and components for electronic devices products. As an initiative related to launching a medical and pharmaceutical business, one of the basic policies of the Medium-term Business Plan, in August 2017 we established Taiyo Pharma Co., Ltd. as a wholly owned subsidiary involved in the medical and pharmaceutical business. In November 2017, we concluded an approval for marketing and manufacturing rights with Chugai Pharmaceutical Co., Ltd and F. Hoffmann-La Roche Ltd. for 13 long-term listed products. Using this transaction as a launching point, we will aim to take over additional long-term listed products as well as engage full-scale in the medical and pharmaceutical business as we aim for global expansion. To advance this initiative, we will invest with a focus on R&D facilities and plant acquisition or

construction. Simultaneously, we develop new overseas networks while also utilizing our existing overseas network for the materials and components for electronic devices business.

Realizing our ongoing vision of evolving into a comprehensive chemical company will require that we look beyond even the medical and pharmaceutical business and establish new businesses in the food and energy sectors. In the food sector, we are conducting R&D at existing plants based on a long-term outlook calling for commercialization over a 20-year span. In the energy sector, since launching a floating solar power in 2015, in December 2017 we constructed a second plant named as Ranzan Onuma Floating Solar Power Plant. Through this business, we are working to produce environmentally-friendly renewable energy. As a result, our subsidiary Taiyo Ink mfg. Co., Ltd. concluded an agreement to serve as a manufacturing partner in providing 100% clean energy for Apple. We will continue expanding operations as we strive to provide 100% of power used by the Taiyo Group through clean energy.

To secure the human resources so vital to new business and existing operations, we are continuing our focus on developing self-sufficient personnel who are capable of acting independently. We will enhance partnerships with universities and upgrade facilities as part of our commitment to investing in creating the environment that promotes knowledge and skills acquisition. To provide a motivating environment and promote independence, we will continue to provide employees with opportunities for creativity and innovation by creating and engaging in new businesses.

In the two remaining years of the current Medium-term Business Plan and beyond, we will further commit ourselves to new business creation in the medical and pharmaceutical, energy, and food sectors. In our mainstay business of materials and components for electronic devices, we will work to expand business scope for board materials other than our popular solder resist products as we continue our evolution towards becoming a comprehensive chemical company.

NEXT STAGE 2020

Medium-term Business Plan

In October 2010, the Group announced GBP 2010, a Medium-term Business Plan extending to fiscal year ended March 31, 2013, but has refrained from formulating a new Medium-term Business Plan since that time. A long-term business development strategy is important for the Group's business in materials for printed wiring boards (PWB business) because it normally takes from five to ten years to complete the cycle from development of a new product to adoption by customers and sale of the mass-produced product. We therefore thought announcing a Medium-term Business Plan that specified monetary targets as we had before would encourage short-term management limited to achieving the stated goals.

Solder Resist (SR) is the mainstay product of the Group. Overseas sales comprise more than 80% of our total SR sales and the Group commands over 50% share of the SR market. Because of these factors, the business structure is greatly affected by external factors such as fluctuation in exchange rates and market trends in smartphones, servers, and other end-products. The sluggish pace of new business development and withdrawal from the flat panel display materials business (FPD business) due to the demise of demand in fiscal year ended March 31, 2015 has increased the Group's dependence on the PWB business, and we have not been able to restructure our business to lessen our considerable dependence on SR.

We have therefore formulated the NEXT STAGE 2020 three-year Medium-term Business Plan to extricate the Group from this business structure and make the leap to becoming a comprehensive chemical company, based on the keyword, "chemicals," which we have adopted as our guideline.



About Taiyo Pharma

Taiyo Pharma Co., Ltd. (hereafter, Taiyo Pharma) was established on August 2, 2017 as the wholly owned medical and pharmaceutical business subsidiary of Taiyo Holdings Co., Ltd. (hereafter, Taiyo Holdings). Our founding vision is to increase the Taiyo Group' s social contribution level and deliver pharmaceutical drugs to markets around the world. Since our founding, we have worked to solidify our corporate structure based on our primary mission of applying diverse technology towards providing patients with a stable supply of socially critical pharmaceutical drugs that have a long and established history of use. As a result of these efforts, in November 2017 we reached a consensus on agreements to transfers rights of long-term listed products with Chugai Pharmaceutical Co., Ltd. and F. Hoffmann-La Roche Ltd. for 13 long-term listed products. In line with taking over sales of these drugs, we are entering the phase of full-scale engagement in the pharmaceutical drugs industry. During this phase, we will establish a structure for the manufacturing and distribution of pharmaceutical drugs. Moving forward, as a business involved in the manufacture and sale of pharmaceutical drugs, we will strive to ensure comprehensive reliability in our business activities, protect the brand value of inherited products, and continue providing products and information to patients and medical professionals. To make this into the first step towards evolving into a comprehensive chemical company, the long-term vision for Taiyo Holdings, we will establish a firm foundation in the pharmaceutical drugs industry and grow into a business that transcends industry and international borders.



Targets

- | | |
|---|---|
| 1 Profit structure
Operating margin 20% or more | 3 Shareholder return
DOE (Dividend on Shareholders' Equity ratio) 5% or more |
| 2 Profitability
ROE (Return on Equity ratio) 11% or more | 4 Operating results
Achieve a new record high in term of operating profit |

Basic Policy

- | | |
|---|--|
| 1 Improve profitability of solder resist (SR) | 6 Business alliance with DIC Corporation* |
| 2 Expand into areas related to printed wiring board (PWB) other than solder resist | 7 Execute M&A strategy |
| 3 Launch a medical and pharmaceutical business | 8 Expand CSR activities |
| 4 Move the energy and food businesses into the black | 9 Develop and utilize self-sufficient personnel capable of acting independently |
| 5 Strengthen basic research capabilities | |

* Taiyo Holdings Co., Ltd. concluded a business alliance with DIC Corporation on January 25, 2017.
Press release
http://www.taiyo-hd.co.jp/_cms/wp-content/uploads/2017/02/20170202_01_en.pdf

Strategy

Specialize on Pharmaceutical Development and Sales of Long-term Listed Products

One of our core growth strategies will be the additional inheritance of long-term listed products. At present, we have taken over 13 long-term listed products from Chugai Pharmaceutical Co., Ltd and Hoffmann-La Roche Ltd. We will increase our portfolio of inherited products to respond to broad-based needs as a pharmaceutical company and increase sales. In addition to existing products, we will prioritize investments in plant acquisition and construction as we aim to increase our portfolio of products manufactured in-house. Simultaneously to manufacturing and sales, we also will work to improve revenues for long-term listed products in order to improve profitability. To improve our pharmaceutical technology, we also will focus on establishing an R&D facility. To concentrate management resources on these core areas, for the time being we will refrain from engaging in drug creation and instead specialize on pharmaceutical developing and manufacturing long-term listed products.

Global expansion

As soon as we establish our structure for manufacturing and sales in Japan, we will begin working on our global structure. We will apply the Taiyo Group’ s knowledge and experience in global operations towards engaging in overseas markets. As a stepping stone, we are already conducting research towards engaging in East Asia, where the Taiyo Group has a strong business network. We will evaluate all available methods to engage in global markets, including market engagement via M&A activities. Specific plans will be drafted based on the results of careful market analysis. After establishing our position as a pharmaceutical company on global markets, we want to apply our cumulative knowhow and experience towards expanding into medical industries beyond pharmaceutical drugs such as medical technology and therapeutic medicine.

Lastly, we will partner with Group companies in other domains to establish ourselves firm contributor to the Taiyo Group vision of becoming a comprehensive chemical company.



Executive Roundtable Discussion

Struggle to Conform to The Unique Framework of The Pharmaceutical Industry

Sato The launching point for Taiyo Pharma was some three years ago, when as part of our evaluation of how Taiyo Holdings could expand its business into other markets, we decided to engage in the medical and pharmaceutical business. The reason for choosing the medical and pharmaceutical business was because of the high affinity with current operations. We felt that delivering high-quality Japanese pharmaceutical drugs to markets around the world was in light with our existing Group mission of delivering high-quality products as a chemical manufacturer. Also helpful was the fact that chemicals and pharmaceutical drugs are closely related business domains.

Arima For certain there is a strong correlation with our existing materials and components for electronic devices business, which has focused primarily on solder resist (SR) products. At the same time, numerous aspects of these operations differ. The industry has numerous unique laws and regulations. Currently, we are in the process of information gathering in order to ensure compliance with these laws. In addition to regulatory compliance, another barrier to market engagement was securing product to sell. Thanks to a series of fortunate developments, we were able to reach agreements to inherit long-term listed products,

which enabled us to establish the company as we exist today.

Kawasaki Another major barrier was gaining our license for manufacturing and distribution. In particular, law requires the establishment of three officers, a manufacturing and sales officer, a quality assurance officer, and a safety management officer, and each officer must hold stipulated qualifications and experience. I was designated to serve as the manufacturing and sales officer. The other two positions were filled by persons with the required knowledge and experience. With the help of internal and external partners, we were able to pass inspections by supervisory authorities and set sail as a pharmaceutical company.

Yamamoto As expected, one of the issues we faced engaging in the industry was a lack of knowledge and experience in the pharmaceutical drugs industry. Needless to say, both technical knowledge and an understanding of industry rules are vital to conducting transactions. On the subject of the regulations Mr. Arima spoke about, not only are there numerous laws requiring compliance but also the industry has established numerous voluntary regulations. We will work tirelessly to ensure our understanding and compliance those rules and regulations.

Establishing Drug Development and Aiming for Global Expansion

Sato Having acquired a portfolio of long-term listed products, I believe we have overcome all barriers to entry. As an ongoing strategy, we will first focus on the rapid establishment of a factory and research facilities. We will evaluate both new plant construction and the acquisition of existing facilities. In either case, our highest priority will be to establish the plant as a base for in-house manufacturing in the future. At our R&D facilities, we will focus on the pharmaceutical development with the long-term goal of linking these efforts to drug creation.

Yamamoto At the center of pharmaceutical company is drug development. We will begin by establishing drug development as a core of our operations. The Taiyo Group is a manufacturing company. We have plenty of room to apply the knowledge and experience we have accumulated over the years. However, as that alone is not enough, we

must understand and respond to the unique and strict standards applied to pharmaceutical drugs. We also will need to incorporate those standards into all aspects of our factories. We will respect the heritage of the Taiyo Group as we increase our knowledge of the industry. We will combine this heritage and with new knowledge to establish Taiyo Pharma as a company for drug development.

