Translation

May 8, 2012

# Consolidated Financial Results for the Fiscal Year Ended March 31, 2012 <under Japanese GAAP>


Company name: **TAIYO HOLDINGS CO., LTD.**
Listing: First Section of the Tokyo Stock Exchange
Stock code: 4626
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Scheduled date of ordinary general meeting of shareholders: June 27, 2012
Scheduled date to commence dividend payments: June 28, 2012
Scheduled date to file annual securities report: June 28, 2012
Preparation of supplementary results briefing material on financial results: Yes
Holding of financial results presentation meeting: Yes (for institutional investors and analysts)

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

## 1. Consolidated financial results for the fiscal year ended March 31, 2012 (from April 1, 2011 to March 31, 2012)

### (1) Operating results

(Percentages indicate year-on-year changes.)

| | Net sales | | Operating income | | Ordinary income | | Net income | |
|---|---|---|---|---|---|---|---|---|
| Fiscal year ended | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| March 31, 2012 | 39,797 | (1.4) | 4,040 | (24.9) | 4,027 | (24.3) | 2,502 | (26.5) |
| March 31, 2011 | 40,366 | 15.1 | 5,380 | 11.1 | 5,316 | 11.1 | 3,402 | 13.0 |

Note: Comprehensive income
For the fiscal year ended March 31, 2012: 2,521 million yen [ 14.4 %]
For the fiscal year ended March 31, 2011: 2,203 million yen [(36.5) %]

| | Net income per share | Diluted net income per share | Net income/ shareholders' equity | Ordinary income/ total assets | Operating income/ net sales |
|---|---|---|---|---|---|
| Fiscal year ended | Yen | Yen | % | % | % |
| March 31, 2012 | 98.38 | – | 7.5 | 9.6 | 10.2 |
| March 31, 2011 | 131.78 | – | 9.9 | 12.3 | 13.3 |

Reference: Equity in earnings (losses) of affiliates
For the fiscal year ended March 31, 2012: – million yen
For the fiscal year ended March 31, 2011: – million yen

### (2) Financial position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|---|---|---|---|---|
| As of | Millions of yen | Millions of yen | % | Yen |
| March 31, 2012 | 40,703 | 33,476 | 81.1 | 1,297.18 |
| March 31, 2011 | 42,851 | 34,186 | 78.2 | 1,316.53 |

Reference: Equity (Net assets excluding minority interests)
As of March 31, 2012: 32,997 million yen As of March 31, 2011: 33,490 million yen

### (3) Cash flows

| | Net cash provided by (used in) operating activities | Net cash provided by (used in) investing activities | Net cash provided by (used in) financing activities | Cash and cash equivalents at the end of period |
|---|---|---|---|---|
| Fiscal year ended | Millions of yen | Millions of yen | Millions of yen | Millions of yen |
| March 31, 2012 | 2,793 | (1,343) | (2,978) | 11,563 |
| March 31, 2011 | 4,575 | 758 | (3,696) | 13,152 |

## 2. Cash dividends

| | Annual cash dividends | | | | | Total cash dividends (Total) | Dividend payout ratio (Consolidated) | Ratio of dividends to net assets (Consolidated) |
|---|---|---|---|---|---|---|---|---|
| | First quarter-end | Second quarter-end | Third quarter-end | Fiscal year-end | Total | | | |
| | Yen | Yen | Yen | Yen | Yen | Millions of yen | % | % |
| Fiscal year ended March 31, 2011 | – | 45.00 | – | 70.00 | 115.00 | 2,925 | 87.3 | 8.6 |
| Fiscal year ended March 31, 2012 | – | 45.00 | – | 45.00 | 90.00 | 2,289 | 91.5 | 6.9 |
| Fiscal year ending March 31, 2013 (Forecasts) | – | 45.00 | – | 45.00 | 90.00 | | 71.5 | |

## 3. Consolidated earnings forecasts for the fiscal year ending March 31, 2013 (from April 1, 2012 to March 31, 2013)

(Percentages indicate year-on-year changes.)

| | Net sales | | Operating income | | Ordinary income | | Net income | | Net income per share |
|---|---|---|---|---|---|---|---|---|---|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % | Yen |
| Six months ending September 30, 2012 | 19,500 | (7.7) | 2,100 | (13.1) | 2,100 | (7.7) | 1,500 | (5.0) | 58.97 |
| Fiscal year ending March 31, 2013 | 40,500 | 1.8 | 4,500 | 11.4 | 4,500 | 11.7 | 3,200 | 27.9 | 125.79 |

## * Notes

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

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

a. Changes in accounting policies due to revisions to accounting standards and other regulations: None

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

c. Changes in accounting estimates: None

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

(3) Number of issued shares (common stock)

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

| | |
|---|---|
| As of March 31, 2012 | 27,464,000 shares |
| As of March 31, 2011 | 27,464,000 shares |

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

| | |
|---|---|
| As of March 31, 2012 | 2,025,666 shares |
| As of March 31, 2011 | 2,025,546 shares |

c. Average number of outstanding shares during the period

| | |
|---|---|
| Fiscal year ended March 31, 2012 | 25,438,417 shares |
| Fiscal year ended March 31, 2011 | 25,821,866 shares |

*** Indication regarding execution of audit procedures**

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

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

The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable. Actual business and other results may differ substantially due to various factors. Please refer to the section of "Analysis of operating results" on page 2 of the attached materials for the suppositions that form the assumptions for earnings forecasts and cautions concerning the use of business results forecasts.

**Attached Materials**

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# 1. Operating results

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

| Abbreviation | Meaning |
|---|---|
| PWB | Printed Wiring Board |
| SR | Solder Resist |
| LPI | Liquid Photoimageable SR (mainstay product) |
| PKG | Semiconductor Package |
| FPD | Flat Panel Display |
| PDP | Plasma Display Panel |

- This financial report includes information on the fiscal year ended March 31, 2012 (12 months from April 1, 2011 to March 31, 2012). The following abbreviations for the quarters are used in this section.

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

## (1) Analysis of operating results

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

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

- Operating under these conditions, net sales for the current fiscal year amounted to 39,797 million yen (down 1.4% year on year).

- In the PWB (printed wiring board) materials market, sales volume decreased from the previous year while sales unit prices also fell due to such factors as lingering appreciation of the Japanese yen and changes in the product mix. As a result, sales of PWB materials were 26,729 million yen (down 10.7% year on year).

- Sales volumes of FPD (flat panel display) materials, mainly consisting of PDPs (plasma display panel), were largely unchanged from those of the same period of the previous fiscal year. Despite this, net sales of FPD materials amounted to 12,307 million yen (up 30.2% year on year), owing to higher sales unit prices resulting from the stabilization of silver, a major raw material, at a high price.

- As a result, operating income amounted to 4,040 million yen (down 24.9% year on year) with ordinary income at 4,027 million yen (down 24.3% year on year) and net income at 2,502 million yen (down 26.5% year on year).

*Sales results by product group category*

The following are sales results by product group category for the fiscal year ended March 31, 2012.

(Millions of yen)

| Name of product group category | Previous fiscal year results | Current fiscal year results | Compared to the previous fiscal year | |
|---|---|---|---|---|
| | | | Change | Rate of change (%) |
| Rigid board materials | 22,993 | 20,289 | (2,703) | (11.8) |
| PKG board and flexible board materials | 5,685 | 5,416 | (268) | (4.7) |
| Build-up board materials | 1,259 | 1,022 | (236) | (18.8) |
| FPD materials | 9,455 | 12,307 | 2,851 | 30.2 |
| Others | 972 | 760 | (211) | (21.8) |
| Total | 40,366 | 39,797 | (569) | (1.4) |

Results by segment are as follows.

1) Japan
   - The consolidated company located in Japan is TAIYO INK MFG. CO., LTD., a manufacturing and marketing subsidiary.
   - Thanks to stronger demand for smartphones and good performance of products related to vehicles and amusement, sales in the domestic market continued to perform steadily. However, sales to exports remained subdued due to lingering appreciation of the Japanese yen and a slowdown of the global economy.
   - As a result, net sales amounted to 11,787 million yen (down 36.3% year on year) with segment profit at 989 million yen (down 2.4% year on year).

2) China (including Hong Kong)
   - The consolidated companies located in China are TAIYO INK (SUZHOU) CO., LTD., a manufacturing and marketing subsidiary, and TAIYO INK INTERNATIONAL (HK) LIMITED and TAIYO INK TRADING (SHENZHEN) CO., LTD., marketing subsidiaries operating mainly in the southern China region.
   - With deceleration of the economic growth in China, and decrease in exports bound for Europe due to the European debt crisis, the sales volume declined compared with the previous fiscal year.
   - As a result, net sales amounted to 10,636 million yen (down 10.7% year on year) with segment profit at 1,751 million yen (down 37.7% year on year).

3) Taiwan
   - The consolidated company located in Taiwan is TAIWAN TAIYO INK CO., LTD., a manufacturing and marketing subsidiary.
   - Due to the slowing economic growth in China and drop in exports to Europe due to the European debt crisis, both high function products and regular products of “rigid board materials” were sluggish, leading to a decrease in sales volume compared with the previous fiscal year.
   - As a result, net sales amounted to 3,706 million yen (down 16.0% year on year) with segment profit at 470 million yen (down 7.9% year on year).

4) Korea
   - The consolidated company located in Korea is TAIYO INK CO., (KOREA) LTD., a manufacturing and marketing subsidiary.
   - While the price of silver, a key raw material for “FPD materials,” hovered at a high level pushing up the sales on a monetary basis significantly compared with the previous fiscal year, a rise in silver procurement costs negatively affected the earnings.
   - As a result, net sales amounted to 16,668 million yen (up 21.3% year on year) with segment profit at 649 million yen (down 33.7% year on year).

