

# Empower



## Profile

The TAIYO HOLDINGS GROUP is the chemical manufacturer that commands a global market share of more than 50% for solder resist, which is essential for the printed wiring boards (PWBs) used in a variety of electronics products, from such IT devices as cellular phones, PCs, and other digital equipment to digital household appliances and in-vehicle electronics equipment.

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

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

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

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### Matters Regarding Forward-Looking Statements

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

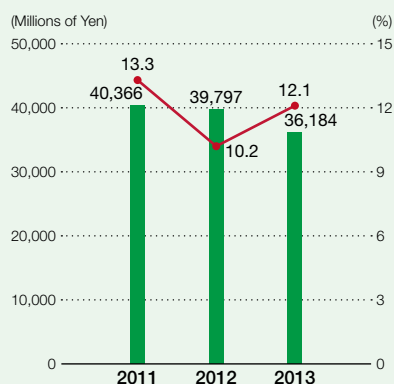
# Financial Highlights

TAIYO HOLDINGS CO., LTD. and Consolidated Subsidiaries  
March 31, 2013, 2012 and 2011

	Millions of Yen			Thousands of U.S. Dollars (Note)
	2013	2012	2011	2013
<b>For the year:</b>				
Net sales	¥ 36,184	¥ 39,797	¥ 40,366	\$384,936
Operating income	4,386	4,040	5,381	46,660
Operating income ratio (%)	12.1	10.2	13.3	
Net income	3,368	2,503	3,403	35,830
Net cash provided by operating activities	6,109	2,793	4,576	64,989
Net cash (used in) provided by investing activities	(2,478)	(1,343)	758	(26,362)
Net cash used in financing activities	(2,314)	(2,979)	(3,697)	(24,617)
Research and development expenses	1,199	963	995	12,755
Number of employees	858	861	840	
<b>At year-end:</b>				
Total assets	¥ 44,023	¥ 40,703	¥ 42,851	\$468,330
Return on equity (%)	9.7	7.5	9.9	
Equity ratio (%)	82.2	81.1	78.2	
Total equity	36,810	33,476	34,187	391,596
<b>Per share data (Yen and U.S. Dollars):</b>				
Net income	¥ 132.38	¥ 98.38	¥ 131.78	\$ 1.41
Cash dividends	90.00	90.00	115.00	0.96
Net assets	1,423.26	1,297.18	1,316.53	15.14

\* The U.S. dollar amounts stated above and elsewhere in this report have been translated from yen, for convenience only, at the rate of ¥94 = US\$1, which was the approximate rate on the Tokyo Foreign Exchange Market on March 31, 2012.

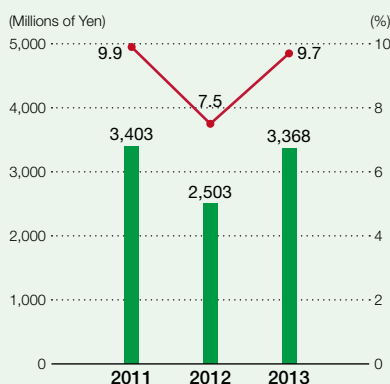
**Net Sales and Operating Income Ratio**



(Years ended March 31)

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

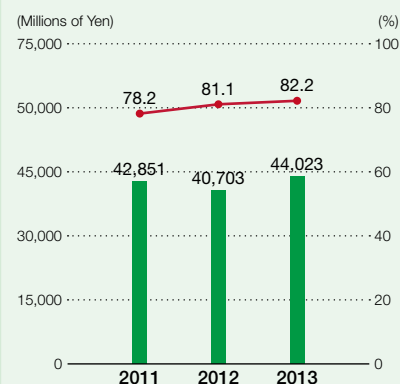
**Net Income and Return on Equity**



(Years ended March 31)

■ Net Income (left scale)  
◆ Return on Equity (right scale)

**Total Assets and Equity Ratio**



(March 31)

■ Total Assets (left scale)  
◆ Equity Ratio (right scale)

## President's Message

We, the TAIYO HOLDINGS GROUP, are a specialty chemical manufacturer that proudly holds more than half of the global market for solder resist, a material that forms an essential component of the printed wiring boards used in cellular phones, computers, and other IT equipment, as well as in digital home electronics, in electronics equipment installed in automobiles, and a variety of other electronic devices.

Originally established in 1953 as Taiyo Ink Manufacturing Co., Ltd. to manufacture and sell printing ink and other related materials, we took a great step forward by shifting our business segment and making solder resist our principal product in 1976. This adventurous transformation was underpinned by our confidence in our technological capabilities.

Now, in 2013—which marks the 60th anniversary of the start of our operations—we are targeting further growth, and based as ever on the technological capabilities accumulated in the development and manufacture of solder resist, we have redefined the Management Philosophy that is to be regarded as the TAIYO HOLDINGS GROUP's raison d'être: To 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 not just with solder resist but also with other innovative products we create.

In addition to consolidating our solid No. 1 position in the field of solder resist, we will focus on research and development and on cultivating businesses that will also underpin new growth in the years to come.

Please look for exciting things from the TAIYO HOLDINGS GROUP as we work toward new developments.

**Eiji Sato**, President and CEO



Eiji Sato





## 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 Policy to match changes in the environment and strategy on a long-term basis.

### Management Philosophy

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

### Basic Management Policy

1. We will generate 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.



## History

# Growth fundamentals built up over 60 years

Now, in 2013—which marks the 60th anniversary of the start of our operations—we are targeting further growth, and based as ever on the technological capabilities accumulated in the development and manufacture of solder resist.

Sept.  
Taiyo Ink Mfg. Co., Ltd. established.

Mar.  
Ranzan Plant (current Ranzan Facility) established.



Sept.  
Established  
TAIYO INK MFG. CO.,  
(KOREA) LTD.  
  
Commenced locally based  
production overseas



Dec.  
Acquired ISO  
9001 certification  
for Head Office  
and the Ranzan  
Facility.

Mar.  
Completed construction of Technology  
Development Center  
at the Ranzan Facility.

Dec.  
Established marketing subsidiary  
TAIYO AMERICA,  
INC. in Nevada, U.S.A.