Arima One thing I want to point out as a core theme is our commitment to global expansion. Fulfilling the Taiyo Holdings mission of delivering high-quality products to markets around the world was the driving force behind our engagement in the pharmaceutical drugs industry. This is another reasons why we will aim to quickly provide pharmaceutical drugs to overseas markets. The biggest obstacle to overseas market engagement is human resource recruitment, education, and retention. We should be able to apply the Taiyo Group' s experience in global expansion towards these efforts. This knowledge and experience can be a factor that distinguishes us from our competitors. In this sense as well, we want to accelerate our efforts related to engagement in overseas markets.

Sato We are viewing the East Asian region as the first target area for overseas engagement. The idea is to begin in areas where we can most take advantage of the network

the Taiyo Group has established through its core business operations. We already have a survey team on site where they are conducting research from a variety of perspectives. We will apply detailed research results towards establishing a direction for the company. At present, we are evenly considering all possibilities, including market engagement through capital investment.



Contributing to An Enjoyable Society

Yamamoto In order for the contracting Japanese pharmaceutical drugs market to overcome current conditions, the market is in need of new ideas not grounded in outdated industry customs. As a participant from a different industry, we have the ability to present original ideas. We will aim to be a company that pioneers a new path for the pharmaceutical drugs industry.

Arima We want to remain a company that is kind to patients. This passion is expressed in our slogan of being a company that is serious about the pharmaceuticals people need. Pharmaceutical drugs on the market today are all effective products. We want to continue delivering current pharmaceuticals in the format that patients require. Our goal is to pursue what we believe to be kindness to patients.

Kawasaki I want us to be a company that contributes to medicine in ways beyond pharmaceuticals. For example, I hope we can engage in markets such as medical technology

and therapeutic medicine. Through our continued growth as a pharmaceutical company, I want to engage in various activities without becoming fixated on frameworks or fixed concepts.

Sato I want to contribute to creating an enjoyable society. Some countries have regions that are unable to receive needed drugs. That is why I want to engage in overseas markets. Not all problems can be resolved with pharmaceuticals so I also hope to engage in medical care. Everything will lead to the realization of a more enjoyable society. In the future, regardless of the domains in which we engage, I want to protect this vision.

Profiles



Eiji Sato

Chairman of the Board and Representative Director

Auditor of Taiwan Taiyo Ink in 2001. Assumed role of director at Taiyo Holdings in 2008. Became executive officer and Group CFO in 2009. President and CEO since 2011. Assumed current role as Chairman of the Board and Representative Director of Taiyo Pharma in 2017.



Masao Arima

Representative Director and COO

General Manager of Sales Division at Taiyo Ink Mfg. in 2014. After serving as General Manager of the R&D Division at Taiyo Holdings in 2015, assumed role of New Business Development Department Manager before becoming Representative Director and COO of Taiyo Pharma in 2017.



Osami Yamamoto

Director

Joined Taiyo Holdings in 2016. Assumed role of director at Taiyo Pharma in 2017, also serves as Quality Assurance Department Manager.



Soichiro Kawasaki

Director

Joined Taiyo Holdings in 2016. Assumed role of director at Taiyo Pharma in 2017, also serves as Chief Pharmaceutical Officer.

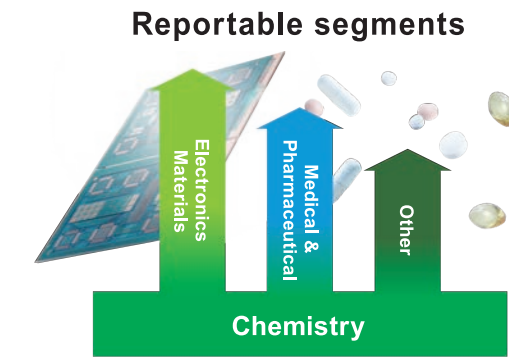
Our Business

The Taiyo Group primarily engage in the electronics materials business. In this business, we manufacture, stock, and market chemicals for PWBs and other electronic components. Recently, we expanded into the medical and pharmaceuticals business.

In our electronics materials business segment, we provide PWB materials to the PWB production teams of electronics manufacturers as well as to manufacturers specializing in PWBs. The PWBs play vital roles in many home and commercial digital appliances. Examples include tablets and similar devices. They are also used in audiovisual appliances such as flat screen TVs and electronic systems used in vehicles.

Our medical and pharmaceutical business kicked off in January 2018, when Taiyo Pharma acquired manufacturing and marketing rights/authorizations for 13 long-term listed pharmaceutical products.

In the past, we segmented our businesses around our manufacturing and sales structures and used four reportable segments, each representing a geographic location: Japan, China, Taiwan, and Korea. Starting from this consolidated fiscal year, we now use two reportable segments, each representing a line of business: 1. electronics materials and 2. medical and pharmaceuticals business. We decided that this change from location-based to business-based segmentation was appropriate in view of the increased quantitative materiality of our medical and pharmaceuticals business.



Consolidated Performance Highlights <small>(Millions of yen)</small>		
Fiscal period	FY2017	FY2018
Net Sales	47,866	52,241
Operating income	9,221	11,337
Net income attributable to owners of the parent	6,398	4,856

Sales by Reportable Segment <small>(including inter-segment sales or transfers)</small> <small>(Millions of yen)</small>		
Fiscal period	FY2017	FY2018
Electronics Materials	46,450	49,854
Medical and Pharmaceuticals*1	N/A	819
Other*2	1,415	1,570

Segment Income by Reportable Segment <small>(Millions of yen)</small>		
Fiscal period	FY2017	FY2018
Electronics Materials	9,801	12,114
Medical and Pharmaceuticals*1	N/A	8
Other*2	7	97

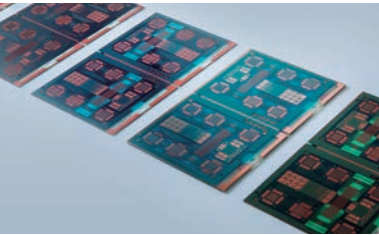
*1. Medical and Pharmaceuticals business was not operating before this consolidated fiscal year.
*2. "Other" indicates business segments that we do not include among the reportable segments. Examples include our business of manufacturing dyes, pigments, and other chemical products, and our business of generating renewable energy.

Electronics Materials Business

Classification of Products

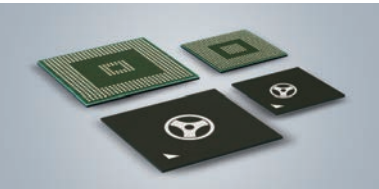
Rigid PWB Materials

A liquid solder resist that is applied to the surface of a rigid board. A mainboard is a printed wiring board (PWB) made with a rigid insulated substrate. This single board, primarily installed inside electronic devices, is mounted with LSIs, resistors, condensers and other components.



PWB Materials Other than Rigid PWB (PKG, FPC, and build-up board materials)

Semiconductor Packaging (PKG) Materials



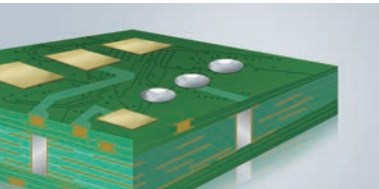
Solder resist applied to the surface of a PKG board. Two types available: liquid and dry film. A PKG board is a type of printed wiring board used as an interposer when mounting semiconductors such as computer CPUs, smartphone AP or memory.

Flexible Printed Circuit (FPC) Materials



Main products include solder resist that is applied to the surface of flexible boards and a photoimageable coverlay. One of our new products, this photoimageable polyimide film offers both high resolution and high bendability. A flexible printed circuit board is a soft, flexible board made from polyester or polyimide film coated with copper foil.

Build-up Materials



Main products include hole-plugging ink and interlayer insulation materials. Build-up refers to a method of manufacturing heavily layered PWBs by alternately laminating insulated and conductive layers on a core board (or base board). The ink used to fill conductive holes in a core board is called hole-plugging ink. The laminated insulation is called interlayer insulation.

Flat Panel Display (FPD) Materials

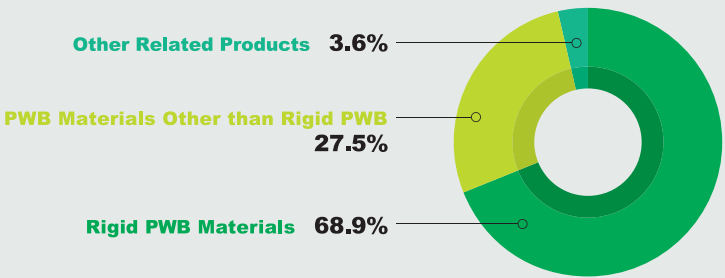
Main products include conductive silver paste and conductive adhesives.

Other Related Products

Main products include marking ink, etching ink, plating materials, flux and solvent.

Electronics Materials Business

FY2018 Net Sales
¥49,854 million

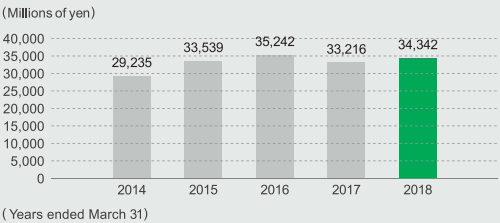


Net sales increased, aided by strong demand for smartphones, virtual currency servers, and vehicle installation parts. The weak yen also contributed to these increases.

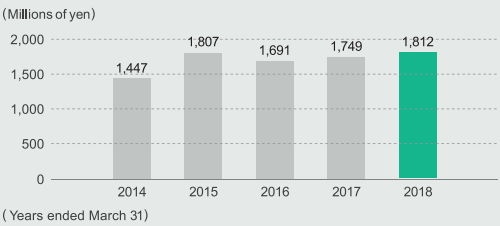
Summary of Sales by Product Group

Rigid PWB Materials ¥34,342 million

Looking back at the past five years, the acquisition of Onstatic Technology Co., Ltd. (OTC) has yielded results, with net sales increasing by 65.7% from FY2014 to FY2018. Vehicle installation parts saw strong growth in sales overall in FY2018 and income rose 3.4% compared to the previous fiscal year, despite an impact from appreciation of the yen.