5) Other
   - The other consolidated companies are TAIYO AMERICA, INC. and TAIYO INK INTERNATIONAL (SINGAPORE) PTE LTD.
   - In the ASEAN region, while there was a sign of recovery in demand for products related to vehicles mainly in Thailand after the flood damage, overall sales remained weak attributable to the lingering economic slump in Europe and the U.S.
   - As a result, net sales amounted to 2,618 million yen (down 14.5% year on year) with segment profit at 272 million yen (up 14.3% year on year).

(Consolidated forecasts for the next fiscal year)

- The outlook on the operating environment during the fiscal year ending in March 31, 2013 remains unclear due to the European debt crisis. However, in the electronics components industry, in which the Group operates, demand for small-sized information terminals such as smartphones and tablet PCs and car electronics products continue to perform well, and signs of recovery have been observed in the PC market.
- Under these circumstances, the Group will continue to strengthen its marketing capability, expand the proportion of raw materials that it procures from overseas markets and improve productivity. At the same time, it will actively promote the development and marketing of new products with the ultimate goal of increasing its market share and expanding earnings.

| | Net sales (Millions of yen) | Operating income (Millions of yen) | Ordinary income (Millions of yen) | Net income (Millions of yen) | Net income per share (yen) |
|---|---|---|---|---|---|
| For the fiscal year ending March 31, 2013 (Forecast) | 40,500 | 4,500 | 4,500 | 3,200 | 125.79 |
| For the fiscal year ended March 31, 2012 (Actual results) | 39,797 | 4,040 | 4,027 | 2,502 | 98.38 |
| Rate of change (%) | 1.8 | 11.4 | 11.7 | 27.9 | 27.9 |

**(2) Analysis of financial position**

**a. Positions of assets, liabilities and net assets**

- The following shows the positions of assets, liabilities and net assets as of March 31, 2012.

| | As of March 31, 2011 (Millions of yen) | As of March 31, 2012 (Millions of yen) | Change (Millions of yen) | Main factors (comparison with the end of the previous fiscal year) |
|---|---|---|---|---|
| Current assets | 27,675 | 26,380 | (1,294) | Cash and deposits decreased approx. 1,000 million yen |
| Noncurrent assets | 15,175 | 14,322 | (853) | Property, plant and equipment increased approx. 500 million yen, decrease of approx. 1,000 million yen due to depreciation and amortization and investments in capital of subsidiaries and affiliates decreased by approx. 400 million yen |
| Total assets | 42,851 | 40,703 | (2,147) | |
| Total liabilities | 8,664 | 7,227 | (1,437) | Notes and accounts payable-trade decreased approx. 500 million yen, accounts payable-other decreased approx. 300 million yen and income taxes payable decreased approx. 400 million yen |
| Total net assets | 34,186 | 33,476 | (710) | Net income was approx. 2,500 million yen, cash dividends paid was approx. 2,900 million yen and minority interests decreased approx. 200 million yen. |
| Total liabilities and net assets | 42,851 | 40,703 | (2,147) | |

**b. Cash flow position**

- The following is the position of cash flows for the fiscal year ended March 31, 2012.

| | Fiscal year ended March 31, 2012 (Millions of yen) | Main factors |
|---|---|---|
| Net cash provided by (used in) operating activities | 2,793 | Income before income taxes and minority interests provided approx. 3,600 million yen, depreciation and amortization provided approx. 1,000 million yen, loss on valuation of investments in capital of subsidiaries and affiliates provided approx. 400 million yen, a decrease in notes and accounts payable-trade, a decrease in other current liabilities used approx. 800 million yen and income taxes paid used approx. 1,600 million yen |
| Net cash provided by (used in) investing activities | (1,343) | Net payment into time deposits used approx. 500 million yen, purchase of property, plant and equipment used approx. 500 million yen and purchase of stocks of subsidiaries and affiliates used approx. 200 million yen |
| Net cash provided by (used in) financing activities | (2,978) | Cash dividend payments used approx. 2,900 million yen |
| Net increase (decrease) in cash and cash equivalents | (1,588) | |
| Cash and cash equivalents at end of period | 11,563 | |

**c. Trend of indicators**

- The following is the transition of cash flow indicators.

| | Fiscal year ended March 31, 2008 | Fiscal year ended March 31, 2009 | Fiscal year ended March 31, 2010 | Fiscal year ended March 31, 2011 | Fiscal year ended March 31, 2012 |
|---|---|---|---|---|---|
| Equity ratio (%) | 78.5 | 83.3 | 80.1 | 78.2 | 81.1 |
| Equity ratio on mark-to-market basis (%) | 128.7 | 97.2 | 148.7 | 152.0 | 138.7 |
| Interest-bearing debt to cash flow ratio (year) | - | - | - | - | - |
| Interest coverage ratio (times) | 1,394.0 | 546.7 | 2,734.6 | 1,350.2 | 992.5 |

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

(1) The above indicators are calculated based on consolidated financial figures.
(2) Total market capitalization is calculated based on total number of issued shares at the fiscal year end (excluding treasury stock) ×stock market price at the fiscal year end
(3) Net cash provided by (used in) operating activities stated in the consolidated statement of cash flows is used for "Cash flows." "Interest paid" are the amounts stated under Interest expenses paid in the consolidated statement of cash flows.
(4) Interest-bearing debt to cash flow ratio (Interest-bearing debt/Operating cash flow) is not reported due to the lack of interest-bearing debt.

**(3) Basic policy on profit distribution and dividends for the current fiscal year and next fiscal year**

- The Company regards profit distribution to shareholders in cash as an important policy and will effectuate a continuous, stable profit distribution at high levels. We use the ratio of dividends to net assets as our target index, keeping this figure at least 5% of consolidated financial results for the mid-to long-term.
- In accordance with this policy, the Company paid an interim dividend of 45 yen per share.
- As already announced, we also plan to pay a year-end dividend of 45 yen and this will be placed on the agenda of the next General Meeting of Shareholders. This will result in an annual dividend of 90 yen per share for the current fiscal year.

- For next fiscal year dividends, at present, the Company plans to pay 90 yen per share taking into consideration the abovementioned policy of implementing high-level returns to shareholders on a sustained and stable basis.

**(4) Risk factors**

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

**a. Technological innovation risks**

1) Risks related to PWBs
   - Our Group is reliant on the manufacture and sale of PWB materials, and SR in particular, as a major source of our income. If radical technological developments, such as electronic parts that do not use PWBs or PWBs that do not use SR, were to be widely adopted, this would result in a significant decrease in demand for our products.
   - From the viewpoint of product characteristics, operability, and economic viability, there is little possibility that such technological innovations will be widely adopted in the near future. However, the Company considers it as important issue in the field of research and development to find possible new methods for PWBs.

2) Risks related to PDP materials
   - Our PDP material customers are restricted to a few panel manufacturers. As we rely heavily on certain customers, the performance of these customers could significantly impact our own sales.
   - As PDPs compete with LCDs and other technologies in FPD market, the future demand of PDP involves uncertainty.

**b. Risks associated with patents**

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

**c. Risk of major production facilities being affected by a disaster**

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

**d. Risk related to procurement of raw materials**

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

**e. Country-specific risks related to business deployment overseas**

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

**f. Risk of exchange rate fluctuations**

- Our ratio of overseas sales to net sales is comparatively high and there are many instances when we calculate product prices in foreign currencies. Accordingly, our business performance is affected by fluctuations in exchange rates, with a highly appreciated yen normally leading to reduced income and profits.

**g. Risk of price fluctuations in key products**

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

**h. Risks related to fluctuations in product demand**

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

**i. Credit risks related to receivables**

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

**j. Risks related to the soaring cost of raw materials**

- Due to the state of the oil market, the prices of certain raw materials have risen, which may affect the performance of our Group. The profitability of PDP materials in particular may be affected due to the rising cost of silver, one of the key raw materials used in PDP production.

**k. Risk of recoverability of deferred tax assets**

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

## 2. Overview of the corporate group

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

[The Company and consolidated subsidiaries]

| Relation to the filing company | Company name | Main business |
|---|---|---|
| Filing company | TAIYO HOLDINGS CO., LTD. | Development of management strategy for the Taiyo Holdings Group, management guidance for subsidiaries, and research and development of chemical products for use in electronics components |
| Consolidated subsidiary | TAIYO INK MFG. CO., LTD. | Manufacturing, purchasing and sales of PWB materials and other chemical products for use in the electronic components and electronics industries |
| Consolidated subsidiary | TAIWAN TAIYO INK CO., LTD. | |
| Consolidated subsidiary | TAIYO INK CO., (KOREA) LTD. | |
| Consolidated subsidiary | TAIYO INK (SUZHOU) CO., LTD. | Manufacturing and sales of PWB materials and other chemical products for use in the electronic components and electronics industries |
| Consolidated subsidiary | TAIYO AMERICA, INC. | Manufacturing, purchasing and sales of PWB materials and other chemical products for use in the electronic components and electronics industries |
| Consolidated subsidiary | TAIYO INK INTERNATIONAL (SINGAPORE) PTE LTD | Purchasing and sales of PWB materials and other chemical products for use in the electronic components and electronics industries |
| Consolidated subsidiary | TAIYO INK INTERNATIONAL (HK) LIMITED | |
| Consolidated subsidiary | TAIYO INK TRADING (SHENZHEN) CO., LTD. | |