1953 — 1970 — 1973 — 1982 — 1984 — 1988 — 1990 — 1992 — 1993 — 1994

May  
Developed and commenced  
marketing of epoxy resin,  
thermally curable single-  
component solder resist.

Aug.  
Commenced printed wiring  
board (PWB) marketing.

June  
Exhibited liquid developable  
solder resist at the JPCA Show.

Sept.  
Launched initial  
public offering on  
the over-the-counter  
market.

Jan.  
Developed and commenced  
marketing of package board  
solder resist, especially BGA  
solder resist.

Nov.  
Registered basic patent for  
alkaline developable solder  
resist in Japan.

Feb.  
Commenced research and  
development into plasma  
display panel materials.

## Topics

### We acquired the shares of Onstatic Technology Co., Ltd.

In May 2013, the Company acquired the shares of Taiwan-based Onstatic Technology Co., Ltd. (OTC), making the company a subsidiary. OTC manufactures and sells specialty inks for use in precision equipment, primarily in China and Taiwan. This move will enable the sharing and effective utilization of the mutual management resources of the Group, which will provide detailed responses to customer requests.

OTC is a professional manufacturer for various solder resist ink, which is used in PCB production. It is a clear goal for us to supply the most-qualified and most-reliable products to all of our customers. We also provide all the necessary technical support to customers during their production processes.

Feb.  
Transformed U.S. marketing subsidiary TAIYO AMERICA, INC. into a manufacturing and marketing company, and commenced local production.

Sept.  
Established local production subsidiary TAIWAN TAIYO INK CO., LTD. in Taiwan.

Jan.  
Established marketing subsidiaries TAIYO INK INTERNATIONAL (SINGAPORE) PTE LTD. in Singapore and TAIYO INK INTERNATIONAL (HK) LTD. in Hong Kong.

Jan.  
Listed on the First Section of the Tokyo Stock Exchange.

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

Jul.  
Established technical support subsidiary TAIYO INK (THAILAND) CO., LTD. in Thailand.

Dec.  
Established local production subsidiary TAIYO INK (SUZHOU) CO., LTD. in China.

Jan.  
Acquired ISO 14001 certification for Head Office and Ranzan-Kitayama Facility.

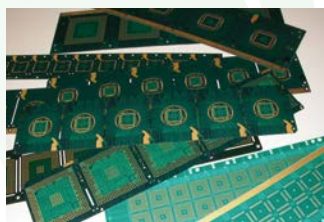
June  
Approval given for resolution concerning transfer to holding company system through corporate divestiture at 64th General Meeting of Shareholders.

Oct.  
Company split implemented and corporate name changed to TAIYO HOLDINGS CO., LTD.

1995 — 1996 — 1999

2001

2003 — 2005 — 2010



Package board solder resist



The Ranzan-Kitayama Facility



Head Office

The Ranzan-Kitayama Facility was established to replace the Ranzan Facility as the main production base of printed wiring board materials. The Ranzan-Kitayama Facility has facilities to cope with highly functional products, including package board materials, and achieves higher-quality products.

Expanded sales of plasma display panel materials.



永勝泰科技股份有限公司  
OTC ONSTATIC TECHNOLOGY CO., LTD.

**Established:** Sept. 1998

**Location:** 7F., No. 1, Ren' ai Rd., Yingge Dist.,  
New Taipei City 239, Taiwan, R.O.C.

**Tel:** 886-2-26777481

**Fax:** 886-2-26777484

**Capital:** NT\$350,000,000

**Business:** PCB production

**Annual Sales:** US\$32 million





# Sound technological skills enabling next-generation product breakthroughs



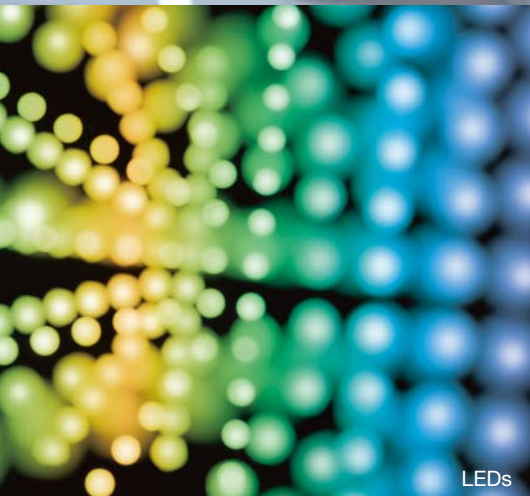
Cellular phones



Computers



Automobiles

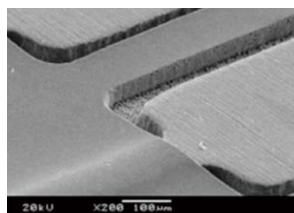
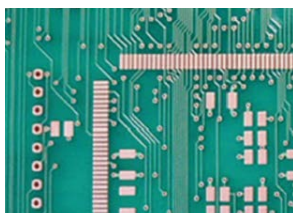


LEDs

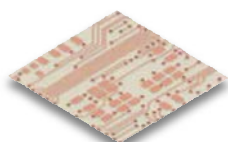
## The World's Leading Manufacturer of Solder Resist

Printed wiring boards are used in a variety of electronics products, from mobile phones, PCs, and other IT equipment to digital household appliances and in-vehicle electronics equipment. Solder resist is an essential element in these printed wiring boards. The TAIYO HOLDINGS GROUP is a chemical manufacturer that boasts a 50% share in the global solder resist industry.

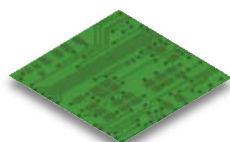
**Solder resist is an insulating ink that covers the surface of printed wiring boards and protects the circuit pattern.**



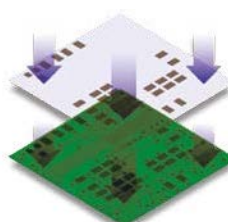
One of the main roles of solder resist is to prevent solder from adhering to unnecessary parts when components are mounted on the board. At the same time, solder resist also acts as a permanent protective coating, protecting the circuit pattern from dust, heat, and moisture as well as insulating the board's circuitry.