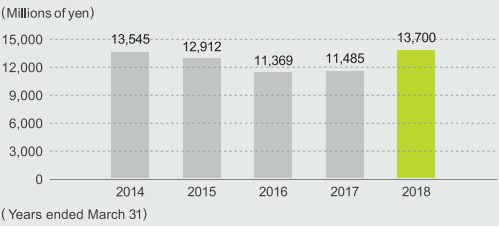


Other Related Products ¥1,812 million



PWB Materials Other than Rigid PWB ¥13,700 million

Looking back at the past five years, advances in automobile electrification and IoT have kept demand for semiconductor package board materials robust. This trend has helped increase net sales by 26.2% from FY2014 to FY2018. In FY2018, there was robust demand for semiconductor package board materials in smartphones, virtual currency servers and other related equipment. Meanwhile, factors contributing to higher year-on-year sales volume, which produced a 19.3% increase in net sales compared to the same period of the previous fiscal year, were the growing use of flexible board materials and build-up board materials in mobile devices and the increasing number of layers in multi-layer boards (with padding).



Consolidated Group Subsidiaries related to Electronics Materials Business

Japan	TAIYO INK MFG. CO., LTD.
China	TAIYO INK (SUZHOU) CO., LTD. / ONSTATIC INK (SHENZHEN) CO., LTD / TAIYO INK INTERNATIONAL (HK) LIMITED / TAIYO INK TRADING (SHENZHEN) CO., LTD.
Taiwan	TAIWAN TAIYO INK CO., LTD. / ONSTATIC TECHNOLOGY CO., LTD.
Korea	TAIYO INK CO., (KOREA) LTD. / TAIYO INK PRODUCTS CO., LTD.
Other	TAIYO AMERICA, INC. / TAIYO INK INTERNATIONAL (SINGAPORE) PTE LTD

Medical and Pharmaceuticals Business

FY2018 Net Sales
¥819 million

This segment got underway in January 2018, after Taiyo Pharma acquiring manufacturing and marketing rights/authorizations for 13 long-term listed products.

Consolidated Group Subsidiaries related to Medical and Pharmaceuticals Business

Japan TAIYO Pharma Co., Ltd

Topic

Acquisition of systems companies Micro Network Technologies Corp. and Thou-Management Corporation

We identify IT systems renovation and the construction of new systems as urgent needs as 20 years have passed since the company's last large-scale investment in its IT systems. However, due to the chronic labor shortage for IT personnel, the IT systems renovation plan was not progressing as expected. By making MNT and TMC consolidated subsidiaries respectively in April and August 2018, we believe that it will lead to sustainable growth of the company and improvement of corporate value.



Name
MICRO NETWORK TECHNOLOGIES CORP.

Head Office
18F, Otemachi Financial City Grand Cube, 1-9-2 Otemachi Chiyoda-ku, Tokyo 100-0004, Japan

Established
March 26, 2013

Capital
JPY 59,000,000

End of Fiscal Year
July 31

Business Area
Security business, RPA/AI business, Infrastructure/Network & server solution business, Software development business, Incubation business, Quality assurance, and various technical support business

Name
THOU-MANAGEMENT CORPORATION

Head Office
OR Bldg, 1F, 3-23-3 Takadanobaba Shinjuku-ku, Tokyo 169-0075, Japan

Established
March 2, 2001

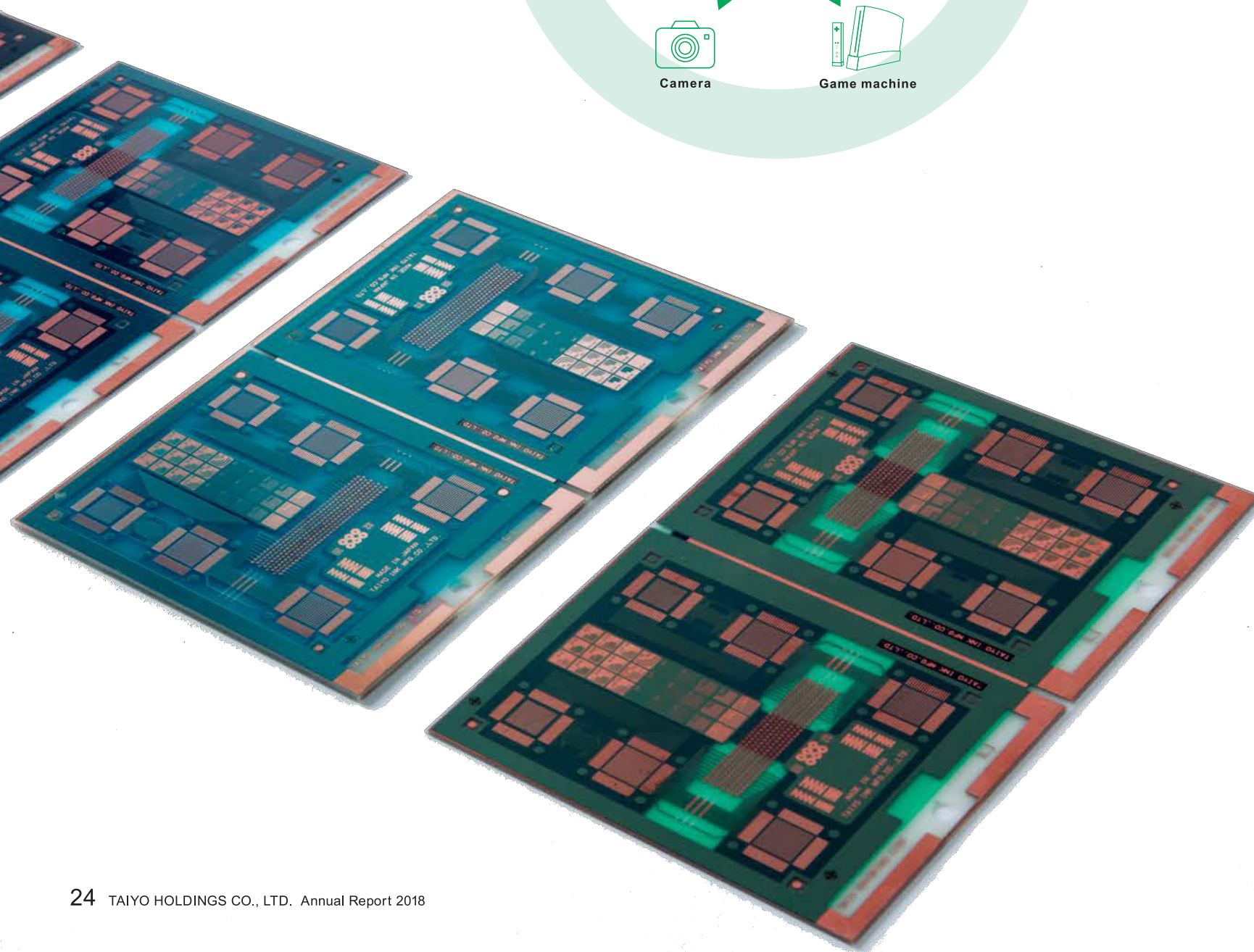
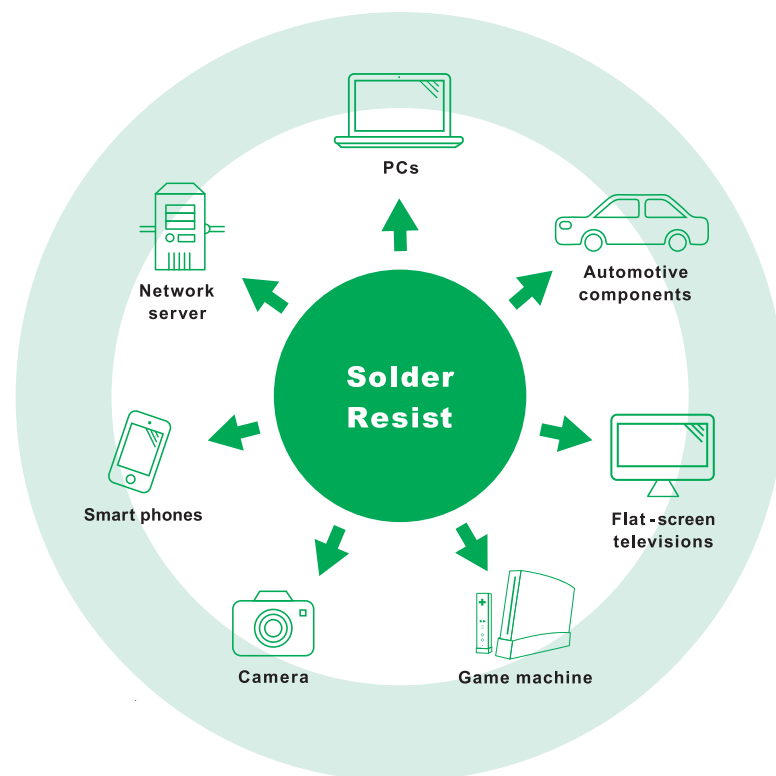
Capital
JPY 5,000,000

End of Fiscal Year
March 31

Business Area
System engineering and Integration business (Business system and IoT platform design and development business)

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.



Roles of Solder Resist

1 Preventing solder attachment in areas where it is not needed

We will generate profit and increase corporate value, thereby contributing to the well-being and prosperity of customers, communities, shareholders, and employees.

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)

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°C for 50 to 60 minutes to harden the SR. The SR pattern formation process is complete.

Liquid-Type SR

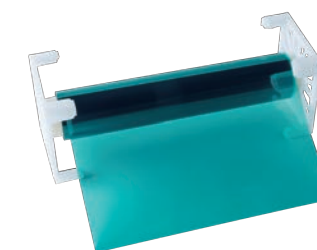
There are various types of SR, but Taiyo Ink was a pioneer in the development of alkaline developable liquid-type SR, which has now become a leading product. It is characterized by high sensitivity as well as outstanding gold plating resistance and water-soluble flux resistance. It is also used as SR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



Supply Chains

Network Covering the Global Market

In fiscal 2018, about 95% 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 84% 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.