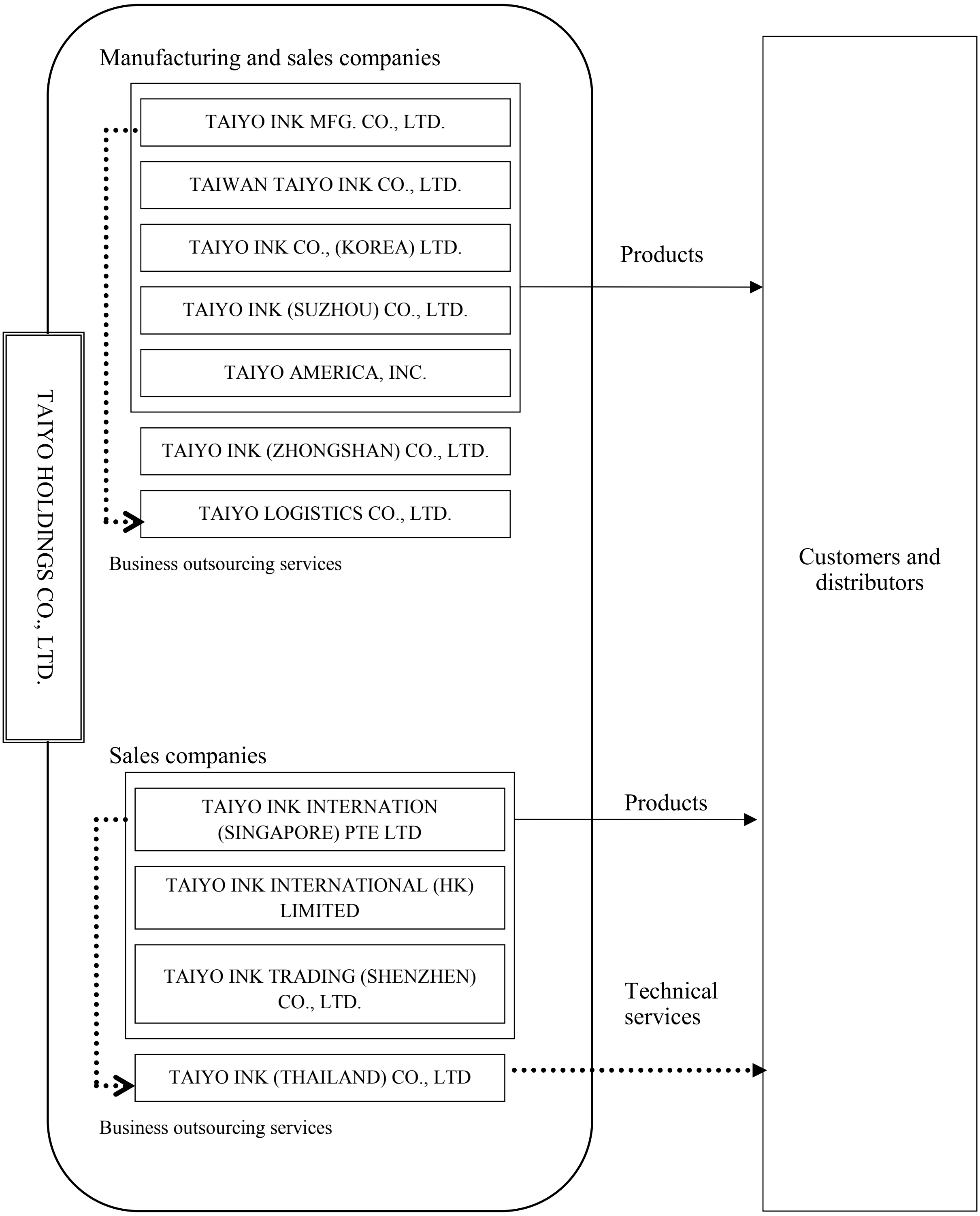
[Non-consolidated subsidiaries]

| Relation to the filing company | Company name | Main business |
|---|---|---|
| Non-consolidated subsidiary | TAIYO INK (THAILAND) CO., LTD. | Technical services relating to PWB materials |
| Non-consolidated subsidiary | TAIYO LOGISTICS CO., LTD. | Provision of subcontracted services to the parent company such as the transportation and warehousing of products, etc. |
| Non-consolidated subsidiary | TAIYO INK (ZHONGSHAN) CO., LTD. | As announced in the "Notification of Cancellation of the Second Production Plant Construction in China" released on February 7, 2012, the Group decided to cancel the construction of the production site. |

[Associated company]

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

The organization chart is as follows.



## 3. Business policies

### (1) Basic management policies

TAIYO HOLDINGS CO., LTD. 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 policy to match changes in the environment and strategy on a long-term basis.

**Management Philosophy**

Based on our technological capabilities, we will develop and provide products with maximum value, and produce income and increase its corporate value, and thereby contribute to the well-being and prosperity of our customers, community, shareholders, and employees.

**Basic Management Policy**

1. 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.
2. We will leverage our international network to always provide superior products and services.
3. We will increase our comprehensive corporate strengths by aiming for total optimization through the teamwork of all employees and cooperation between the group companies.
4. We will use our management resources effectively and conduct efficient administrative operations.
5. We will aim to be "a company full of dreams" that is determined to grow through the development of new product groups.

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

The Group operates under a medium-term management plan called "GBP2010" (covering the period from the fiscal year ended March 31, 2011 to the fiscal year ending March 31, 2013) based on its management philosophy and basic management policy. But the target set for the final year of the plan (fiscal year ending in March 31, 2013) has become difficult to achieve due to a number of factors such as the European debt crisis and economic slowdown in emerging countries.
On the other hand, the management strategies described below continue to be of primary importance for the Group, and therefore the Group will continue to work under the said strategies.

1) Chinese market strategy
In the Chinese market, which is growing rapidly as a base of PWB manufacturing, our priority issue is boost market share and profits by gaining a competitive advantage over rival companies in terms of pricing, marketing, product development, and technology. In order to achieve such goal, the Group not only develops and sells low-priced products but also has top management promote sales while also conducting other customer-based sales activities to enhance its relationship with important customers. In addition, the Group set up a representative office of the China Strategy Office in Shenzhen, China, aiming at expanding sales of new and main products in China.

2) "Local production for local sales" strategy
"Local production for local sales," a term created by the Taiyo Holdings Group, is our policy of making products close to markets where they are sold. By implementing this policy, we plan to reinforce customer support by rapidly developing products that match customer needs and shortening lead times. Moreover, by increasing the ratio of locally procured raw materials and expanding in-house raw material manufacturing, we plan to reduce raw material costs and mitigate the risk of exchange rate fluctuations. Also, in light of the last year's Great East Japan Earthquake, we will work to diversify procurement of raw materials.

3) New product development strategy
Applying the technologies the Group has accumulated over many years, we plan to expand our business by developing new product fields, in addition to existing PWB materials and FPD materials. We therefore intend to focus management resources such as R&D investment and personnel on areas that offer growth potential. In addition, we plan to actively pursue alliances and M&A deals related to new product and business development.

4) Global personnel strategy
   Based on a long-term perspective, the Group will seek to train personnel capable of responding to increasingly intense global competition and rapidly changing times, as well as nurture candidates for the next generation of managers. To achieve these goals, we will actively implement systems and initiatives that energize the Group's organization, including raising awareness and boosting the skills of our personnel. We will also hire talented people regardless of nationality and work to enhance the marketing and technical skills of local staff.

   The Group is now working on a new medium-term management plan to realize new growth strategies.

**(3) Other significant matters concerning management**

No material items to report

# 4. Consolidated Financial Statements

## (1) Consolidated balance sheets

(Millions of yen)

| | As of March 31, 2011 | As of March 31, 2012 |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and deposits | 13,972 | 12,964 |
| Notes and accounts receivable-trade | 8,792 | 8,452 |
| Short-term investment securities | 0 | 0 |
| Merchandise and finished goods | 1,860 | 2,154 |
| Work in process | 185 | 199 |
| Raw materials and supplies | 2,075 | 1,894 |
| Consumption taxes receivable | 322 | 246 |
| Deferred tax assets | 282 | 63 |
| Other | 300 | 504 |
| Allowance for doubtful accounts | (117) | (98) |
| Total current assets | 27,675 | 26,380 |
| Noncurrent assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 7,163 *2 | 6,859 *2 |
| Machinery, equipment and vehicles, net | 1,351 | 1,203 |
| Tools, furniture and fixtures, net | 405 *2 | 374 *2 |
| Land | 4,097 | 4,083 |
| Construction in progress | 31 | 25 |
| Total property, plant and equipment | 13,050 *1 | 12,546 *1 |
| Intangible assets | | |
| Goodwill | 20 | 48 |
| Leasehold right | 94 | 94 |
| Software | 177 | 153 |
| Other | 10 | 62 |
| Total intangible assets | 304 | 358 |
| Investments and other assets | | |
| Investment securities | 529 | 497 |
| Stocks of subsidiaries and affiliates | 115 | 130 |
| Investments in capital of subsidiaries and affiliates | 865 | 498 |
| Long-term loans receivable | 3 | 2 |
| Deferred tax assets | 88 | 56 |
| Other | 577 | 605 |
| Allowance for doubtful accounts | (358) | (373) |
| Total investments and other assets | 1,821 | 1,417 |
| Total noncurrent assets | 15,175 | 14,322 |
| Total assets | 42,851 | 40,703 |

(Millions of yen)

| | As of March 31, 2011 | As of March 31, 2012 |
|---|---|---|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable-trade | 5,326 | 4,851 |
| Accounts payable-other | 973 | 628 |
| Income taxes payable | 608 | 190 |
| Accrued expenses | 220 | 268 |
| Deferred tax liabilities | 190 | 87 |
| Provision for bonuses | 255 | 258 |
| Provision for directors' bonuses | 6 | 10 |
| Other | 100 | 97 |
| Total current liabilities | 7,681 | 6,393 |
| Noncurrent liabilities | | |
| Deferred tax liabilities | 597 | 429 |
| Provision for retirement benefits | 206 | 204 |
| Provision for directors' retirement benefits | 112 | 103 |
| Asset retirement obligations | 52 | 53 |
| Other | 15 | 42 |
| Total noncurrent liabilities | 983 | 833 |
| Total liabilities | 8,664 | 7,227 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 6,134 | 6,134 |
| Capital surplus | 7,102 | 7,102 |
| Retained earnings | 29,724 | 29,301 |
| Treasury stock | (5,372) | (5,372) |
| Total shareholders' equity | 37,589 | 37,166 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 90 | 77 |
| Foreign currency translation adjustment | (4,188) | (4,245) |
| Total accumulated other comprehensive income | (4,098) | (4,168) |
| Minority interests | 696 | 478 |
| Total net assets | 34,186 | 33,476 |
| Total liabilities and net assets | 42,851 | 40,703 |

Please refer to "Notes to consolidated balance sheets" on page 25 for *1 and *2.