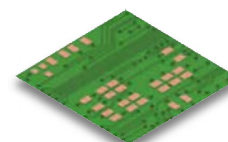
Before solder resist coating



After solder resist coating



Board surface after solder resist patterning



Electron microscope photograph: Solder resist is the area on the left of the image.

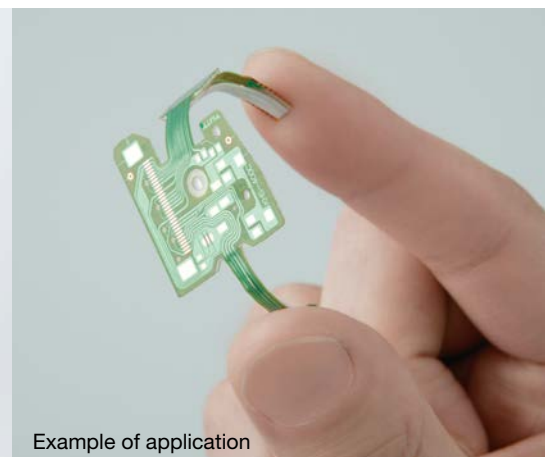




PWBs



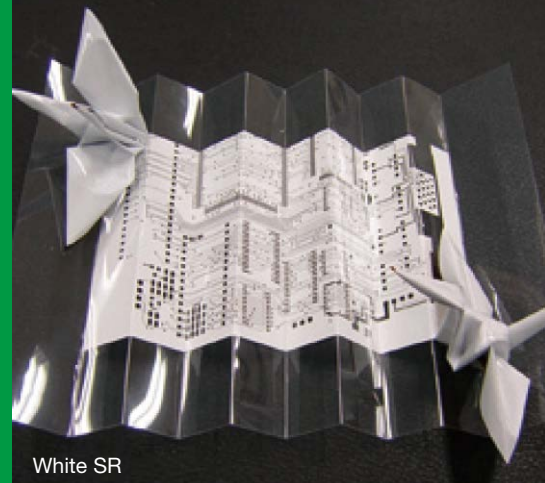
Solder resist



Example of application

## Further Expansion of Business Domain by Expansion in PDP Materials Field

Using our solder resist technology, the TAIYO HOLDINGS GROUP has expanded operations in the flat panel display materials arena, especially in the field of plasma display panel materials. The TAIYO HOLDINGS GROUP aims to expand its business domain through the continual development and provision of new chemical materials for the electronics industry.



White SR

## The Market Leader in the Solder Resist Field

**60%**

### Market share for solder resist

The ink, typically green, that is applied to the surfaces of printed wiring boards (PWBs) is, in fact, solder resist (known in the U.S. and elsewhere as solder mask), the mainstay product of the TAIYO HOLDINGS GROUP. Solder resist is an essential material in the production of PWBs used in electronics equipment, from mobile phones and PCs to digital appliances and automotive electronic devices. The TAIYO HOLDINGS GROUP commands a global market share for solder resist of more than 60%, making it the No. 1 specialty chemical manufacturer in this field.

**630**

### Number of patents

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

## Our Employees' Personal Skills

# Human resource training for agile responses to dynamic global markets



### Cheon, Myeong Ho

#### Current position and job description

- General Manager of Overseas Sales Department, Sales and Marketing Division, TAIYO INK MFG. CO., LTD.
- Sales expansion/after-sales service and management related to overseas users of products made in Japan



#### What he wants to contribute to the Company in the future

I am working hard every day to collaborate with overseas subsidiaries from a broad perspective, to expand product sales on a worldwide basis, and to continue the overall development of the Taiyo Group.



### Yuta Ogawa

#### Current position and job description

- Overseas Sales Department, Sales and Marketing Division, TAIYO INK MFG. CO., LTD.
- Responsible for expanding sales/after-sales service of package substrate products for overseas subsidiaries



#### What he wants to contribute to the Company in the future

By proposing the Company's cutting-edge products to overseas customers, I would like to continue to make new proposals from Japan in constant collaboration with overseas subsidiaries, and rapidly link those proposals to new product development.



### Yasutaka Mitsui

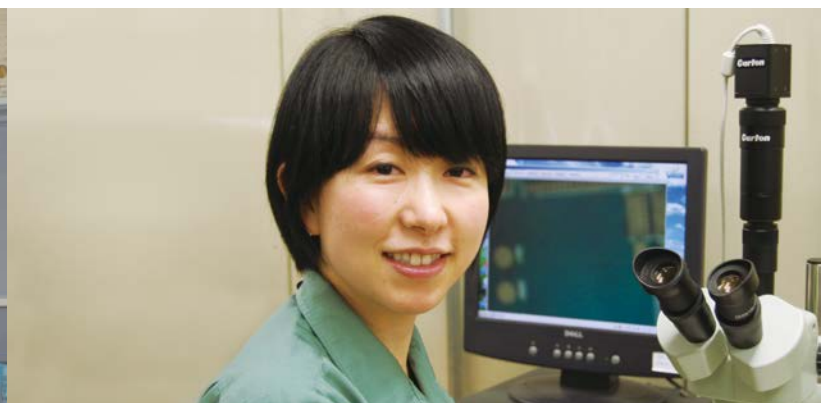
#### Current position and job description

- Assistant Manager of R&D Department, R&D Division, TAIYO HOLDINGS CO., LTD.
- Management of medium-term R&D operations



#### What he wants to contribute to the Company in the future

In anticipation of the needs of the market aiming for new Company products to be adopted by customers in the medium-term time span of three-five years, I want to contribute to the Company through new product R&D.



### Yoko Shibasaki

#### Current position and job description

- Development Section II, Development Department II, Technical Development Division, TAIYO INK MFG. CO., LTD.
- Responsible for development and technical services of package substrate products



#### What she wants to contribute to the Company in the future

I would like to build relationships of trust with customers through the development of superior products and to contribute to the Company's sales. In addition, I am committed to product development that is capable of contributing to the enrichment of society.