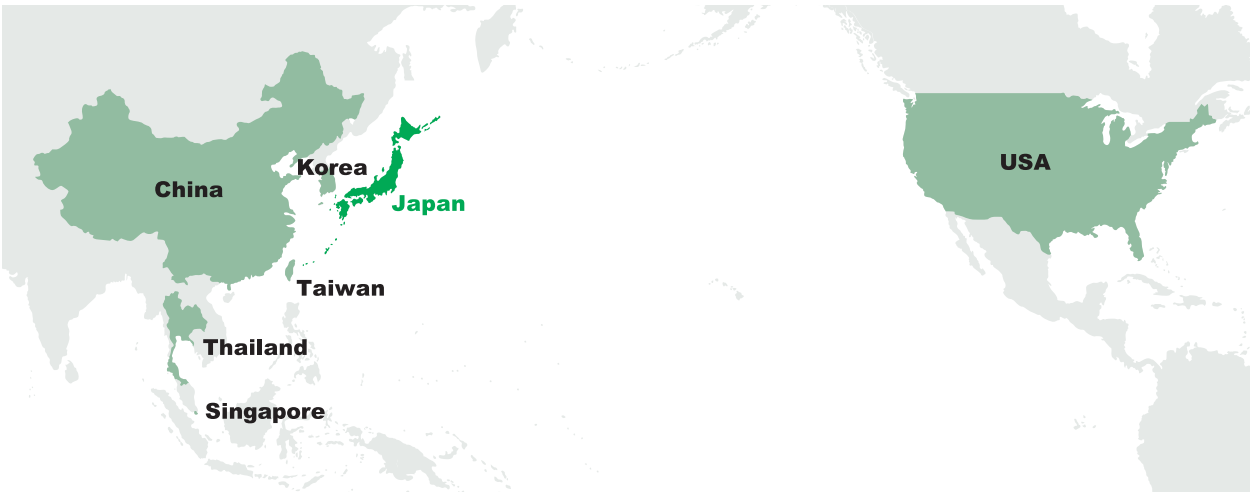
Quality Management in the Overall Supply Chain

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.



Global Network		
Japan TAIYO HOLDINGS CO., LTD. TAIYO INK MFG. CO., LTD. CHUGAI KASEI CO., LTD. TAIYO GREEN ENERGY CO., LTD. TAIYO PHARMA CO., LTD. MICRO NETWORK TECHNOLOGIES CORP. THOU-MANAGEMENT CORPORATION	Korea TAIYO INK MFG. CO., (KOREA) LTD. TAIYO INK PRODUCTS CO., LTD. Taiwan TAIWAN TAIYO INK CO., LTD. ONSTATIC TECHNOLOGY CO., LTD.	China TAIYO INK(SUZHOU)CO., LTD. ONSTATIC INK(SHENZHEN)CO., LTD. TAIYO INK INTERNATIONAL (HK) LIMITED TAIYO INK TRADING(SHENZHEN) CO., LTD.
Thailand TAIYO INK(THAILAND) CO., LTD.	Singapore TAIYO INK INTERNATIONAL (SINGAPORE) PTE LTD	USA TAIYO AMERICA, INC.
<div><div></div> Production and Marketing Subsidiaries</div> <div><div></div> Marketing or Technical Support Subsidiaries</div>		

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.

CSR

Since its establishment in September 1953, Taiyo Holdings has continued to grow thanks to the trust placed in it by the stakeholders, including its shareholders, customers, and business partners.

In order to continue to respond to that trust and grow together, all directors and employees of Taiyo Group will fulfill our corporate social responsibilities by taking a consistently forward-looking approach to business activities and observing ethics and laws.

In order to fulfill these responsibilities, Taiyo Group has established a corporate CSR Philosophy and a Code of Conduct, and is involved in a variety of CSR activities through its CSR organization comprising of various management systems and committees.The directors and employees of Taiyo Group will strive to create a company that is trusted by society and is actively involved in CSR activities.

CSR Philosophy

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

Code of Conduct

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

1. Ethical and Legal Compliance

We will observe laws and other social norms, and understanding the spirit thereof, will act openly and fairly.

2. Workplace Environment

We will respect employees'human rights, and create a workplace that is fair and free of discrimination.

3. Fair Business Dealings

We will deal with all our business partners in an honest manner and conduct business with them based on impartial and fair business conditions.

4. Respect for Stakeholders

We will always conduct business activities with respect for the viewpoints of all our stakeholders, and disclose information in a timely and appropriate manner.

5. Ensuring Confidentiality

We will work to ensure the protection of confidential information related to our business partners, the company itself, and any individual.

6. Ensuring Quality (Quality Policy)

We will ensure that we always provide safe, quality products that satisfy our customers.

7. Protecting the Environment (Basic Environmental Philosophy)

We will endeavor to protect the environment as part of the performance of our social responsibility, and will engage in business activities that are in harmony with the environment.

8. Ensuring Information Security (Basic Information Security Philosophy)

In the interests of customer trust and satisfaction, we will work to maintain or improve the confidentiality, integrity, and availability of all our information assets.

9. Social Contributions

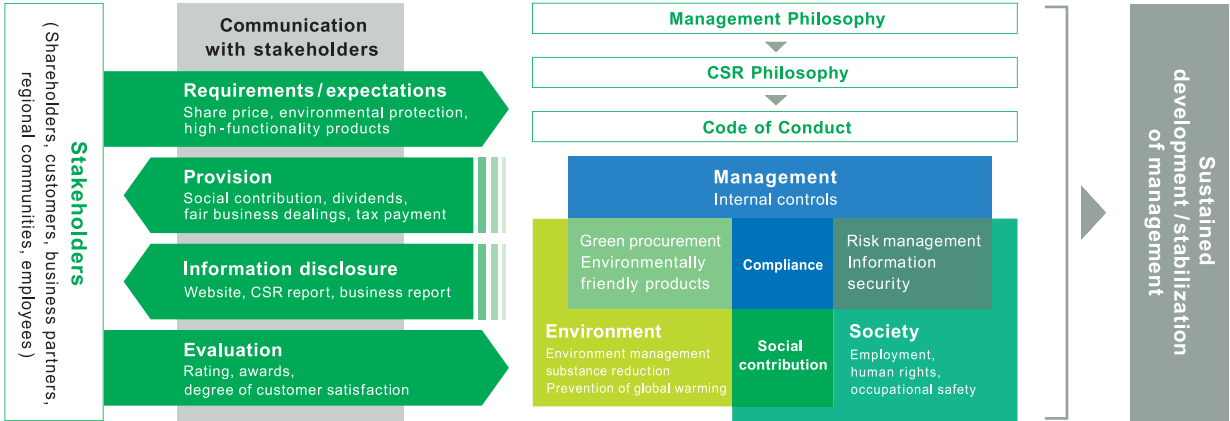
As members of society, we will engage in activities that contribute to society.

10. Protecting Intellectual Property

We will take appropriate precautions to protect Taiyo Group's intellectual property rights, and those of third parties.

11. Exclusion of Anti-social Forces

We will take a resolute stance towards anti-social forces and will not respond in any way to illegal or improper demands.



Compliance

The Taiyo Group continuously strives to increase our credibility by promoting activities that strengthen our internal organization and increase ethics and compliance awareness among all our employees.

Our internal Compliance Promotion Organization spearheads awareness and educational activities to ensure that employees understand the Taiyo Group's CSR Philosophy and Code of Conduct, and to continuously ensure that the Group's activities are aligned with the spirit of our CSR Philosophy and Code of Conduct. During the fiscal year ended March 2017, we focused on compliance education and our responses to legal and regulatory revisions. At the same time, with the addition of Taiyo Ink Products and Chugai Kasei to our Group, we organized and launched ethical and legal compliance systems within each company.

Relationship with Shareholders

Through profit dividends and appropriate communication, we contribute to the wealth and prosperity of all our shareholders.

Profit Dividends

Taiyo Holdings views cash-based profit returns to our investors as part of our core strategy, and distribute sustainable and stable profit returns at a high rate. Specifically, we establish shareholder's equity dividend ratio as a target indicator and aim for a medium-to long-term shareholder's equity dividend ratio of 5% or higher based on consolidated earnings.

Transitions in shareholder's equity dividend ratio (consolidated)

Fiscal period	FY2014	FY2015	FY2016	FY2017	FY2018
Dividends per share (Yen)	90	120	110	120.1	160.2
Shareholders' equity dividend ratio (%)	7.8	5.7	6.5	5.6	6.5

Relationship with Suppliers

Based on Green Procurement Standards, we practice the procurement of raw materials that are environmentally-conscious, safe, and that contribute to quality stability.

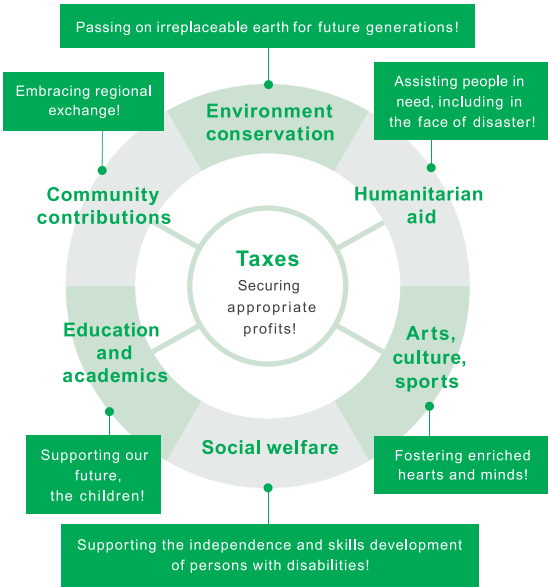
Implementation of Supplier Evaluations and On-Site Audits

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.

Relationship with Local Communities and Society

Working as a member of society to contribute to social development. This too is a vital responsibility of a corporation. All member companies of the Taiyo Group partner to conduct wide-ranging activities in order to ensure our ability to leave precious, limited resources for future generations, and to exist as a company that grows together with and enriches the hearts and minds of everyone with whom we interact.

Social Contribution Goals of the Taiyo Group



Social contribution activities

Blood donation supporters

The Taiyo Ink main office encourages employees to participate in blood donation activities. Also, each year employees working at other locations in the Taiyo Group cooperate with visiting blood donation trucks.