## (2) Consolidated statements of income and consolidated statements of comprehensive income

### (Consolidated statements of income)

(Millions of yen)

| | Fiscal year ended March 31, 2011 | Fiscal year ended March 31, 2012 |
|---|---|---|
| Net sales | 40,366 | 39,797 |
| Cost of sales | 28,428 | 29,822 |
| Gross profit | 11,938 | 9,974 |
| Selling, general and administrative expenses | 6,557 *1,*2 | 5,933 *1,*2 |
| Operating income | 5,380 | 4,040 |
| Non-operating income | | |
| Interest income | 55 | 50 |
| Dividends income | 16 | 22 |
| Other | 67 | 60 |
| Total non-operating income | 139 | 132 |
| Non-operating expenses | | |
| Interest expenses | 3 | 2 |
| Foreign exchange losses | 177 | 125 |
| Other | 22 | 17 |
| Total non-operating expenses | 203 | 145 |
| Ordinary income | 5,316 | 4,027 |
| Extraordinary income | | |
| Gain on sales of noncurrent assets | 1 | 1 |
| Other | 1 | – |
| Total extraordinary income | 3 | 1 |
| Extraordinary loss | | |
| Loss on sales and retirement of noncurrent assets | 55 *3 | 39 *3 |
| Loss on valuation of investments in capital of subsidiaries and affiliates | – | 421 *5 |
| Impairment loss | 23 *4 | – *4 |
| Loss on adjustment for changes of accounting standard for asset retirement obligations | 31 | – |
| Other | 1 | 6 |
| Total extraordinary losses | 111 | 467 |
| Income before income taxes and minority interests | 5,208 | 3,561 |
| Income taxes-current | 1,897 | 1,002 |
| Income taxes-deferred | (202) | 3 |
| Total income taxes | 1,694 | 1,005 |
| Income before minority interests | 3,514 | 2,555 |
| Minority interests in income | 111 | 52 |
| Net income | 3,402 | 2,502 |

Please refer to “Notes to consolidated statements of income” on page 26 for *1, *2, *3, *4 and *5.

## (Consolidated statements of comprehensive income)

(Millions of yen)

| | Fiscal year ended March 31, 2011 | Fiscal year ended March 31, 2012 |
|---|---|---|
| Income before minority interests | 3,514 | 2,555 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (26) | (12) |
| Foreign currency translation adjustment | (1,283) | (21) |
| Total other comprehensive income | (1,310) | (33) |
| Comprehensive income | 2,203 | 2,521 |
| (Comprehensive income attributable to) | | |
| Comprehensive income attributable to owners of the parent | 2,136 | 2,433 |
| Comprehensive income attributable to minority interests | 67 | 88 |

### (3) Consolidated statements of changes in net assets

(Millions of yen)

| | Fiscal year ended March 31, 2011 | Fiscal year ended March 31, 2012 |
|---|---|---|
| Shareholders' equity | | |
| Capital stock | | |
| Balance at the beginning of current period | 6,134 | 6,134 |
| Balance at the end of current period | 6,134 | 6,134 |
| Capital surplus | | |
| Balance at the beginning of current period | 7,102 | 7,102 |
| Changes of items during the period | | |
| Disposal of treasury stock | 0 | – |
| Total changes of items during the period | 0 | – |
| Balance at the end of current period | 7,102 | 7,102 |
| Retained earnings | | |
| Balance at the beginning of current period | 28,661 | 29,724 |
| Changes of items during the period | | |
| Dividends from surplus | (2,334) | (2,925) |
| Net income | 3,402 | 2,502 |
| Decrease by newly consolidated or deconsolidated subsidiaries | (6) | – |
| Total changes of items during the period | 1,062 | (422) |
| Balance at the end of current period | 29,724 | 29,301 |
| Treasury stock | | |
| Balance at the beginning of current period | (4,060) | (5,372) |
| Changes of items during the period | | |
| Purchase of treasury stock | (1,312) | (0) |
| Disposal of treasury stock | 0 | – |
| Total changes of items during the period | (1,311) | (0) |
| Balance at the end of current period | (5,372) | (5,372) |
| Total shareholders' equity | | |
| Balance at the beginning of current period | 37,838 | 37,589 |
| Changes of items during the period | | |
| Dividends from surplus | (2,334) | (2,925) |
| Net income | 3,402 | 2,502 |
| Purchase of treasury stock | (1,312) | (0) |
| Disposal of treasury stock | 0 | – |
| Decrease by newly consolidated or deconsolidated subsidiaries | (6) | – |
| Total changes of items during the period | (249) | (422) |
| Balance at the end of current period | 37,589 | 37,166 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | | |
| Balance at the beginning of current period | 116 | 90 |
| Changes of items during the period | | |
| Net changes of items other than shareholders' equity | (26) | (12) |
| Total changes of items during the period | (26) | (12) |
| Balance at the end of current period | 90 | 77 |

(Millions of yen)

| | Fiscal year ended March 31, 2011 | Fiscal year ended March 31, 2012 |
|---|---|---|
| Foreign currency translation adjustment | | |
| Balance at the end of previous period | (2,948) | (4,188) |
| Changes of items during the period | | |
| Net changes of items other than shareholders' equity | (1,239) | (57) |
| Total changes of items during the period | (1,239) | (57) |
| Balance at the end of current period | (4,188) | (4,245) |
| Total accumulated other comprehensive income | | |
| Balance at the end of previous period | (2,832) | (4,098) |
| Changes of items during the period | | |
| Net changes of items other than shareholders' equity | (1,266) | (69) |
| Total changes of items during the period | (1,266) | (69) |
| Balance at the end of current period | (4,098) | (4,168) |
| Minority interests | | |
| Balance at the beginning of current period | 679 | 696 |
| Changes of items during the period | | |
| Net changes of items other than shareholders' equity | 16 | (218) |
| Total changes of items during the period | 16 | (218) |
| Balance at the end of current period | 696 | 478 |
| Total net assets | | |
| Balance at the beginning of current period | 35,685 | 34,186 |
| Changes of items during the period | | |
| Dividends from surplus | (2,334) | (2,925) |
| Net income | 3,402 | 2,502 |
| Purchase of treasury stock | (1,312) | (0) |
| Disposal of treasury stock | 0 | – |
| Decrease by newly consolidated or deconsolidated subsidiaries | (6) | – |
| Net changes of items other than shareholders' equity | (1,249) | (287) |
| Total changes of items during the period | (1,499) | (710) |
| Balance at the end of current period | 34,186 | 33,476 |

## (4) Consolidated statements of cash flows

(Millions of yen)

| | Fiscal year ended March 31, 2011 | Fiscal year ended March 31, 2012 |
|---|---|---|
| Net cash provided by (used in) operating activities | | |
| Income before income taxes and minority interests | 5,208 | 3,561 |
| Depreciation and amortization | 1,127 | 1,046 |
| Impairment loss | 23 | – |
| Amortization of goodwill | 26 | 14 |
| Increase (decrease) in provision for retirement benefits | 31 | 3 |
| Increase (decrease) in provision for directors' retirement benefits | 7 | (8) |
| Increase (decrease) in provision for bonuses | 5 | 2 |
| Increase (decrease) in provision for directors' bonuses | (53) | 4 |
| Increase (decrease) in allowance for doubtful accounts | 19 | (12) |
| Interest and dividends income | (71) | (72) |
| Interest expenses | 3 | 2 |
| Loss (gain) on sales and retirement of property, plant and equipment | 53 | 38 |
| Loss on adjustment for changes of accounting standard for asset retirement obligations | 31 | – |
| Loss (gain) on valuation of investment securities | – | 6 |
| Loss on valuation of investments in capital of subsidiaries and affiliates | – | 421 |
| Decrease (increase) in notes and accounts receivable-trade | (420) | 285 |
| Decrease (increase) in inventories | (480) | (192) |
| Decrease (increase) in other current assets | (3) | (44) |
| Increase (decrease) in notes and accounts payable-trade | 146 | (443) |
| Increase (decrease) in other current liabilities | 597 | (363) |
| Increase (decrease) in accrued consumption taxes | (69) | 73 |
| Other, net | 0 | (7) |
| Subtotal | 6,181 | 4,315 |
| Interest and dividends income received | 74 | 72 |
| Interest expenses paid | (3) | (2) |
| Income taxes paid | (1,677) | (1,591) |
| Net cash provided by (used in) operating activities | 4,575 | 2,793 |
| Net cash provided by (used in) investing activities | | |
| Payments into time deposits | (3,841) | (3,136) |
| Proceeds from withdrawal of time deposits | 5,138 | 2,600 |
| Purchase of short-term investment securities | (256) | – |
| Proceeds from sales of short-term investment securities | 256 | 0 |
| Purchase of property, plant and equipment | (488) | (494) |
| Proceeds from sales of property, plant and equipment | 4 | 19 |
| Purchase of investment securities | (3) | (21) |
| Purchase of stocks of subsidiaries and affiliates | – | (201) |
| Payments of long-term loans receivable | (18) | (13) |
| Collection of long-term loans receivable | 22 | 18 |
| Purchase of software | (72) | (102) |
| Other, net | 16 | (12) |
| Net cash provided by (used in) investing activities | 758 | (1,343) |