## Kang, Jin Kui

### Current position and job description

- Manager of General Affairs Department, TAIYO INK (SUZHOU) CO., LTD.
- Management of human resources, general affairs, and systems department operations

### What he wants to contribute to the Company in the future

As the sole member of TAIYO HOLDINGS CO., LTD. here, I want to act as a bridge for the future between China and Japan through the General Affairs Department's operations.



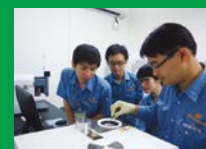
## Liu, Chuan Hsiung

### Current position and job description

- Chief of Touch Panel Team, Research and Development Section, Research and Development Department, TAIWAN TAIYO INK CO., LTD.
- Specialist in the development of touch panel-related materials

### What he wants to contribute to the Company in the future

While sensing customers' pleasure when they adopt our products, I want to build relationships of trust with them through product improvements and development and thereby contribute to sales. In addition, I am committed to *monozukuri* that not only brings delight to the Company's customers, but also to those who actually use them.



## Development and Use of Global Human Resources

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

## Taiyo Global Network





## Interview with the President

# A New Growth Strategy Based on Speed + Communication

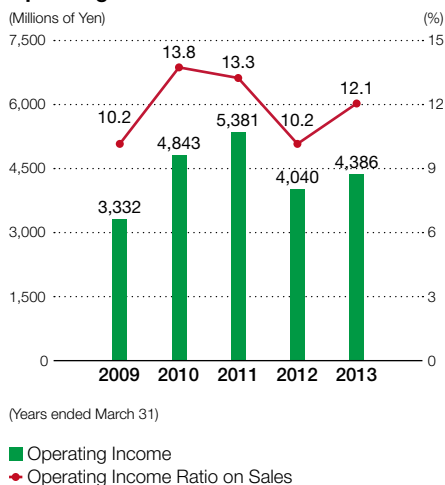


The TAIYO HOLDINGS GROUP results for the fiscal year ended March 31, 2013 (FY2012) showed a decrease in sales mainly attributable to stagnation in the U.S. and European economies, but a profit increase was secured, and our debt on equity (DOE) ratio and our dividend payout ratio improved to 6.6% and 68.0%, respectively. Strengthening its business through pivotal medium- to long-term management strategies centered on R&D system upgrades, the Company has set its sights on further improvements in its corporate value in the years to come.

## Review of FY2012 and Future Outlook

### Q Please tell us a little about the business environment and TAIYO HOLDINGS GROUP results in the fiscal year ended March 2013.

**Operating Income and Operating Income Ratio on Sales**



Looking back at the semiconductor industry as a whole in FY2012, there was robust demand for smartphone and tablet device components, but demand for PCs and display components destined primarily for flat-panel TVs remained sluggish. More than 80% of our net sales were generated overseas, and as many of the printed wiring board (PWB) materials supplied by the Company have been adopted as boards for high-end consumer electronics products in developed countries, our results were greatly affected by the economic situations in Europe and the United States, in particular. The U.S. economy having slowed down since the Lehman Brothers bankruptcy shock and European economies having stagnated since the sovereign debt crisis, which overlapped with an appreciating yen, made for a harsh business environment. Under these circumstances, when compared with the end of FY2011, the first half results remained on track and followed an upward trend, and yet we were unable to achieve our targeted sales volumes due to the economic slowdown in the second half. On the other hand, the correction to the rise of the yen under the so-called Abenomics effect at the end of the fiscal year served to act as a boost on results.

In the final analysis, our business performance was just about as per forecast, with decreasing sales and increasing profit. Net sales in the fiscal year ended March 2013 decreased 9.1%, to ¥36,184 million, and operating income increased 8.5% over the same period, to ¥4,386 million.

### Q What is your business environment and results outlook for the fiscal year ending March 2014?

Although the prospects for the business environment remain as uncertain as ever, industry demand is expected to increase several percentage points, centered on PWB materials for smartphones, tablet devices, and car electronics related products. Demonstrating its superiority in terms of cost in relation to its competitors in Japan and also, in terms of its know-how, its superiority over foreign rivals, the Company has its sights set on growth that will outpace that of industry demand. This will be achieved by strengthening its sales capabilities, improving its productivity and profitability, and vigorously pushing ahead with the development and sale of new products.

We are planning for net sales to rise 21.6%, to ¥44,000 million, and for a 59.6% increase in operating income, to ¥7,000 million, in the fiscal year ending March 2014.

Around 10% of the significant increase in profit will be generated by Company measures, with the rest expected to come from the corrections to the high yen. The acquisition of Onstatic Technology Co., Ltd. (OTC) is expected to contribute ¥4,000 million in net sales and ¥200 million to operating income. These figures assume a U.S. dollar exchange rate of ¥95 to the U.S. dollar.

**Q Speaking of the now former rival Taiwanese company OTC, you completed that acquisition in May 2013. What kind of impact do you think the acquisition will have from the current fiscal year onward?**



Onstatic Technology Co., Ltd.

As previously mentioned, our FY2013 results forecasts incorporate a ¥4,000 million increase in net sales and ¥200 million in operating income from the effects of having acquired OTC.

For a company that has set its sights maintaining profit while expanding its market share, M&A is partly an anti-competition measure in conjunction with entry into strategically low-priced markets. As we have achieved our initial target share particularly in the Chinese market by bringing OTC under the Taiyo umbrella, we will in the coming years be able to adjust our course to give priority to a profit-pricing policy. It will now also be possible to strengthen collaboration with OTC on strategies with regard to rival companies. As the advance of low-priced rival products from local companies in China is expected to continue, among the strategies will be those designed to place an emphasis on ways to counteract that advance.

We will examine new M&A in the years ahead. For example, a possible acquisition target besides rival competitors would be companies in other industries involved in electronic PWBs or element manufacturers positioned upstream in the Company's supply chain.

## **The TAIYO HOLDINGS GROUP's Mainstay Products**

**Q As a leading company in materials for PWBs, please provide us with an overview of the TAIYO HOLDINGS GROUP's current mainstay products.**

Among the PWB products we make are multiprocessing unit (MPU) package materials that are on the cutting edge of evolution. Primarily destined for smartphones and tablet devices, demand for MPUs is continuing to show double-digit growth. The Company already holds the largest share of the overall MPU package materials market. It can be said, however, that one of our key management issues is to gain and maintain an overwhelming global share of the specific market for smartphone MPU package materials, and for us to grow in step with market expansion.