Blood donation truck visiting a Taiyo office

Overview of FY2018 Community & Social Contributions

Activity	Time	Details
Ranzan coming-of-age ceremony	Jan	Provide gifts
Sponsorship of support organizations for the physically disabled	Sep	Sponsorship of activities by organizations run by physically disabled persons
Ranzan citizens sports festival	Oct	Sponsor awards
Red Cross blood donor recruitment	Oct	Action to save the lives of patients in need of donated blood
7th birthday ceremony	Nov	Provide gifts
Japan Red Cross (fund-raising)	Nov	Cooperation to defend the health and dignity of human lives
Fund-raising for Akai Hane Central Community Chest of Japan	Nov	Support to advance community welfare
Japan Committee for UNICEF (fund-raising)	Nov	Assistance for work to create a world that defends children's rights
Ranzan Festival	Nov	Set up booths and help run the festival
Plant tour	Nov	Accept elementary school social studies students for a tour
Daycare	Year-round	Accept local children
Cooperation for school textbooks	Year-round	Cooperation creating material for the "Ranzan" social studies supplementary reader
Event sponsorship	Year-round	Sponsorship money disbursed for sporting events, etc.
Donations for charity and aid	Year-round	Reconstruction support to severe disaster zones in Japan and overseas
Ranzan elementary and jr. high school PTA resource collection	Year-round	Provide scrap cardboard for learning materials, etc.
Eco Cap Project	Year-round	Collect plastic bottle caps to help deliver vaccines to the world's children
Used stamp collection	Year-round	Collect used stamps to donate to facilities and organizations
Support for amateur athletes	Year-round	Support for inadequately funded athletes
Library corner	Year-round	Make books from the Ranzan Town Library available to borrow at the company
Colorful Country Road Support	Year-round	Local litter collection
Sponsorship for Kyoto Sanga F.C. Kids Smile Project	Year-round	Sponsorship of activities so children can experience the wonder of soccer dreams, the sport's emotion and its fun to make them smile

Community Contributions

Social Studies Class Tours

At Taiyo Ink Mfg headquarters, we run plant tours and a chemistry lab for social studies classes at a local elementary school. Supplementary reading materials for third and fourth graders published by the Ranzan Town Board of Education mentions Taiyo Ink Mfg as a topic for a social studies class tour. We will continue offering children opportunities for learning and experiences that contribute to cultivating the talent of the future with local roots.



Local elementary students listen to a lecture

Basic Policy on Environmental Activities

In our CSR Code of Conduct, the Group identifies environmental protection as our basic environmental philosophy, stating: "We will endeavor to protect the environment as part of the performance of our social responsibility, and will engage in business activities that are in harmony with the environment." We recognize that protecting people's health and safety, as well as our irreplaceable planet and its environment, through our environmental management system is a key management issue. To implement environmentally-friendly business administration, we act by sharing this awareness among executives and all employees.

Efforts to Reduce Environmental Footprint

Operation of Ranzan Onuma Floating Solar Power Plant

We began operating the Ranzan Onuma Floating Solar Power Plant in December 2017. Like the Ranzan Floating Solar Power Plant that opened in 2015, the new facility's equipment floats on the water and is anchored to the floor of the pond. Although a compact facility with 317 kW of output, all the electricity generated by the plant is used to operate the adjacent Taiyo Ink Mfg Saitama Plant. That power accounts for roughly 5% of all the electricity the plant uses. A positive assessment of these efforts allowed the plant's installation to receive a subsidy in FY2018 for business expenses involved in suppressing carbon dioxide emissions from a government project to encourage the voluntary spread of renewable energy, electricity and heat.

Environmental Achievements

	Ranzan Floating Solar Power Plant	Ranzan Onuma Floating Solar Power Plant
Capacity	~390 homes	~5% of power consumed by adjacent Taiyo Ink Mfg facility
CO ₂ Reductions	~420 tons/year	~190 tons/year

Topic

One of our subsidiaries, Taiyo Ink Mfg, has pledged to use 100% clean energy in production for Apple as a manufacturing partner. On April 10, 2018, Apple announced nine new suppliers who will participate in the company's efforts to shift to 100% renewable energy. Taiyo Ink Mfg is one of those suppliers.

(Apple press release: <https://www.apple.com/newsroom/2018/04/apple-now-globally-powered-by-100-percent-renewable-energy/>)



Ranzan Floating Solar Power Plant



Ranzan Onuma Floating Solar Power Plant

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.

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 nine directors, three of whom are outside directors. The Audit & Supervisory Board is composed of four audit & supervisory board members, three 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. 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.

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.

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.

During the fiscal year ended March 2018, in accordance with the Basic Plan for Internal Controls for the 72nd period, the outsourcing of warehouse management for Taiwan Taiyo Ink Co., Ltd. beginning in July 2017 was accompanied by a review of internal controls. In addition, we made organizational changes and transferred personnel in an effort to respond to changes in the division and allocation of duties by maintaining proper monitoring and retaining the efficacy of internal controls.

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.

The FY2018 6S*1 Committee at the Kitakyushu Plant clarified the definition of the 6S, which was used to produce a 6S activity manual. Since one-year targets were achieved, the 6S Committee is being dissolved in FY2019 and a new TQM*2 & QC circle*3 activities team will be formed. These activities will strive to further raise enterprise value.

*1. 6S: 5S activities + safety (5S = Seiri (organize) / Seiton (tidy) / Seiso (cleaning) / Seiketsu (cleanliness) / Shitsuke (discipline))

*2. TQM activities: Stands for total quality management, a company-wide effort involving all employees to provide customers with satisfactory products and services.

*3. QC circle: Stands for quality control circle, where workers at frontline worksites form small groups to continuously improve the quality of products, services and processes.

Executive Compensation

At the 71st General Shareholders' Meeting held on June 21, 2017, we received approval for a director's compensation system comprising the payment of base salary, performance cash bonus, and, as compensation to executive directors (hereinafter refers to directors as defined in each paragraph of Article 363, Section 1 of the Companies Act), a stock compensation system comprised of restricted stock and performance cash bonus deferral in restricted stock.

This director's compensation system aims to provide incentives to executive directors to strive for the sustainable growth of our Group's corporate value while further promoting value sharing between our executive directors and our shareholders.

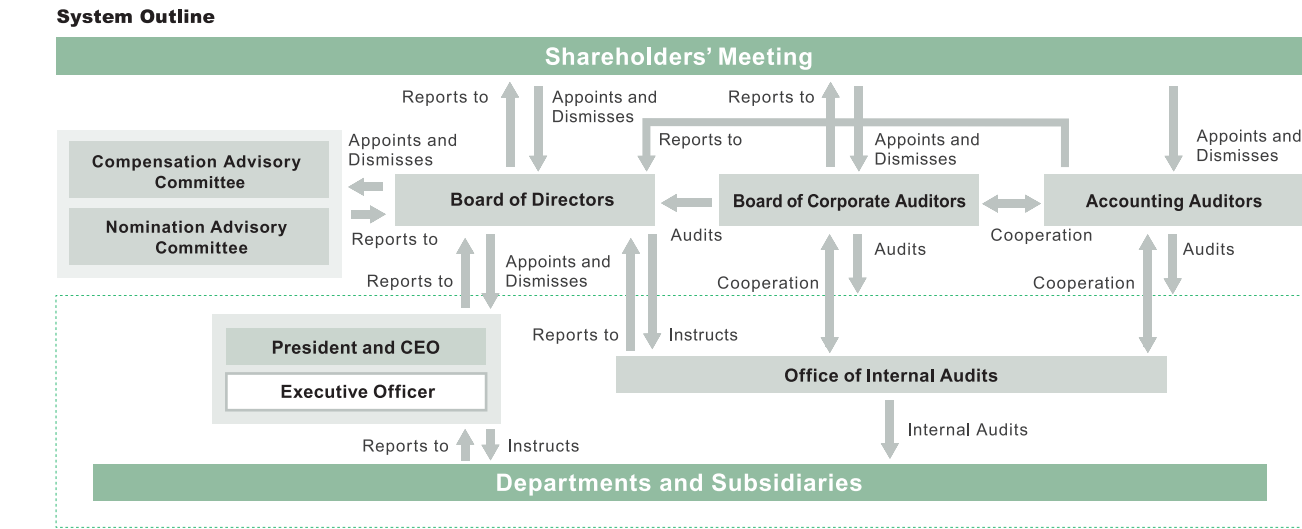
Compensation paid to directors other than executive directors and to audit & supervisory board members consists of base salary only.

The calculation method, payment timing, distribution, and other matters concerning the base salary amount to directors as well as the performance cash bonus, restricted stock, and performance cash bonus deferral in restricted stock to executive directors shall be determined by the Board of Directors in accordance with framework approved at the General Shareholders' Meeting. Prior to making said decision, the Compensation Advisory Committee chaired by an outside director and comprised of a majority of outside committee members shall conduct an objective comparison and validation of compensation standards using executive compensation survey data from a third-party institution. The committee shall deliberate on compensation policies and compensation levels, and then issue its recommendation to the Board of Directors, which shall take said recommendation into account when making a final determination.

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 fiscal year ended March 2018 is shown below.

Executive Category	Total Amount of Compensation (Millions of yen)	Amounts of Compensation by Type (Millions of yen)					Number of executives
		Base compensation	Performance-based monetary compensation	Performance-based stock compensation	Restricted Stock	Retirement Benefits	
Directors (excluding outside directors)	434	100	77	165	91	-	6
Audit & supervisory board members (excluding outside audit & supervisory board members)	15	15	-	-	-	-	1
Outside officers	38	38	-	-	-	-	5





Front row (left to right)

Hitoshi Saito Director	Takayuki Morita Director	Eiji Sato President and CEO	Eiji Takehara Director	Takao Miwa Director
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Middle row (left to right)

Toshihumi Tamaki Director	Jinichiro Yamada Outside Director	Masayuki Hizume Outside Director	Keiko Tsuchiya Outside Director	Asako Aoyama Outside Audit & Supervisory Board Member	Hidegori Sugiura Outside Audit & Supervisory Board Member
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Back row (left to right)

Masaru Oki Audit & Supervisory Board Member	Akihito Sakai Outside Audit & Supervisory Board Member
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Board of Directors

Eiji Sato President and CEO	Hitoshi Saito Director	Jinichiro Yamada Outside Director
Takayuki Morita Director	Takao Miwa Director	Masayuki Hizume Outside Director
Eiji Takehara Director	Toshihumi Tamaki Director	Keiko Tsuchiya Outside Director

Audit & Supervisory Board Members

Akihito Sakai Outside Audit & Supervisory Board Member
Hidegori Sugiura Outside Audit & Supervisory Board Member
Masaru Oki Audit & Supervisory Board Member
Asako Aoyama Outside Audit & Supervisory Board Member