(Millions of yen)

| | Fiscal year ended March 31, 2011 | Fiscal year ended March 31, 2012 |
|---|---|---|
| Net cash provided by (used in) financing activities | | |
| Increase in short-term loans payable | 1,200 | 1,200 |
| Decrease in short-term loans payable | (1,200) | (1,200) |
| Purchase of treasury stock | (1,312) | (0) |
| Proceeds from sales of treasury stock | 0 | – |
| Cash dividends paid | (2,334) | (2,925) |
| Cash dividends paid to minority shareholders | (50) | (53) |
| Net cash provided by (used in) financing activities | (3,696) | (2,978) |
| Effect of exchange rate change on cash and cash equivalents | (402) | (60) |
| Net increase (decrease) in cash and cash equivalents | 1,235 | (1,588) |
| Cash and cash equivalents at beginning of period | 11,913 | 13,152 |
| Increase in cash and cash equivalents from newly consolidated subsidiary | 3 | – |
| Cash and cash equivalents at end of period | 13,152 *1 | 11,563 *1 |

Please refer to "Notes to consolidated statements of cash flows" on page 28 for *1.

## (5) Notes on premise of going concern

No items to report

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

Fiscal year ended March 31, 2012

1. Scope of consolidation

Number of consolidated subsidiaries: 8

Number of non-consolidated subsidiaries: 3

Names of consolidated subsidiaries:

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

Names of non-consolidated subsidiaries:

TAIYO INK (THAILAND) CO., LTD., TAIYO LOGISTICS CO., LTD., and TAIYO INK (ZHONGSHAN) CO., LTD.

- Reason for exclusion from the scope of consolidation

These non-consolidated subsidiaries are small in size, and their accounts, such as total assets, net sales, net income or loss (for the Company's equity interest) and retained earnings (for the Company's equity interest), have no significant effects on the Company's consolidated financial statements.

2. Application of the equity method

- Reason for exclusion from the scope of equity method

The non-consolidated subsidiaries are small in size, their accounts, such as net income or loss (for the Company's equity interest) and retained earnings (for the Company's equity interest), have no significant effects on the Company's consolidated financial statements, and have no materiality as a whole.

3. Fiscal year-end of consolidated subsidiaries

Among the consolidated subsidiaries, the fiscal year-end of TAIYO INK (SUZHOU) CO., LTD. and TAIYO INK TRADING (SHENZHEN) CO., LTD. is December 31.

TAIYO INK (SUZHOU) CO., LTD. and TAIYO INK TRADING (SHENZHEN) CO., LTD. perform tentative closings and prepare financial statements as of and for the period ended March 31.

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

4. Bases for accounting treatments

(a) Valuation bases and methods for significant assets

1) Securities

Subsidiaries' stocks

Stated at cost using the moving-average method

Other securities (available-for-sale securities)

Securities with fair market value

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

Securities with no fair market value

Stated at cost using the moving-average method

2) Derivatives

Stated at fair market value

3) Inventories

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

(b) Method of depreciation for significant depreciable assets

1) Property, plant and equipment (excluding leased assets)

Buildings:
Depreciated mainly by the straight-line method

Property, plant and equipment other than buildings:
Depreciated mainly by the declining-balance method

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

| | |
|---|---|
| Buildings and structures | 7 - 60 years |
| Machinery, equipment and vehicles | 5 - 10 years |
| Tools, furniture and fixtures | 3 - 8 years |

| Fiscal year ended March 31, 2012 |
| --- |

2) Intangible assets (excluding leased assets)

Leasehold right:

Amortized by the straight-line method

Software (for internal use):

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

Others:

Amortized by the straight-line method

Useful lives of major intangible assets are as follows:

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

(c) Accounting for significant reserves

1) Allowance for doubtful accounts

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

2) Provision for bonuses

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

3) Provision for directors' bonuses

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

4) Provision for retirement benefits

To prepare for employees' retirement benefits, the Company recognizes an amount decided based on retirement benefit obligation and the fair value of the pension assets as of the end of the current fiscal year.

Prior service cost will be recognized as expenses mainly by amortizing the amount by the straight-line method over a certain period of time (mainly 5 years) which is shorter than the employees' average remaining service period.

Actuarial differences gain or loss will be recognized as expenses mainly by amortizing the amount by the straight-line method starting in the following fiscal year over a certain period of time (mainly 5 years) which is shorter than the employees' average remaining service period.

5) Provision for directors' retirement benefits

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

The Company, at a meeting of the Board of Directors held on April 22, 2010, resolved to abolish the directors' retirement benefits system and the agenda item regarding lump-sum payments resulting from said abolishment was approved at the 64th General Meeting of Shareholders held on June 29, 2010.

These payments will be effected as retirement benefits paid at the time of retirement according to the period of service up to the abolishment of the system.

(d) Basis of translation from significant foreign currency-denominated assets and liabilities to yen

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

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

(e) Goodwill amortization method and period

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

(f) Scope of cash and cash equivalents on the consolidated statements of cash flows

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

(g) Other significant matters for preparation of consolidated financial statements

1) Treatment of consumption taxes

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

2) Application of consolidated tax system

Effective from the current fiscal year, the consolidated tax system is adopted.

## (7) Additional information

| Fiscal year ended March 31, 2012 |
|---|
| (Application of accounting standard for accounting changes and error corrections, etc.)<br>The "Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Statement No. 24, December 4, 2009) and the "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No. 24, December 4, 2009) are adopted for accounting changes and corrections of prior period errors that were made on or after April 1, 2011. |

## (8) Notes to consolidated financial statements

## (Notes to consolidated balance sheets)

| As of March 31, 2011 | As of March 31, 2012 |
|---|---|
| *1 Accumulated depreciation of property, plant and equipment<br>16,767 million yen | *1 Accumulated depreciation of property, plant and equipment<br>17,459 million yen |
| *2 Reduction entry<br>Due to acceptance of national subsidies, the following reduction entry amount was deducted from the acquisition cost of relevant assets.<br>Buildings and structures 7 million yen<br>Tools, furniture and fixtures 4 | *2 Reduction entry<br>Due to acceptance of national subsidies, the following reduction entry amount was deducted from the acquisition cost of relevant assets.<br>Buildings and structures 6 million yen<br>Tools, furniture and fixtures 4 |
| 3 Export discount bills<br>21 million yen | 3 Export discount bills<br>20 million yen |
| 4 Agreement on overdrafts<br>The Company has concluded an agreement with banks of account on overdrafts for efficient funding of working capital. The outstanding unused balance under this agreement as of March 31, 2011, is as follows.<br>Maximum lines of overdrafts 6,500 million yen<br>Loan amount currently executed –<br>Outstanding unused overdraft amount 6,500 million yen | 4 Agreement on overdrafts<br>The Company has concluded an agreement with banks of account on overdrafts for efficient funding of working capital. The outstanding unused balance under this agreement as of March 31, 2012, is as follows.<br>Maximum lines of overdrafts 6,500 million yen<br>Loan amount currently executed –<br>Outstanding unused overdraft amount 6,500 million yen |