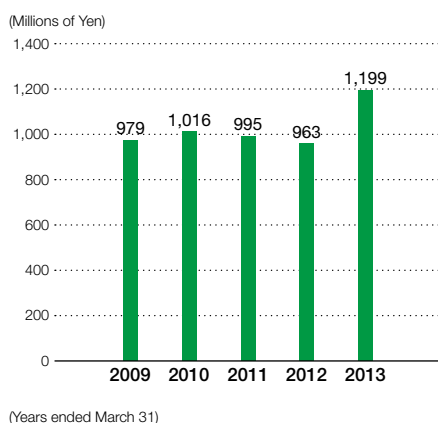


At one time, we were a major manufacturer of rigid printed circuit boards (PCBs), but just as that steadily shifted from U.S. companies to companies in Japan, Taiwan, and China in turn, it is expected that Chinese companies will also dominate the MPU package market. Especially against the background of China's 1.3 billion population, growth in the smartphone market will be huge, and there is no doubt that the country's parts production is coming to the forefront. Keeping a close eye on industry trends, when the time comes for us to relinquish our turn at the forefront of MPU package production, we will endeavor to be at the stage where we can gain new manufacturers as customers.

## Outline of Medium- to Long-Term Management Strategies

**Q Could you please give us a specific explanation of the upgraded R&D system that forms the crux of the medium- to long-term management strategies?**

**R&D Expenditure**

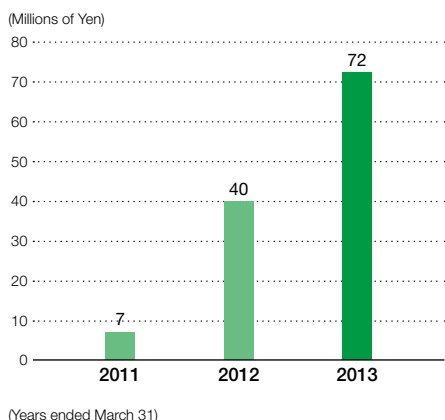


The TAIYO HOLDINGS Group has the No. 1 market share globally in solder resist, which is its main product. For this reason, the Group's sales and income are influenced by trends in the overall market for solder resist. The Group's performance is affected particularly by market trends in semiconductors, which are the final products in which its main product finds application. Despite having achieved our market share plans in FY2012, we ended up suffering a decrease in sales. To overcome this hurdle, and with an eye on products other than solder resist, it is essential for us to create new products with greater profitability and to create and tap into new markets.

To strengthen our R&D system to that end, we embarked on a review of the separation of R&D roles about three years ago. Under the new system set up in FY2012, the Company's R&D Headquarters has been placed in charge of basic research that aims for product commercialization in more than five years' time. Specific product commercialization processes are the responsibility of development divisions at the Group's operating companies. At such time as the goal becomes product commercialization, a dedicated team is set up in which manufacturing and sales members join development division members. Given certain responsibilities and granted certain authorities, the team exchanges points of view, such as production techniques, cost, and sensitive responses to customer needs, and guides the new product to its market launch. To cite one actual new product example, the materials for touch panels are expected to get off the ground within a few years.

**Q In the medium- to long-term management strategies, mention is made of nurturing self-sufficient employees. Could you please tell us about the purpose behind the nurturing of the personnel targeted by this move?**

**Cost of Education and Training**



The term self-sufficient employees refers to personnel who enjoy putting in the effort to attain goals that they themselves have set. To give a specific example, in aiming to develop new products and increase market share, these personnel will themselves be able to draw up business plans, from R&D to manufacture and sale, and to derive enjoyment from bringing those plans to fruition. As a means of training, we have established a system that includes training sessions given by outside trainers and secondment to universities. Also, involving participation in the dedicated development teams, these employees will gain wide-ranging business experience in Japan and overseas.

The ideal vision I have in mind for TAIYO HOLDINGS is of a flat organization where self-sufficient employees gather. Were such a company to really exist, they would be able to enjoy creative work from which each and every person would derive a stimulating “buzz.” I believe that the Company’s desire for sustainable growth would also be fulfilled as a result. Currently, the Company employs over 800 people, and in 10 years’ time at the latest, something like at least 100 of them, including Japanese or people from outside Japan who have been hired in the meantime, will be training afresh to be self-sufficient employees. I am enjoying working to achieve that end, and also enjoying listening to the self-sufficient employees’ ideas in a variety of decision-making situations.

**Q Please explain the specifics of measures to mitigate exchange rate risks that will be a major factor in making steady progress with the management strategies.**

The selling prices of our products are denominated in many foreign currencies, and the situation is that exchange rate fluctuations can easily lead to variations in our business results. In addition to setting up systems whereby products sold locally are also produced locally, we are working to try to balance currency income and expenditure by raising the local procurement of raw materials. The measures to achieve this are linked to mitigating business continuity risk, such as by strengthening our customer response capabilities, including the rapid development of products that meet customer needs and shortening order lead times, reducing the cost of raw materials, and procuring those raw materials from multiple suppliers.

Up to now, we have made good progress with the setting up of a local production system, however, as there are many raw materials that are reliant on Japanese manufacturing quality, this is being treated as a medium- to long-term issue.

## Approach for Returning Profits to Shareholders

**Q Please explain about the uses of cash flow and your approach with regard to returning profits to shareholders.**



With regard to investment, as the acquisition of OTC has been concluded, the present investment target being considered is the upgrade and expansion of all the facilities necessary to realize a greater market share in existing products and the realization of new products. Specifically, investment in plant and equipment, with production-related investment assumed to be somewhere between ¥1.0 billion and ¥2.0 billion, and R&D-related investment of between ¥100 million and ¥200 million. These are appropriate levels as we realize the Company's business categories, business scale, and future vision.

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

Based on these policies, we declared an annual dividend of ¥90 per share for the fiscal year under review and the payout ratio was 68.0%.