(As of June 23, 2018)



Financial Section

36	Six-Year Summary
38	Management's Discussion and Analysis
42	Consolidated Balance Sheet
44	Consolidated Statement of Income
45	Consolidated Statement of Comprehensive Income
46	Consolidated Statement of Changes in Equity
48	Consolidated Statement of Cash Flows

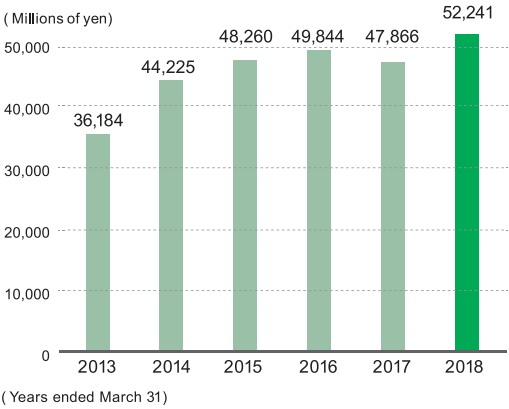
Six-Year Summary

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

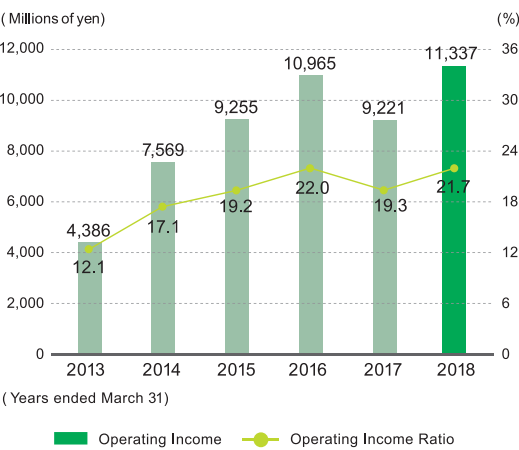
Millions of yen						
	2013	2014	2015	2016	2017	2018
For the Year						
Net sales	36,184	44,225	48,260	49,844	47,866	52,241
Cost of sales	25,319	28,349	28,865	27,356	26,220	27,304
Selling, general and administrative expenses	6,479	8,307	10,140	11,523	12,425	13,599
Operating income	4,386	7,569	9,255	10,965	9,221	11,337
Net income attributable to owners of the parent	3,368	4,931	6,667	7,796	6,399	4,856
Depreciation and amortization	1,004	1,181	1,412	1,891	2,485	2,284
Net cash provided by (used in) operating activities	6,109	7,020	9,233	10,546	9,042	8,100
Net cash used in (provided by) investing activities	(2,478)	(3,839)	(2,913)	(6,750)	(1,064)	(24,161)
Net cash provided by (used in) financing activities	(2,314)	2,350	(9,920)	(2,741)	20,343	11,319
At year-end						
Total assets	44,023	58,369	61,242	65,465	92,387	111,490
Property, plant and equipment, net	12,664	14,376	16,865	19,644	18,390	17,923
Total liabilities	7,213	15,713	19,929	20,214	20,540	38,467
Non-controlling interests	605	2,046	2,238	2,136	783	363
Total equity	36,810	42,656	41,312	45,251	71,847	73,023
Per share data						
Yen						
Basic net income	132.38	193.83	264.05	337.99	266.46	168.55
Cash dividends applicable to the year	90.00	120.00	90.00	110.00	120.10	160.2
Net assets	1,423.26	1,596.45	1,703.14	1,865.94	2,468.99	2,520.68
Ratios						
%						
Ratio of operating income to net sales	12.1	17.1	19.2	22.0	19.3	21.7
Return on equity	9.7	12.8	16.7	19.0	11.2	6.8
Equity ratio	82.2	69.6	63.8	65.9	76.9	65.2
Common stock						
Thousands of Shares						
Number of shares issued	27,464,000	27,464,000	27,464,000	27,485,600	28,841,100	28,865,194

See notes to consolidated financial statements.

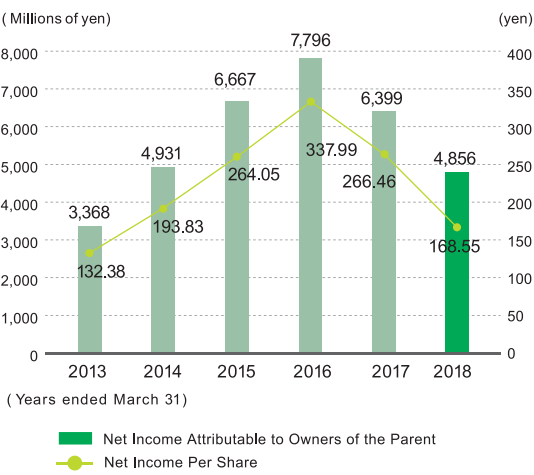
Net Sales



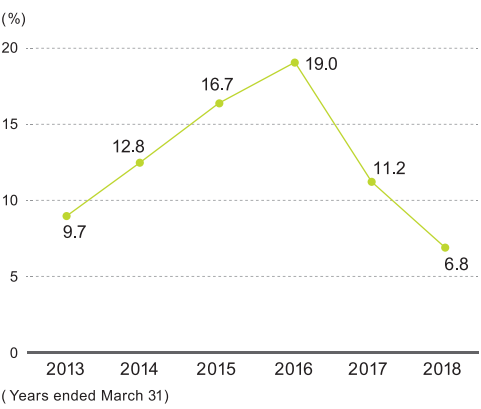
Operating Income and Operating Income Ratio



Net Income Attributable to Owners of the Parent and Net Income Per Share



Return on Equity



Management's Discussion and Analysis

(1) Financial position and operating results

During the consolidated fiscal year, the US economy recovered modestly, with improved employment relations and corporate earnings. Europe continued on the recovery path thanks to better exports and capital investment. In China, external demand picked up, leading to an economic upturn. In Japan, the economy continued to improve amid strong employment and income levels.

Against this backdrop, we kickstarted our three-year medium-term business plan, NEXT STAGE 2020. Under this plan, we aim to shift away from dependence on solder resists and focus more on our chemical products, thereby transforming ourselves into a comprehensive chemicals company.

In the current consolidated fiscal year (the first year of NEXT STAGE 2020), we established Taiyo Pharma as a subsidiary to drive forward the medical and pharmaceuticals business. Taiyo Pharma subsequently acquired manufacturing and marketing rights/authorizations for 13 long-term listed products.

Key Operating Results

Net sales	¥52,241 million	(up 9.1% year-on-year)
Operating income	¥ 11,337 million	(up 22.9% year-on-year)
Ordinary profit	¥ 11,199 million	(up 21.7% year-on-year)
Profit attributable to owners of parent	¥ 4,856 million	(down 24.1% year-on-year)

The decrease in profit attributable to owners of parent reflects one-time amortization of goodwill pertaining to Onstatic Technology Co., Ltd.

Results by Segment

We assign business segments to our subsidiaries, and we have two reportable segments: 1. electronics materials and 2. medical and pharmaceuticals. The reportable segments in this consolidated fiscal year differ from that in previous years. For year-on-year comparisons, we amend the data in the preceding year according to the new segment system.

Electronics materials

Net sales	¥ 49,854 million	(up 7.3% year-on-year)
Segment income	¥ 12,114 million	(up 23.6% year-on-year)

Net sales and Segment income increased, aided by strong demand for smartphones, virtual currency servers, and vehicle installation parts. The weak yen also contributed to these increases.

Medical and pharmaceuticals

Net sales	¥819 million
Segment income	¥ 8 million

This segment got underway in January 2018, after Taiyo Pharma acquiring manufacturing and marketing rights/authorizations for 13 long-term listed products. Since it was not operating before this consolidated fiscal year, we cannot provide any year-on-year comparisons.

(2) Overview of financial position as of March 31, 2018

The following table shows the status of assets, liabilities and net assets in the current consolidated fiscal year as well as the factors behind these assets, liabilities and net assets.

	Previous year (Millions of yen)	Current year (Millions of yen)	Main factors
Current assets	67,401	68,373	A decrease of 4,212 million yen in cash and deposits, and increases of 2,162 million yen in notes and accounts receivable – trade, and 1,317 million yen in merchandise and finished goods.
Non-current assets	24,984	43,116	A decrease of 3,429 million yen in goodwill, and an increase of 20,555 million yen in sales rights
Total assets	92,386	111,490	
Total liabilities	20,540	38,467	Increases of 5,615 million yen in the current portion of long-term loans payable, and 8,753 million yen in long-term loans payable
Total net assets	71,846	73,023	Positive factor: 4,856 million yen in profit attributable to owners of parent Negative factor: 3,748 million yen in payment of dividends
Total liabilities and net assets	92,386	111,490	

(3) Cash flows

The following table shows the cash flows in the current consolidated fiscal year as well as the factors behind these cash flows.

	Previous year (Millions of yen)	Current year (Millions of yen)	Main factors
Net cash provided by (used in) operating activities	9,042	8,100	Cash inflows included 7,941 million yen in profit before income taxes and 3,535 million yen in amortization of goodwill. Payment of income taxes resulted in a cash outflow of 1,918 million yen.
Net cash provided by (used in) investing activities	(1,063)	(24,161)	Cash outflows included 21,192 million yen for acquisition of intangible assets and 1,381 million yen for acquisition of property, plant and equipment.
Net cash provided by (used in) financing activities	20,342	11,319	Cash outflows included 3,748 million yen in payment of dividends. Cash inflows included an increase of 15,100 million yen for long-term loans payable.
Net increase (decrease) in cash and cash equivalents	28,233	(4,844)	
Cash and cash equivalents at end of period	46,661	41,816	

(4) The objective metrics we use to shape business policies and measure success

We have outlined key performance indicators in NEXT STAGE 2020, our three-year medium-term business plan (which began in the fiscal year ended March 31, 2018). The following table shows how successful we were in achieving the key performance indices for the said fiscal year.