## (Notes to consolidated statements of income)

<table>
<tr><th>Fiscal year ended March 31, 2011</th><th>Fiscal year ended March 31, 2012</th></tr>
<tr>
<td>*1 Major items of selling, general and administrative expenses were as follows:<br><br>
<table>
<tr><td>Distribution expenses</td><td>692 million yen</td></tr>
<tr><td>Packing expenses</td><td>267</td></tr>
<tr><td>Sales commission</td><td>422</td></tr>
<tr><td>Directors’ compensations</td><td>304</td></tr>
<tr><td>Salaries</td><td>1,195</td></tr>
<tr><td>Bonuses</td><td>199</td></tr>
<tr><td>Provision for bonuses</td><td>138</td></tr>
<tr><td>Provision for directors’ bonuses</td><td>6</td></tr>
<tr><td>Commission fee</td><td>601</td></tr>
<tr><td>Depreciation</td><td>235</td></tr>
<tr><td>Experiment and research expenses</td><td>499</td></tr>
<tr><td>Traveling and transportation expenses</td><td>232</td></tr>
<tr><td>Retirement benefit expenses</td><td>96</td></tr>
<tr><td>Amortization of goodwill</td><td>26</td></tr>
<tr><td>Provision of allowance for doubtful accounts</td><td>50</td></tr>
</table>
</td>
<td>*1 Major items of selling, general and administrative expenses were as follows:<br><br>
<table>
<tr><td>Distribution expenses</td><td>662 million yen</td></tr>
<tr><td>Packing expenses</td><td>220</td></tr>
<tr><td>Sales commission</td><td>65</td></tr>
<tr><td>Directors’ compensations</td><td>308</td></tr>
<tr><td>Salaries</td><td>1,194</td></tr>
<tr><td>Bonuses</td><td>168</td></tr>
<tr><td>Provision for bonuses</td><td>126</td></tr>
<tr><td>Provision for directors’ bonuses</td><td>5</td></tr>
<tr><td>Commission fee</td><td>382</td></tr>
<tr><td>Depreciation</td><td>203</td></tr>
<tr><td>Experiment and research expenses</td><td>560</td></tr>
<tr><td>Traveling and transportation expenses</td><td>250</td></tr>
<tr><td>Retirement benefit expenses</td><td>110</td></tr>
<tr><td>Amortization of goodwill</td><td>14</td></tr>
</table>
</td>
</tr>
<tr>
<td>*2 Research and development expenses included in general and administrative expenses and cost of products manufactured:<br>995 million yen</td>
<td>*2 Research and development expenses included in general and administrative expenses and cost of products manufactured:<br>963 million yen</td>
</tr>
<tr>
<td>*3 Breakdown of loss on sales and retirement of noncurrent assets<br>
<table>
<tr><td>Buildings and structures</td><td>10 million yen</td></tr>
<tr><td>Machinery, equipment and vehicles</td><td>12</td></tr>
<tr><td>Tools, furniture and fixtures</td><td>2</td></tr>
<tr><td>Software</td><td>30</td></tr>
</table>
</td>
<td>*3 Breakdown of loss on sales and retirement of noncurrent assets<br>
<table>
<tr><td>Buildings and structures</td><td>33 million yen</td></tr>
<tr><td>Machinery, equipment and vehicles</td><td>4</td></tr>
<tr><td>Tools, furniture and fixtures</td><td>1</td></tr>
</table>
</td>
</tr>
<tr>
<td>*4 Impairment loss<br>In the current fiscal year, the Group booked the following impairment losses on assets.<br>
<table>
<tr><th>Location</th><th>Application</th><th>Category</th><th>Impairment loss (million yen)</th></tr>
<tr><td>Nerima Ward, Tokyo and other</td><td>Idle assets</td><td>Software</td><td>23</td></tr>
</table>
The future intended purpose of the assets is undetermined, so the book value has been reduced to its recoverable amount.<br>———</td>
<td>*4 ———<br><br>*5 Loss on valuation of investments in capital of subsidiaries and affiliates was related to a non-consolidated subsidiary TAIYO INK (ZHONGSHAN) CO., LTD.</td>
</tr>
</table>

## (Notes to consolidated statements of changes in net assets)

### Fiscal year ended March 31, 2011

1. Matters related to class and number of issued shares and treasury shares

| | Number of shares as of April 1, 2010 (Shares) | Increase (Shares) | Decrease (Shares) | Number of shares as of March 31, 2011 (Shares) |
|---|---|---|---|---|
| Issued shares | | | | |
| Common stock | 27,464,000 | – | – | 27,464,000 |
| Treasury shares | | | | |
| Common stock (Note 1 and 2) | 1,525,526 | 500,080 | 60 | 2,025,546 |

Notes: 1. The increase in the number of treasury shares is due to the acquisition in accordance with the resolution of the Board of Directors (500,000 shares) and the purchase of shares less than one unit (80 shares).
2. The decrease in the number of treasury shares is due to the sale of shares less than one unit (60 shares).

2. Matters related to dividends
(a) Dividends paid to shareholders

| Resolution | Class of shares | Total dividends (million yen) | Dividend per share (yen) | Record date | Effective date |
|---|---|---|---|---|---|
| June 29, 2010 Annual General Meeting of Shareholders | Common stock | 1,167 | 45 | March 31, 2010 | June 30, 2010 |
| November 10, 2010 Board of Directors | Common stock | 1,167 | 45 | September 30, 2010 | December 1, 2010 |

(b) Dividends whose record date is during the current fiscal year and whose effective date falls in the following fiscal year

| Resolution | Class of shares | Total dividends (million yen) | Source of dividends | Dividend per share (yen) | Record date | Effective date |
|---|---|---|---|---|---|---|
| June 28, 2011 Annual General Meeting of Shareholders | Common stock | 1,780 | Retained earnings | 70 | March 31, 2011 | June 29, 2011 |

**Fiscal year ended March 31, 2012**

1. Matters related to class and number of issued shares and treasury shares

| | Number of shares as of April 1, 2011 (Shares) | Increase (Shares) | Decrease (Shares) | Number of shares as of March 31, 2012 (Shares) |
|---|---|---|---|---|
| Issued shares | | | | |
| Common stock | 27,464,000 | – | – | 27,464,000 |
| Treasury shares | | | | |
| Common stock (Note) | 2,025,546 | 120 | – | 2,025,666 |

Note: The increase in number of treasury shares is due to the purchase of shares less than one unit.

2. Matters related to dividends
(a) Dividends paid to shareholders

| Resolution | Class of shares | Total dividends (million yen) | Dividend per share (yen) | Record date | Effective date |
|---|---|---|---|---|---|
| June 28, 2011 Annual General Meeting of Shareholders | Common stock | 1,780 | 70 | March 31, 2011 | June 29, 2011 |
| November 8, 2011 Board of Directors | Common stock | 1,144 | 45 | September 30, 2011 | December 1, 2011 |

(b) Dividends whose record date is during the current fiscal year and whose effective date falls in the following fiscal year

| Resolution | Class of shares | Total dividends (million yen) | Source of dividends | Dividend per share (yen) | Record date | Effective date |
|---|---|---|---|---|---|---|
| June 27, 2012 Annual General Meeting of Shareholders | Common stock | 1,144 | Retained earnings | 45 | March 31, 2012 | June 28, 2012 |

**(Note to consolidated statements of cash flows)**

| Fiscal year ended March 31, 2011 | | Fiscal year ended March 31, 2012 | |
|---|---|---|---|
| *1 Cash and cash equivalents at end of period were reconciled to the accounts reported in the consolidated balance sheets as follows: | | *1 Cash and cash equivalents at end of period were reconciled to the accounts reported in the consolidated balance sheets as follows: | |
| Cash and deposits | 13,972 million yen | Cash and deposits | 12,964 million yen |
| Time deposits whose term exceeds three months | (820) | Time deposits whose term exceeds three months | (1,400) |
| Cash and cash equivalents | 13,152 | Cash and cash equivalents | 11,563 |

**(Segment information, etc)**

**a. Segment information**

**I. Fiscal year ended March 31, 2011**

1. Overview of reportable segments

   The reportable segments of the Group are components of the Group whose separate financial information is available. These segments are periodically evaluated by the Board of Directors in deciding how to allocate management resources and in assessing the performance.

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

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

2. Information on the calculation of net sales, profit or loss, assets and liabilities, and other items by reportable segment

   Accounting method applied to data in the reportable segment is mostly the same as the method stated in the "Significant matters forming the basis of preparing the consolidated financial statements."

   Profit by reportable segment represents operating income.

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

(Millions of yen)

| | Reportable segments | | | | | Other (Note 2) | Total |
|---|---|---|---|---|---|---|---|
| | Japan | China (Note 1) | Taiwan | Korea | Total | | |
| Net sales | | | | | | | |
| External sales | 9,418 | 11,911 | 3,219 | 12,784 | 37,334 | 3,031 | 40,366 |
| Inter-segment sales or transactions | 9,072 | 3 | 1,194 | 958 | 11,229 | 29 | 11,259 |
| Total sales | 18,491 | 11,915 | 4,414 | 13,743 | 48,563 | 3,061 | 51,625 |
| Segment profit | 1,013 | 2,813 | 510 | 979 | 5,317 | 238 | 5,556 |
| Segment assets | 9,303 | 8,788 | 4,417 | 5,816 | 28,326 | 1,837 | 30,163 |
| Other items | | | | | | | |
| Depreciation and amortization (Note 3) | 524 | 167 | 128 | 90 | 911 | 16 | 928 |
| Increase in property, plant and equipment and intangible assets | 151 | 107 | 127 | 61 | 448 | 16 | 465 |

Notes: 1. The "China" segment covers local subsidiaries in China and Hong Kong.

2. The "Other" segment is not included in reportable segments and covers the business activities of local subsidiaries in the U.S. and other Asian countries.

3. Depreciation and amortization does not include goodwill amortization.

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

(Millions of yen)

| Profit/Loss | |
|---|---|
| Reportable segments total | 5,317 |
| “Other” segment profit | 238 |
| Inter-segment eliminations | (0) |
| Amortization of goodwill | (26) |
| Profit/loss not allocated to business segments (Note) | (151) |
| Other adjusted amounts | 2 |
| Operating income in the consolidated statements of income | 5,380 |

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

(Millions of yen)

| Assets | |
|---|---|
| Reportable segments total | 28,326 |
| “Other” segment assets | 1,837 |
| Inter-segment eliminations | (1,921) |
| Assets not allocated to business segments (Note) | 14,806 |
| Reclassification by tax effect accounting | (196) |
| Total assets in the consolidated balance sheet | 42,851 |

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

(Millions of yen)

| Other items | Reportable segment total | Other | Adjustments (Note) | Amount on the consolidated financial statements |
|---|---|---|---|---|
| Depreciation and amortization | 911 | 16 | 199 | 1,127 |
| Increase in property, plant and equipment and intangible assets | 448 | 16 | 61 | 527 |

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

**II. Fiscal year ended March 31, 2012**

1. Overview of reportable segments

   The reportable segments of the Group are components of the Group whose separate financial information is available. These segments are periodically evaluated by the Board of Directors in deciding how to allocate management resources and in assessing the performance.

   The business of the Group consists mainly of one activity, the manufacturing and marketing of solder resist for PWBs, among others. Each Group company formulates comprehensive strategies and deploys business activities, operating under a holding company system whereby the Company is the holding company.

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

2. Information on the calculation of net sales, profit or loss, assets and liabilities, and other items by reportable segment

   Accounting method applied to data in the reportable segment is mostly the same as the method stated in the "Significant matters forming the basis of preparing the consolidated financial statements."