With regard to the annual dividend for the fiscal year ending March 2014, the Company will be marking its 60th anniversary. To express our gratitude to all our shareholders for gracing us with their support, we are planning to add a special commemorative dividend of ¥30 to the interim ordinary dividend of ¥45, and to pay a year-end dividend of ¥45, for a total annual dividend of ¥120.

As indicated in our Management Philosophy, TAIYO HOLDINGS is working to advance “every technology,” create a wide range of products to help fulfill the dreams for the whole world with its innovative products, and to realize a pleasant society. By also generating profit and raising corporate value, the Company contributes to the happiness and prosperity of all stakeholders, including all of its shareholders.

I would like to conclude by expressing my heartfelt appreciation to all shareholders and other investors for their unwavering understanding of and support for the TAIYO HOLDINGS GROUP.



## Research & Development Activities



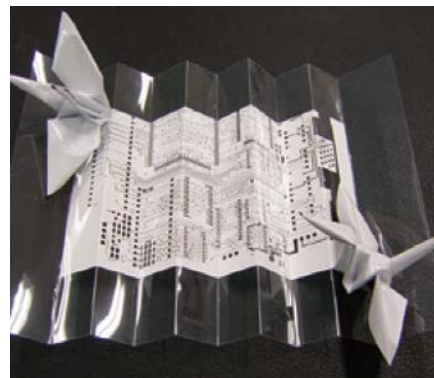
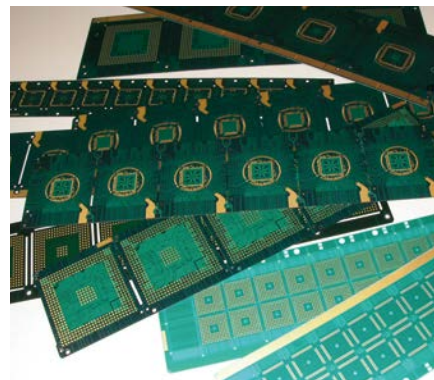
**“We will realize a ‘pleasant society’ by further advancing every technology the Group has and creating a wide range of products to help fulfill the dreams for the whole world with our innovative products.” Based on this management philosophy, the TAIYO HOLDINGS GROUP conducts R&D into a variety of insulation and conductive materials that contribute in the electronics field to an advanced information society and a comfortable environment.**

**The areas of research on which we are focusing, and their results, are set out below.**

### **(1) Solder Resist**

In the case of solder resist, our mainstay product, we are pushing ahead with R&D to communicate with customers but primarily to enable us to be certain of rapidly attending to their every request.

For information terminal devices represented by smartphones, where progress has been made in making them more compact and with greater component density, the direct exposure method suitable for wiring miniaturization is becoming more widespread. From early on, Taiyo developed the printed wiring board (PWB) materials adapted for the exposure method that our customers are utilizing. In the coming years, we will be focusing on the development of highly sensitive solder resist that will advance optimization. Offering advantages in miniaturization for package (PKG) use, the adoption of dry film-type solder resist has, as expected, been increasing from year to year. By bringing to fruition high insulation reliability in dry film, this type has been adopted for state-of-the-art smartphone PKG substrates. Dry film-type solder resist possesses environment-friendly characteristics, as volatilization of the flux during the process is less than with conventional liquid types; steady progress is being made in its development to enable us to



respond to increased demand in the years ahead. From the reliability perspective, solder resist with a thermal expansion coefficient close to that of the semiconductor element—that is thus capable of reducing the stress on a mounted semiconductor element—is being developed in collaboration with a customer.

Also developed for and used by our customers is highly reflective white solder resist that maximizes the special characteristics of LED lamps, which are attracting attention from the energy-saving perspective. Further development is under way with a view to offering even better performance.

Taiyo is focusing its efforts on automotive substrates to contribute to the electrification of the automobile. When mounted in an automobile, substrates are exposed to a harsh environment that includes high temperatures and vibration. We are improving heat resistance to make it even better than conventional types that can sufficiently withstand the conditions, while developing and deploying on the market solder resist that besides being stronger can withstand temperatures that are 50% higher.

Taiyo is making headway with R&D that contributes to the environment. Having developed ink made from plant oil, the Company has obtained the Japan Printing Ink Makers Association vegetable oil ink mark. The Company will be proceeding with applications in a number of fields in the years to come.

## (2) Conductive Materials

Taiyo advances R&D that accurately monitors customer demands as well as changes in the market and technologies.

Having continued to conduct R&D into conductive materials for plasma displays, the Company has developed a highly conductive photo-inducible paste that produces the same performance as conventional types but with a smaller amount.

We are vigorously advancing the development of electrode materials for touch panels, the market for which is burgeoning centered on smartphones and tablet PCs. The Company has developed silver paste that has been adopted for use in screen printing. In partnership with a customer, progress is being made in the development of a photo-type material that enables pattern formation to an even-greater definition. As a material of the future, research is also under way into conductive paste that does not require the use of precious metal.



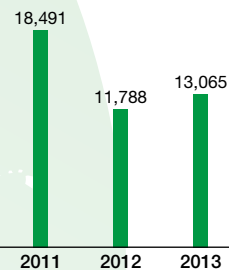
# Geographical Segment Review

Breakdown of Net Sales

Net Sales (Millions of Yen)  
(including inter-segment sales or transactions)

JAPAN

30.8%

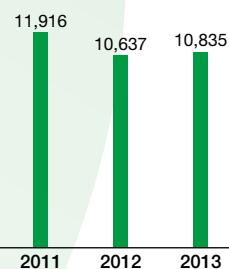


(Years ended March 31)

CHINA

(including Hong Kong)

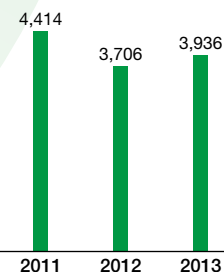
25.5%



(Years ended March 31)

TAIWAN

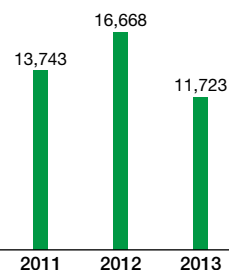
9.3%



(Years ended March 31)