KPI	Target	Progress (FYE Mar 2018)	Target met?
Operating margin	20% or more	21.7%	Yes
Return on equity (ROE)	11% or more	6.8%	No
Dividend on equity ratio (DOE)	5% or more	6.5%	Yes
Operating income	New record high (FYE Mar 2016: ¥10,964 million)	¥11,337 million	Yes

As the table shows, we did not achieve our ROE target. We have moved this target to the fiscal year ending March 31, 2020. To achieve the target by that time, we will:

- Make our solder resist operations more profitable
- Expand our non-solder resist PWB operations
- Implement our strategy for the medical and pharmaceuticals business
- Pursue a dynamic capital stock policy (return profits to shareholders while responding flexibly to changes in the business climate)

(5) Future forecasts

In regard to the business environment for the Taiyo Group during fiscal year ending March 31, 2019, we anticipate demand will remain strong for vehicle installation parts and high function smartphone-related materials in the electronic components industry, which is a market related to the group, but expect low demand for general home electric appliances. We also anticipate a steep rise in raw material costs due to the steep rise in the price of crude oil and stricter environmental regulations in China.

Although we expect the medical and pharmaceutical business to contribute to growth in net sales next fiscal year, upfront expenses for launching the business will prevent the business from contributing to an increase in operating income.

The Taiyo Group also has a high ratio of overseas sales to net sales. We therefore expect appreciation of the yen to have an impact on earnings results for 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, 2019 (Forecast)	60,200	9,800	9,600	6,700	232.43
For the fiscal year ended March 31, 2018 (Actual results)	52,241	11,337	11,199	4,856	168.55
Rate of change (%)	15.2	(13.6)	(14.3)	38.0	37.9

Reference 1

The earnings forecasts for fiscal year ending March 31, 2019 provided below are based on an assumed average exchange rate for the period of JPY111/USD, on par with last fiscal year.

(% year on year)									
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, 2018	31,900 23.7	5,700 (0.8)		5,600 (1.6)		3,900 (2.5)		135.30	
Fiscal year ending March 31, 2019	63,800 22.1	11,400 0.6		11,200 0.0		7,800 60.6		270.59	

Reference 2

The table below shows the projected operating results over the next five years for the 13 long-term listed products for which manufacturing and sales rights were acquired during the consolidated fiscal year under review.

	Net sales (Millions of yen)	Operating income (Millions of yen)	Amortization of sales rights included in selling expenses (Millions of yen)	Operating income before amortization of sales rights (Millions of yen)
For the fiscal year ended March 31, 2018 (Actual results)	820	9	353	361
For the fiscal year ending March 31, 2019 (Forecast)	7,592	(Note) (334)	1,411	1,077
For the fiscal year ending March 31, 2020 (Forecast)	9,133	351	1,411	1,763
For the fiscal year ending March 31, 2021 (Forecast)	8,634	532	1,411	1,943
For the fiscal year ending March 31, 2022 (Forecast)	8,362	1,263	1,411	2,674
For the fiscal year ending March 31, 2023 (Forecast)	7,732	1,132	1,411	2,543

Note:
Fiscal year ending March 31, 2019 includes approximately 500 million yen in expenses for transfer of production and other start-up expenses.

(6) 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, and a year-end dividend of 65.10 yen per share. This resulted in an annual dividend of 120.10 yen per share for the current fiscal year.

Concerning dividends of the next fiscal year, we plan to pay an interim dividend of 65.10 yen and a year-end dividend of 65.10 yen, and this will result in an annual dividend of 130.20 yen per share and a rate of return to shareholders of 66.9%.

(7) Business risks

The following are the main risks that may influence the business development of the Group. The information below includes projections and other forward-looking statements. These forward-looking are based on information available to us as of the end of the current consolidated fiscal year. They are not guarantees of future performance.

1. Credit risk

We have a large customer base, and we avoid concentrating our receivables on a handful of large customers. Nonetheless, if our debtors fall into financial difficulties, the resulting bad debt may negatively affect our consolidated performance.

2. Procurement risk

We procure many of our raw materials from outside the group. If these external suppliers suffer a disaster or other problems in the supply chain arise, it may impair our production activities and in turn affect our performance.

3. Risk of rise in raw material prices

We use many different kinds of raw materials. Some of these materials are derived from crude oil. Oil market trends may cause the price of some raw materials to rise, which may in turn affect our performance.

4. Technological innovation risk

In our electronics materials segment, we rely heavily on PWB materials—especially solder resists. The majority of the segment’ s sales stem from manufacturing and marketing these items. Technological progress may generate manufacturing techniques that do not rely on our products (such as techniques for making electronic parts without PWBs or making PWBs without solder resists). If such techniques were to be widely adopted, demand for our products would plummet.

This eventuality is unlikely to occur in the foreseeable future given the attributes, operability, and economic viability of the products in question. Nonetheless, we have made exploring the potential for new PWB techniques a top priority in our R&D efforts.

5. Patent risk

In the electronics materials segment, we use patents and other forms of intellectual property rights to protect our products and technologies from unauthorized use. However, we may not always succeed in this. For example, a patent application might ultimately fail to give us the rights we require, or someone might file a request for the patent to be invalidated. Moreover, if we infringe another’ s intellectual property rights, we might have to pay royalties or a vast amount of compensation. Such an eventuality would adversely affect our consolidated performance.

6. Country-specific risks

In the electronic materials segment, we have production bases in Japan, Taiwan, South Korea, China, and the USA, and we are expanding sales globally—particularly in China, Taiwan, South Korea, and the ASEAN region. Risks particular to these countries may impact our business strategy or consolidated performance. Examples of such country-specific risks include terrorist incidents, political strife, economic turbulence, natural disasters, epidemics, or sudden changes in the country’ s legal, regulatory, or tax environment.

7. Exchange rate risk

In the electronics materials segment, overseas sales account for a large share of total net sales, and we often denominate sales prices in a foreign currency. As such, exchange rate fluctuations may impact our performance. In our case, a high yen usually spells lower revenue and profits.

8. Risk of price fluctuations in key products

With PWB production increasingly shifting to China and elsewhere in Asia, the electronics materials segment’ s solder resists are subject to intense price competition with local and Japanese-owned firms. Solder resist prices may be driven down further by competition over PWB prices. Since solder resists are a mainstay for us, a decline in their prices may impact our consolidated performance.

9. Demand risk

Trends in the electronics component market affect demand for the electronics materials segments’ main products, and may by extension impact our consolidated performance.

10. Side-effects of pharmaceuticals

The medical and pharmaceuticals segment markets pharmaceuticals in compliance with all applicable laws and standards. Nonetheless, once sold, the segment’ s pharmaceuticals might end up being associated with side-effects. Unanticipated side-effects might impact our performance.

11. Pharmaceutical regulation

The medical and pharmaceuticals segment is vulnerable to changes in the regulatory environment, including government policies to regulate pharmaceutical prices or reform the healthcare insurance system. Such changes might impact our performance.

Consolidated Balance Sheet

TAIYO HOLDINGS CO., LTD. and Consolidated Subsidiaries

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Assets		
Current assets		
Cash and deposits	48,800	44,588
Notes and accounts receivable - trade	13,346	15,509
Merchandise and finished goods	2,182	3,499
Work in process	437	405
Raw materials and supplies	1,797	2,042
Other	936	2,456
Allowance for doubtful accounts	(99)	(127)
Total current assets	67,401	68,373
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	10,359	9,990
Machinery, equipment and vehicles, net	2,850	2,791
Tools, furniture and fixtures, net	1,155	989
Land	3,920	3,906
Construction in progress	100	240
Other	3	5
Total property, plant and equipment	18,389	17,923
Intangible assets		
Goodwill	4,104	674
Sales rights	-	20,555
Other	433	589
Total intangible assets	4,537	21,818
Investments and other assets		
Investment securities	1,058	2,231
Shares of subsidiaries and associates	19	19
Deferred tax assets	230	264
Net defined benefit asset	332	326
Other	570	677
Allowance for doubtful accounts	(154)	(144)
Total investments and other assets	2,057	3,374
Total non-current assets	24,984	43,116
Total assets	92,386	111,490

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	6,170	7,769
Short-term loans payable	1,274	2,145
Current portion of long-term loans payable	500	6,116
Accounts payable - other	1,210	1,853
Income taxes payable	884	1,448
Provision for bonuses	436	510
Other	877	648
Total current liabilities	11,355	20,491
Non-current liabilities		
Deferred tax liabilities	1,387	1,458
Long-term loans payable	7,169	15,923
Net defined benefit liability	127	116
Asset retirement obligations	352	397
Other	147	79
Total non-current liabilities	9,184	17,975
Total liabilities	20,540	38,467
Equity		
Shareholders' equity		
Capital stock	9,171	9,232
Capital surplus	14,824	14,717
Retained earnings	46,308	47,415
Treasury shares	(178)	(121)
Total shareholders' equity	70,125	71,244
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	195	321
Foreign currency translation adjustments	741	1,084
Remeasurements of defined benefit plans	0	9
Total accumulated other comprehensive income	938	1,415
Non-controlling interests	782	363
Total equity	71,846	73,023
Total liabilities and net equity	92,386	111,490

Consolidated Statement of Income

TAIYO HOLDINGS CO., LTD. and Consolidated Subsidiaries

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Net sales	47,866	52,241
Cost of sales	26,220	27,304
Gross profit	21,645	24,937
Selling, general and administrative expenses	12,424	13,599
Operating income	9,221	11,337
Non-operating income		
Interest income	57	78
Dividend income	39	18
Foreign exchange gains	14	-
Subsidy income	20	45
Other	102	71
Total non-operating income	234	214
Non-operating expenses		
Interest expenses	86	127
Commission fee	101	-
Share issuance cost	27	-
Foreign exchange losses	-	208
Loss on investments in partnership	5	-
Other	32	17
Total non-operating expenses	253	352
Ordinary profit	9,202	11,199
Extraordinary income		
Subsidy income	546	24
Gain on sales of investment securities	-	16
Other	29	-
Total extraordinary income	575	40
Extraordinary losses		
Amortization of goodwill	-	3,278
Impairment loss	1,019	-
Other	2	19
Total extraordinary losses	1,021	3,298
Profit before income taxes	8,756	7,941
Income taxes		
Current	2,588	3,040
Deferred	(388)	(24)
Total income taxes	2,199	3,016
Profit	6,557	4,925
Profit attributable to non-controlling interests	158	69
Profit attributable to owners of parent	6,398	4,856

Consolidated Statement of Comprehensive Income

TAIYO HOLDINGS CO., LTD. and Consolidated Subsidiaries

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Net Income	6,557	4,925
Other comprehensive income		
Valuation difference on available-for-sale securities	99	125
Foreign currency translation adjustments	(519)	(45)
Remeasurements of defined benefit plans, net of tax	13	8
Total other comprehensive income	(406)	89
Comprehensive income	6,151	5,014
Comprehensive income attributable to		
Owners of parent	6,063	5,333
Non-controlling interests	88	(318)