   Profit by reportable segment represents operating income.

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

(Millions of yen)

| | Reportable segments | | | | | Other (Note 2) | Total |
|---|---|---|---|---|---|---|---|
| | Japan | China (Note 1) | Taiwan | Korea | Total | | |
| Net sales | | | | | | | |
| External sales | 8,605 | 10,543 | 2,828 | 15,233 | 37,211 | 2,585 | 39,797 |
| Inter-segment sales or transactions | 3,181 | 93 | 877 | 1,434 | 5,587 | 33 | 5,620 |
| Total sales | 11,787 | 10,636 | 3,706 | 16,668 | 42,799 | 2,618 | 45,417 |
| Segment profit | 989 | 1,751 | 470 | 649 | 3,861 | 272 | 4,133 |
| Segment assets | 8,839 | 8,331 | 4,120 | 6,299 | 27,591 | 1,695 | 29,286 |
| Other items | | | | | | | |
| Depreciation and amortization (Note 3) | 284 | 164 | 132 | 82 | 663 | 13 | 677 |
| Increase in property, plant and equipment and intangible assets | 140 | 99 | 80 | 178 | 499 | 1 | 500 |

Notes: 1. The "China" segment covers local subsidiaries in China and Hong Kong.

2. The "Other" segment is not included in reportable segments and covers the business activities of local subsidiaries in the U.S. and other Asian countries.

3. Depreciation and amortization does not include goodwill amortization.

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

(Millions of yen)

| Profit/Loss | |
|---|---|
| Reportable segments total | 3,861 |
| "Other" segment profit | 272 |
| Inter-segment eliminations | (1) |
| Amortization of goodwill | (14) |
| Profit/loss not allocated to business segments (Note) | (79) |
| Other adjusted amounts | 2 |
| Operating income in the consolidated statements of income | 4,040 |

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

(Millions of yen)

| Assets | |
|---|---|
| Reportable segments total | 27,591 |
| "Other" segment assets | 1,695 |
| Inter-segment eliminations | (2,091) |
| Assets not allocated to business segments (Note) | 13,943 |
| Reclassification by tax effect accounting | (434) |
| Total assets in the consolidated balance sheet | 40,703 |

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

(Millions of yen)

| Other items | Reportable segment total | Other | Adjustments (Note) | Amount on the consolidated financial statements |
|---|---|---|---|---|
| Depreciation and amortization | 663 | 13 | 368 | 1,046 |
| Increase in property, plant and equipment and intangible assets | 499 | 1 | 182 | 682 |

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

### b. Related information

#### I. Fiscal year ended March 31, 2011

1. Information by product and service

   This information has been omitted, as sales to external customers in a single product and service category account for more than 90% of net sales recorded on the consolidated statements of income.

2. Information by geographical area

   (a) Net sales

(Millions of yen)

| Japan | China | Taiwan | Korea | Other | Total |
|---|---|---|---|---|---|
| 6,896 | 13,151 | 4,641 | 12,493 | 3,184 | 40,366 |

Note: The sales amounts are broken down into countries/regions based on the location of customers.

   (b) Property, plant and equipment

(Millions of yen)

| Japan | Taiwan | Asia | Other | Total |
|---|---|---|---|---|
| 8,905 | 1,642 | 2,359 | 141 | 13,050 |

3. Information by major customer

(Millions of yen)

| Name of customer or individual | Net sales | Related business segment |
|---|---|---|
| LG Electronics Inc. | 8,391 | Korea |

#### II. Fiscal year ended March 31, 2012

1. Information by product and service

   This information has been omitted, as sales to external customers in a single product and service category account for more than 90% of net sales recorded on the consolidated statements of income.

2. Information by geographical area

   (a) Net sales

(Millions of yen)

| Japan | China | Taiwan | Korea | Other | Total |
|---|---|---|---|---|---|
| 6,318 | 11,741 | 4,011 | 15,019 | 2,706 | 39,797 |

Note: The sales amounts are broken down into countries/regions based on the location of customers.

   (b) Property, plant and equipment

(Millions of yen)

| Japan | Taiwan | Asia | Other | Total |
|---|---|---|---|---|
| 8,520 | 1,537 | 2,360 | 128 | 12,546 |

3. Information by major customer

(Millions of yen)

| Name of customer or individual | Net sales | Related business segment |
| --- | --- | --- |
| LG electronics inc. | 10,815 | Korea |

**c. Impairment losses on noncurrent assets for each reportable segment**

**Fiscal year ended March 31, 2011**

Information omitted owing to lack of materiality.

**Fiscal year ended March 31, 2012**

No items to report

**d. Goodwill amortization amount and remaining goodwill balance for each reportable segment**

**Fiscal year ended March 31, 2011**

Information omitted owing to lack of materiality.

**Fiscal year ended March 31, 2012**

Information omitted owing to lack of materiality.

**e. Gains on negative goodwill for each reportable segment**

**Fiscal year ended March 31, 2011**

No items to report

**Fiscal year ended March 31, 2012**

No items to report

## (Tax effect accounting)

<table>
<tr><th>Fiscal year ended March 31, 2011</th><th>Fiscal year ended March 31, 2012</th></tr>
<tr><td>

1. Major breakdown of deferred tax assets and liabilities

| | (Millions of yen) |
|---|---|
| Deferred tax assets | |
| Denial of provision for directors’ retirement benefits | 45 |
| Denial of provision of retirement benefits | 89 |
| Deferred tax assets for unrealized income | 100 |
| Foreign tax credit carried forward | 1,282 |
| Denial of provision of bonuses | 93 |
| Denial of social insurance premiums corresponding to bonuses | 13 |
| Denial of accrued business tax | 30 |
| Denial of provision of allowance for doubtful accounts | 96 |
| Denial of loss on valuation of golf club membership | 16 |
| Accrued royalty expense | 4 |
| Denial of accounts payable – other | 96 |
| Others | 112 |
| Subtotal | 1,982 |
| Valuation allowances | (1,348) |
| Total deferred tax assets | 634 |

| | (Millions of yen) |
|---|---|
| Deferred tax liabilities | |
| Deferred tax liabilities pertaining retaining earnings of subsidiaries | 820 |
| Reserve for technical development | 84 |
| Depreciation | 17 |
| Valuation difference on available-for-sale securities | 60 |
| Others | 66 |
| Total deferred tax liabilities | 1,049 |
| Net deferred tax liabilities | (415) |

Classification of “Net deferred tax liabilities” on the consolidated balance sheets.

| | (Millions of yen) |
|---|---|
| Current assets – deferred tax assets | 282 |
| Noncurrent assets – deferred tax assets | 88 |
| Current liabilities – deferred tax liabilities | (190) |
| Noncurrent liabilities – deferred tax liabilities | (597) |

</td><td>

1. Major breakdown of deferred tax assets and liabilities

| | (Millions of yen) |
|---|---|
| Deferred tax assets | |
| Denial of provision for directors’ retirement benefits | 39 |
| Denial of provision of retirement benefits | 84 |
| Deferred tax assets for unrealized income | 72 |
| Foreign tax credit carried forward | 466 |
| Denial of provision of bonuses | 86 |
| Denial of social insurance premiums corresponding to bonuses | 13 |
| Denial of accrued business tax | 16 |
| Denial of provision of allowance for doubtful accounts | 65 |
| Denial of impairment loss on investments in capital of subsidiaries and affiliates | 149 |
| Denial of loss on valuation of golf club membership | 14 |
| Asset retirement obligations | 18 |
| Others | 107 |
| Subtotal | 1,135 |
| Valuation allowances | (527) |
| Total deferred tax assets | 607 |

| | (Millions of yen) |
|---|---|
| Deferred tax liabilities | |
| Deferred tax liabilities pertaining retaining earnings of subsidiaries | 797 |
| Reserve for technical development | 81 |
| Depreciation | 13 |
| Valuation difference on available-for-sale securities | 42 |
| Others | 70 |
| Total deferred tax liabilities | 1,004 |
| Net deferred tax liabilities | (397) |

Classification of “Net deferred tax liabilities” on the consolidated balance sheets.

| | (Millions of yen) |
|---|---|
| Current assets – deferred tax assets | 63 |
| Noncurrent assets – deferred tax assets | 56 |
| Current liabilities – deferred tax liabilities | (87) |
| Noncurrent liabilities – deferred tax liabilities | (429) |

</td></tr>
</table>

| Fiscal year ended March 31, 2011 | Fiscal year ended March 31, 2012 |
|---|---|
| 2. Reconciliation between statutory tax rates and the effective income taxes rate after applying tax effect accounting | 2. Reconciliation between statutory tax rates and the effective income taxes rate after applying tax effect accounting |

| | Fiscal year ended March 31, 2011 (%) | Fiscal year ended March 31, 2012 (%) |
|---|---|---|
| Statutory tax rate | 40.54 | 40.54 |
| <Reconciliation> | | |
| Tax rate difference from those for foreign subsidiaries | (15.76) | (19.53) |
| Tax rate difference in line with offsetting of dividends income | 1.64 | 1.96 |
| Tax rate difference in line with crediting foreign taxes | (1.25) | (2.06) |
| Tax adjustments pertaining to retained earnings of foreign subsidiaries | (2.96) | (0.49) |
| Tax rate difference connected with permanent differences (e.g. entertainment expenses) | 0.42 | 0.95 |
| Permanent difference of non-deductible expenses of withholding tax on dividends | 7.30 | 6.28 |
| Tax adjustments pertaining to amortization of goodwill | 0.20 | 0.17 |
| Experiment and research expenses tax credit | (1.08) | (1.81) |
| Valuation allowances | 3.10 | 1.97 |
| Others | 0.38 | 0.26 |
| Effective income taxes rate after applying tax effect accounting | 32.53 | 28.24 |

Fiscal year ended March 31, 2012:

3. (Revision of the amount of deferred tax assets and deferred tax liabilities due to a change in tax rate of corporate taxes, etc.)