KOREA

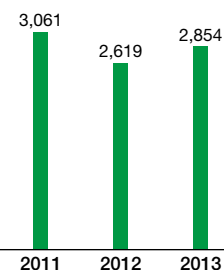
27.6%



(Years ended March 31)

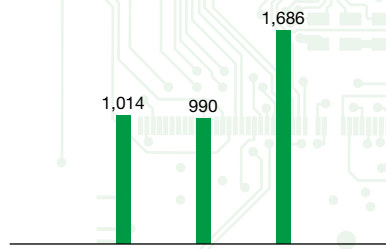
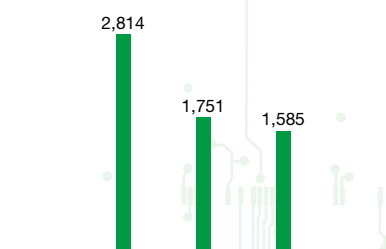
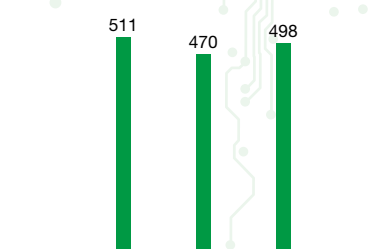
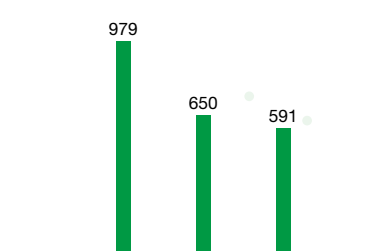
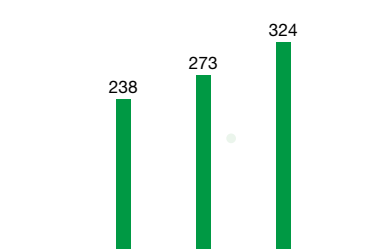
OTHER  
REGIONS

6.7%



(Years ended March 31)



Segment Profit (Millions of Yen)	Performance Overview	Consolidated Group Subsidiaries								
 <p>(Years ended March 31)</p> <table><tr><th>Year</th><th>Segment Profit (Millions of Yen)</th></tr><tr><td>2011</td><td>1,014</td></tr><tr><td>2012</td><td>990</td></tr><tr><td>2013</td><td>1,686</td></tr></table>	Year	Segment Profit (Millions of Yen)	2011	1,014	2012	990	2013	1,686	<p>The consolidated company located in Japan is TAIYO INK MFG. CO., LTD., a manufacturing and marketing subsidiary.</p> <p>The smartphone market expanded globally, which pushed up the sales of high-function products, although sales of rigid board materials decreased due to the slow-down of the domestic electronics market, mainly the TV market.</p> <p>As a result, net sales amounted to ¥13,065 million (up 10.8% year on year) with segment profit at ¥1,686 million (up 70.4% year on year).</p>	TAIYO INK MFG. CO., LTD.
Year	Segment Profit (Millions of Yen)									
2011	1,014									
2012	990									
2013	1,686									
 <p>(Years ended March 31)</p> <table><tr><th>Year</th><th>Segment Profit (Millions of Yen)</th></tr><tr><td>2011</td><td>2,814</td></tr><tr><td>2012</td><td>1,751</td></tr><tr><td>2013</td><td>1,585</td></tr></table>	Year	Segment Profit (Millions of Yen)	2011	2,814	2012	1,751	2013	1,585	<p>The consolidated companies located in China are TAIYO INK (SUZHOU) CO., LTD., a manufacturing and marketing subsidiary, and TAIYO INK INTERNATIONAL (HK) LTD. and TAIYO INK TRADING (SHENZHEN) CO., LTD., marketing subsidiaries operating mainly in the southern China region.</p> <p>Although sales of lower-priced rigid board materials performed favorably, sales of FPD materials were sluggish.</p> <p>As a result, net sales amounted to ¥10,835 million (up 1.9% year on year) with segment profit at ¥1,585 million (down 9.5% year on year).</p>	TAIYO INK (SUZHOU) CO., LTD. TAIYO INK INTERNATIONAL (HK) LTD. TAIYO INK TRADING (SHENZHEN) CO., LTD.
Year	Segment Profit (Millions of Yen)									
2011	2,814									
2012	1,751									
2013	1,585									
 <p>(Years ended March 31)</p> <table><tr><th>Year</th><th>Segment Profit (Millions of Yen)</th></tr><tr><td>2011</td><td>511</td></tr><tr><td>2012</td><td>470</td></tr><tr><td>2013</td><td>498</td></tr></table>	Year	Segment Profit (Millions of Yen)	2011	511	2012	470	2013	498	<p>The consolidated company located in Taiwan is TAIWAN TAIYO INK CO., LTD., a manufacturing and marketing subsidiary.</p> <p>Despite a fall in sales volume, the sales mix of rigid board materials improved.</p> <p>As a result, net sales amounted to ¥3,936 million (up 6.2% year on year) with segment profit at ¥498 million (up 6.0% year on year).</p>	Onstatic Technology Co., Ltd. (OTC) TAIWAN TAIYO INK CO., LTD.
Year	Segment Profit (Millions of Yen)									
2011	511									
2012	470									
2013	498									
 <p>(Years ended March 31)</p> <table><tr><th>Year</th><th>Segment Profit (Millions of Yen)</th></tr><tr><td>2011</td><td>979</td></tr><tr><td>2012</td><td>650</td></tr><tr><td>2013</td><td>591</td></tr></table>	Year	Segment Profit (Millions of Yen)	2011	979	2012	650	2013	591	<p>The consolidated company located in Korea is TAIYO INK CO., (KOREA) LTD., a manufacturing and marketing subsidiary.</p> <p>Sales volumes of FPD materials declined substantially, while sales amounts were also down considerably compared with the same period of the previous fiscal year due to a fall in the price of silver, which has a connection with sale unit prices of FPD materials.</p> <p>As a result, net sales amounted to ¥11,723 million (down 29.7% year on year) with segment profit at ¥591 million (down 9.1% year on year).</p>	TAIYO INK CO., (KOREA) LTD.
Year	Segment Profit (Millions of Yen)									
2011	979									
2012	650									
2013	591									
 <p>(Years ended March 31)</p> <table><tr><th>Year</th><th>Segment Profit (Millions of Yen)</th></tr><tr><td>2011</td><td>238</td></tr><tr><td>2012</td><td>273</td></tr><tr><td>2013</td><td>324</td></tr></table>	Year	Segment Profit (Millions of Yen)	2011	238	2012	273	2013	324	<p>The other consolidated companies are TAIYO AMERICA, INC. and TAIYO INK INTERNATIONAL (SINGAPORE) PTE LTD.</p> <p>TAIYO INK INTERNATIONAL (SINGAPORE) performed steadily amid continued recovery from damage caused by the floods in Thailand.</p> <p>At TAIYO AMERICA, sales were roughly at the same level with the same period of the previous fiscal year.</p> <p>As a result, net sales amounted to ¥2,854 million (up 9.0% year on year) with segment profit at ¥324 million (up 18.7% year on year).</p>	TAIYO AMERICA, INC. TAIYO INK INTERNATIONAL (SINGAPORE) PTE LTD.
Year	Segment Profit (Millions of Yen)									
2011	238									
2012	273									
2013	324									