Consolidated Statement of Changes in Equity

TAIYO HOLDINGS CO., LTD.
and Consolidated Subsidiaries
Fiscal year ended March 31, 2017

Millions of yen

	Shareholders' equity					Accumulated other comprehensive income					
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total equity
Balance, March 31, 2016	6,188	7,304	42,490	(14,141)	41,841	96	1,190	(12)	1,274	2,135	45,250
Dividends of surplus			(2,544)		(2,544)						(2,544)
Profit attributable to owners of parent			6,398		6,398						6,398
Change in scope of consolidation			(35)		(35)						(35)
Purchase of shares of consolidated subsidiaries		(609)			(609)						(609)
Issuance of new shares	2,982	2,982			5,965						5,965
Purchase of treasury shares				(0)	(0)						(0)
Disposal of treasury shares		5,145		13,963	19,109						19,109
Net changes of items other than shareholders' equity						99	(448)	13	(335)	(1,352)	(1,688)
Total changes of items during period	2,982	7,519	3,818	13,963	28,283	99	(448)	13	(335)	(1,352)	26,595
Balance, March 31, 2017	9,171	14,824	46,308	(178)	70,125	195	741	0	938	782	71,846

TAIYO HOLDINGS CO., LTD.
and Consolidated Subsidiaries
Fiscal year ended March 31, 2018

Millions of yen

	Shareholders' equity					Accumulated other comprehensive income					
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total equity
Balance, March 31, 2017	9,171	14,824	46,308	(178)	70,125	195	741	0	938	782	71,846
Dividends of surplus			(3,748)		(3,748)						(3,748)
Profit attributable to owners of parent			4,856		4,856						4,856
Purchase of shares of consolidated subsidiaries		(167)			(167)						(167)
Issuance of new shares	60	60			121						121
Purchase of treasury shares				(0)	(0)						(0)
Disposal of treasury shares				57	57						57
Net changes of items other than shareholders' equity						125	342	8	476	(418)	58
Total changes of items during period	60	(106)	1,107	56	1,118	125	342	8	476	(418)	1,177
Balance, March 31, 2018	9,232	14,717	47,415	(121)	71,244	321	1,084	9	1,415	363	73,023

Consolidated Statement of Cash Flows

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Cash flows from operating activities		
Profit before income taxes	8,756	7,941
Depreciation	2,485	2,284
Impairment loss	1,019	-
Amortization of goodwill	241	3,535
Commission fee	101	-
Share issuance cost	27	-
Loss (gain) on investments in partnership	5	-
Loss (gain) on sales of short-term and long-term investment securities	-	(16)
Subsidy income	(546)	(24)
Decrease (increase) in net defined benefit asset	50	15
Increase (decrease) in net defined benefit liability	9	(10)
Increase (decrease) in allowance for doubtful accounts	(80)	14
Increase (decrease) in provision for bonuses	36	72
Interest and dividend income	(97)	(97)
Interest expenses	86	127
Decrease (increase) in consumption taxes refund receivable	-	(1,759)
Decrease (increase) in notes and accounts receivable - trade	(925)	(2,030)
Decrease (increase) in inventories	(420)	(1,508)
Increase (decrease) in notes and accounts payable - trade	567	1,653
Other, net	(56)	(171)
Subtotal	11,259	10,025
Interest and dividend income received	97	92
Interest expenses paid	(80)	(123)
Proceeds from subsidy income	546	24
Income taxes paid	(2,779)	(1,918)
Net cash provided by (used in) operating activities	9,042	8,100
Cash flows from investing activities		
Payments into time deposits	(2,247)	(4,379)
Proceeds from withdrawal of time deposits	3,082	3,846
Purchase of property, plant and equipment	(1,584)	(1,381)
Proceeds from sales of property, plant and equipment	35	-
Purchase of intangible assets	(76)	(21,192)
Purchase of investment securities	(271)	(1,021)
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	-	(10)
Other, net	0	(22)
Net cash provided by (used in) investing activities	(1,063)	(24,161)

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	308	1,097
Proceeds from long-term loans payable	300	15,100
Repayments of long-term loans payable	(466)	(502)
Redemption of bonds	(100)	-
Purchase of treasury shares	(0)	-
Proceeds from sales of treasury shares	18,932	-
Cash dividends paid	(2,544)	(3,748)
Dividends paid to non-controlling interests	(383)	(85)
Proceeds from issuance of common shares	5,965	-
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(1,667)	(538)
Other, net	(1)	(3)
Net cash provided by (used in) financing activities	20,342	11,319
Effect of exchange rate change on cash and cash equivalents	(88)	(102)
Net increase (decrease) in cash and cash equivalents	28,233	(4,844)
Cash and cash equivalents at beginning of period	18,385	46,661
Increase in cash and cash equivalents from newly consolidated subsidiary	42	-
Cash and cash equivalents at end of period	46,661	41,816

Domestic Network

TAIYO HOLDINGS CO., LTD. Head Office 16F, Metropolitan Plaza Bldg., 1-11-1 Nishi-Ikebukuro, Toshima-ku, Tokyo 171-0021, Japan	CHUGAI KASEI CO., LTD. 35-3 Akaizawa, Nihonmatsu-shi, Fukushima 964-0982, Japan
TAIYO HOLDINGS CO., LTD. Ranzan Facility 388 Ohkura, Ranzan-machi, Hiki-gun, Saitama 355-0222, Japan	TAIYO GREEN ENERGY CO., LTD. 388 Ohkura, Ranzan-machi, Hiki-gun, Saitama 355-0222, Japan
TAIYO INK MFG. CO., LTD. 900 Hirasawa, Ranzan-machi, Hiki-gun, Saitama 355-0215, Japan	TAIYO PHARMA CO., LTD. 3F, Otemachi Financial City Grand Cube, 1-9-2 Otemachi, Chiyoda-ku, Tokyo 100-0004, Japan
TAIYO INK MFG. CO., LTD. Kitakyushu Plant 1-1 Kurosakishiroishi, Yahatanishi-ku, Kitakyushu-City Fukuoka 806-0004, Japan	MICRO NETWORK TECHNOLOGIES CORP. 18F, Otemachi Financial City Grand Cube, 1-9-2 Otemachi Chiyoda-ku, Tokyo 100-0004, Japan
TAIYO INK MFG. CO., LTD. Kansai Sales Office FIS Bldg. Room 611, 403 Shimomaruya-cho, 2-chome Nijo-kudaru, Kawaramachidori, Nakagyo-ku, Kyoto 604-8006, Japan	THOU-MANAGEMENT CORPORATION OR Bldg, 1F, 3-23-3 Takadanobaba shinjuku-ku, Tokyo 169-0075, Japan

Global Network

Company	Voting Shares Held	Business Description
TAIWAN TAIYO INK CO., LTD.	100.0%	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.	100.0%	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 PRODUCTS 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.) ONSTATIC TECHNOLOGY CO., LTD. 7F., No.1, Ren' ai Rd., Yingge Dist., New Taipei City 239, Taiwan(R.O.C.)	China TAIYO INK (SUZHOU) CO., LTD. No.26 Taishan Road, Suzhou New District, Suzhou City, Jiangsu, P.R.China ONSTATIC INK (SHENZHEN) CO., LTD. Building No 38, Western Industrial Zone, Sha-Yi Village, Sha-Jing Town, Shenzhen City, Guangdong Province, P.R.China
Korea TAIYO INK MFG. CO., (KOREA) LTD. 166, Manhae-ro, Danwon-gu, Ansan-si, Gyeonggi-do, Korea	USA TAIYO AMERICA, INC. 2675 Antler Drive, Carson City, NV89701, U.S.A.

Marketing or Technical Support Subsidiaries

Singapore TAIYO INK INTERNATIONAL (SINGAPORE) PTE LTD 133 New Bridge Road, #09-08 Chinatown Point, Singapore 059413	China TAIYO INK TRADING (SHENZHEN) CO., LTD. Rm1509-1512, Office Tower, Shun Hing Square Di Wang Comm. Centre, 5002 Shen Nan Dong Road, Luo Hu District, Shenzhen City, Guangdong Province, P.R.China
Hong Kong TAIYO INK INTERNATIONAL (HK) LIMITED Room 2305, 23/F, The Metropolis Tower, 10 Metropolis Drive, Hunghom, Kowloon, Hong Kong	Thailand TAIYO INK (THAILAND) CO., LTD. 1199 Piyavan Tower, 14F/Room 14C Phaholyothin Rd, Samsen-Nai, Phayathai, Bangkok 10400, Thailand
Korea TAIYO INK PRODUCTS CO., LTD. 7F & 8F Hanjoong Bldg. 8,Singil-ro, Danwon-gu, Ansan-si, Gyeonggi-do, Korea	

Company Overview (As of March 31, 2018)

Name	TAIYO HOLDINGS CO., LTD.	Capital	¥9,232 million
Head office	16F, Metropolitan Plaza Bldg., 1-11-1 Nishi-Ikebukuro, Toshima-ku, Tokyo 171-0021, Japan	Shares authorized	50,200,000
		Total number of issued shares	28,865,194
TEL	81-3-5953-5200	Stock listing	Tokyo
Established	September 29, 1953	Number of shareholders	6,437

Major Shareholders

Name	Shares(Thousands)	Investment Ratio (%)
DIC Corporation	5,617	19.46
Kowa CO., LTD.	3,936	13.64
Japan Trustee Services Bank, Ltd. (Trust account)	1,596	5.53
SMBC Trust Bank Ltd. (shares entrusted to Sumitomo Mitsui Banking Corporation retirement benefit trust account)	1,116	3.87
MISAKI ENGAGEMENT MASTER FUND	1,073	3.72
The Master Trust Bank of Japan, Ltd. (Trust account)	1,072	3.71
SHIKOKU CHEMICALS CORPORATION	745	2.58
Toshin Yushi Co., Ltd.	538	1.87
Mitsuo Kawahara	500	1.73
Takato Kawahara	487	1.69

Accessing Our Investor Information Site:
An Introduction to Taiyo Holdings 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/en/>



TAIYO HOLDINGS CO., LTD.



Stock Price and Trading Volume