Following the promulgation on December 2, 2011 of the "Act for Partial Revision of the Income Tax Act, etc. for the Purpose of Creating Taxation System Responding to Changes in Economic and Social Structures" (Act No. 114 of 2011) and the "Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake" (Act No. 117 of 2011), for fiscal years beginning on or after April 1, 2012, the income tax rate will be reduced and the special reconstruction corporation tax will be imposed. In line with these changes, the effective statutory tax rate used to measure deferred tax assets and liabilities will be changed from 40.54% to 37.87% for temporary differences expected to be eliminated in the fiscal years beginning on April 1, 2012, 2013 and 2014, and to 35.49% for temporary differences expected to be eliminated in the fiscal years beginning on or after April 1, 2015.

The impact of these changes in effective statutory tax rates is insignificant.

**(Derivatives)**

1. Derivatives transactions for which hedge accounting is not applied

(a) Currency related

**Fiscal year ended March 31, 2011**

| Classification | Type | Contract amount, etc. (millions of yen) | Market value (millions of yen) | Gain or loss on valuation (millions of yen) |
|---|---|---|---|---|
| Non-market transactions | Forward exchange contracts | | | |
| | U.S. dollar short positions | 1,935 | (21) | (21) |

Note: Market value calculation method
Based on prices indicated by partner financial institutions

**Fiscal year ended March 31, 2012**

| Classification | Type | Contract amount, etc. (millions of yen) | Market value (millions of yen) | Gain or loss on valuation (millions of yen) |
|---|---|---|---|---|
| Non-market transactions | Forward exchange contracts | | | |
| | U.S. dollar short positions | 2,836 | (62) | (62) |
| | Japanese yen long positions | 929 | 9 | 9 |

Note: Market value calculation method
Based on prices indicated by partner financial institutions

(b) Interest rate related

No items to report

2. Derivatives transactions for which hedge accounting is applied

No items to report

## (Retirement benefits)

| Fiscal year ended March 31, 2011 | Fiscal year ended March 31, 2012 |
|---|---|
| (a) Outline of the retirement benefit plans adopted by the Company<br>The Company has in place a retirement benefit system based on a point system under the defined-benefit corporate pension system.<br>The defined-contribution corporate pension system was reintroduced on October 1, 2009.<br>Certain foreign consolidated subsidiaries have defined contribution pension plans as well as defined benefit pension plans. | (a) Outline of the retirement benefit plans adopted by the Company<br>The Company has in place a retirement benefit system based on a point system and the defined-contribution corporate pension system under the defined-benefit corporate pension system.<br>Certain foreign consolidated subsidiaries have defined contribution pension plans as well as defined benefit pension plans. |
| (b) Matters concerning retirement benefit obligations<br>(As of March 31, 2011)<br>Retirement benefit obligations (2,177) million yen<br>Plan assets 2,003<br>Unfunded retirement benefit obligations (173)<br>Unrecognized actuarial gains or losses (62)<br>Unrecognized prior service cost 30<br>Net obligations recognized in the consolidated balance sheets (206)<br>Provision for retirement benefits (206) | (b) Matters concerning retirement benefit obligations<br>(As of March 31, 2012)<br>Retirement benefit obligations (2,396) million yen<br>Plan assets 2,094<br>Unfunded retirement benefit obligations (301)<br>Unrecognized actuarial gains or losses 87<br>Unrecognized prior service cost 10<br>Net obligations recognized in the consolidated balance sheets (204)<br>Provision for retirement benefits (204) |
| (c) Matters concerning retirement benefit expenses<br>(From April 1, 2010 to March 31, 2011)<br>Service cost 144 million yen<br>Interest cost 49<br>Expected return on plan assets (25)<br>Amortization of actuarial gains or losses (26)<br>Amortization for prior service cost 10<br>Provision for retirement benefits 152<br>Note: The Company and its certain foreign consolidated subsidiaries recognized 26 million yen defined contribution-type retirement benefit expenses in addition to the above retirement benefit expenses. | (c) Matters concerning retirement benefit expenses<br>(From April 1, 2011 to March 31, 2012)<br>Service cost 142 million yen<br>Interest cost 53<br>Expected return on plan assets (27)<br>Amortization of actuarial gains or losses (21)<br>Amortization for prior service cost 10<br>Provision for retirement benefits 157<br>Note: The Company and its certain foreign consolidated subsidiaries recognized 23 million yen defined contribution-type retirement benefit expenses in addition to the above retirement benefit expenses. |
| (d) Calculation basis of retirement benefit obligations<br>Periodic allocation: Straight-line method over the period<br>Discount rate: 2.0%<br>Expected rate of return on plan assets: 1.0%<br>Amortization period of prior service cost: Mainly 5 years<br>(Prior service cost is mainly amortized over the periods which are shorter than the average remaining service years of employees, by the straight-line method.)<br>Amortization period of actuarial gains or losses: Mainly 5 years<br>(Actuarial gains or losses are mainly amortized as incurred over the periods, which are shorter than the average remaining service years of employees by the straight-line method, starting from the following fiscal years.) | (d) Calculation basis of retirement benefit obligations<br>Periodic allocation: Straight-line method over the period<br>Discount rate: 1.2%<br>Expected rate of return on plan assets: 1.0%<br>Amortization period of prior service cost: Mainly 5 years<br>(Prior service cost is mainly amortized over the periods which are shorter than the average remaining service years of employees, by the straight-line method.)<br>Amortization period of actuarial gains or losses: Mainly 5 years<br>(Actuarial gains or losses are mainly amortized as incurred over the periods, which are shorter than the average remaining service years of employees by the straight-line method, starting from the following fiscal years.)<br>(Additional Information)<br>The discount rate applied at the beginning of the current fiscal year was 2.0%, but as a result of re-examining the rate, the Company judged that a change in the discount rate would affect the amount of the retirement benefit obligations and changed the discount rate to 1.2%. |

**(Items to omit notes thereon)**

Consolidated statements of comprehensive income, notes on leases, related party transactions, financial instruments, securities, stock options, business combinations, asset retirement obligations and leases and other real estate transactions are omitted because the necessity to disclose those in this financial report is deemed small.

**(Per share information)**

| Fiscal year ended March 31, 2011 | Fiscal year ended March 31, 2012 |
|---|---|
| Net assets per share 1,316.53 yen<br>Net income per share 131.78 yen<br>Diluted net income per share is not presented because there are no dilutive shares. | Net assets per share 1,297.18 yen<br>Net income per share 98.38 yen<br>Diluted net income per share is not presented because there are no dilutive shares. |

Note 1: Basis for calculating net assets per share is shown below.

| | Fiscal year ended March 31, 2011 | Fiscal year ended March 31, 2012 |
|---|---|---|
| Total net assets as shown on the balance sheet (Millions of yen) | 34,186 | 33,476 |
| Deducted amount from total net assets (Millions of yen) | 696 | 478 |
| (Minority interests in the amount above) (Millions of yen) | (696) | (478) |
| Net assets related to common stock (Millions of yen) | 33,490 | 32,997 |
| Number of shares at the end of period (Shares) | 25,438,454 | 25,438,334 |

Note 2: Basis for calculating net income per share is shown below.

| | Fiscal year ended March 31, 2011 | Fiscal year ended March 31, 2012 |
|---|---|---|
| Net income as shown on the statement of income (Millions of yen) | 3,402 | 2,502 |
| Net income not attributable to common shareholders (Millions of yen) | – | – |
| Net income related to common stock (Millions of yen) | 3,402 | 2,502 |
| Average number of shares during the period (Shares) | 25,821,866 | 25,438,417 |

**(Significant subsequent events)**

No items to report

## 5. Other

### (1) Changes in Directors and Corporate Auditors

1) Change in Representative Director

No items to report

2) Changes in Other Directors and Corporate Auditors (disclosed on March 22, 2012)

The Candidates for the new Director

| | | |
|---|---|---|
| Director | Masahisa Kakinuma | Currently Senior Managing Executive Officer, President of TAIYO INK MFG. CO., LTD. |
| Director | Seiki Kashima | Currently Managing Executive Officer, Manager, Office of China Strategy |
| Director | Takayuki Morita | Currently Executive Officer, President of TAIYO INK (SUZHOU) CO., LTD. |
| Director | Kim, Jong-Tae | Currently Executive Officer, President of TAIYO INK CO., (KOREA) LTD. |
| Director | Masayuki Hizume | Currently Non-standing Corporate Auditor |

The Directors scheduled to retire from post

| | | |
|---|---|---|
| Chairman | Yuichi Kamayachi | Scheduled to assume post as Special Advisor to the Board of Directors |
| Director | Masuhiro Omori | Scheduled to assume post as Non-standing Corporate Auditor |
| Director | Si Bum, Yoo | Scheduled to assume post as Non-standing Corporate Auditor |
| Director | Morio Suzuki | Scheduled to assume post as Advisor to the Board of Directors |

The Candidates for the new Corporate Auditor

| | | |
|---|---|---|
| Non-standing Corporate Auditor | Masuhiro Omori | Currently Director |
| Non-standing Corporate Auditor | Sibum Yoo | Currently Director |

The Corporate Auditors scheduled to retire from post

| | | |
|---|---|---|
| Non-standing Corporate Auditor | Masayuki Hizume | Scheduled to assume post as Director |
| Non-standing Corporate Auditor | Toshiaki Taue | - |

3) Scheduled effective date of assumption

June 27, 2012