## Analysis of Operating Results

During the fiscal year ended March 31, 2013, the global economy continued to be uncertain due to such factors as the lingering impact of the European debt crisis and the slow-down of economic growth in China. However, from the latter half of the year, the U.S. economy started to show a recovering trend. The Japanese economy also remained stagnant owing to the sluggish global economy and the extremely strong yen. Nonetheless, after the new government was formed, consumer consumption and corporate earnings started to be on a recovery track thanks to correction of the extremely strong yen.

In the electronics components industry, in which the Group operates, demand for products for smartphones and tablet devices was firm, while demand for display products mainly for PCs and TVs was weak.

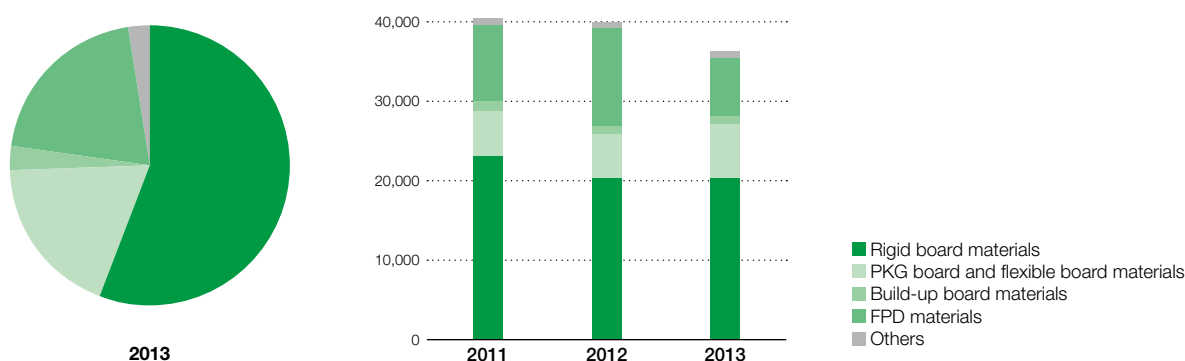
Operating under these conditions, net sales for the current fiscal year amounted to ¥36,184 million (down 9.1% year on year).

In the PWB (printed wiring board) materials market, although sales volumes were almost in line with the previous fiscal year, the sales unit price rose due to the strong sales of high-function products. As a result, net sales of PWB materials were ¥27,998 million (up 4.7% year on year).

Sales of FPD materials, mainly consisting of PDP materials, dropped to ¥7,316 million (down 40.6% year on year), owing to lower sales volume and a fall in unit prices driven by a significant drop in the market price of silver, which constitutes one of the products' raw materials.

As a result, operating income amounted to ¥4,385 million (up 8.5% year on year) with net income at ¥3,367 million (up 34.6% year on year).

**Sales Results by Product Group Category** (Millions of Yen)

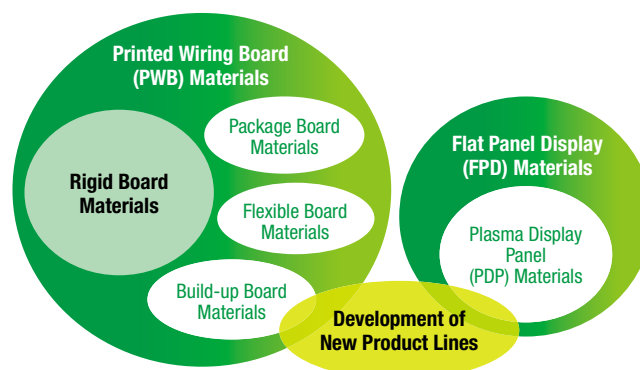


## Product Description

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

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

### TAIYO HOLDINGS GROUP Product Segments



## PWB Materials

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

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

Non-SR products include (1) hole plugging ink, used to provide an insulating in-fill for the through-holes that connect

electronic circuits in various PWB layers, (2) legend (or marking) ink, which is used on PWB surfaces to indicate names, numbers, positions, or other information that relates to mounted electronic components, and (3) interlayer insulation materials, which are used in build-up substrates to separate the various layers of mounted components.

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

## FPD Materials

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Within FPD materials, plasma display panel (PDP) materials for use in flat-screen TV panels account for the majority of sales. The Group manufactures and sells conductive pastes, which function as the electrodes in plasma TV sets, and black

pattern pastes to create the black patterns for generating image contrast. FPD materials now constitute the Group's second-largest product segment behind PWB materials.

## New Fields and Products

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

The second new product is black SR, which offers another alternative to the standard green or blue SR colors. In recent years, more products have started to feature black PWBs that use a black SR. The Group has applied its expertise in photolithography to develop this new product range. The higher

component density and increased circuit resolution in the chips fitted to smartphones and other mobile devices have made conventional photo-irradiation methods obsolete due to the need for more resolution. New SR variants are required for novel direct etching methods that do not utilize a negative film. We have developed black SR that copes with the contradictory requirements of being sufficiently light absorbent but also allowing enough light to penetrate to enable hardening of the high resolution circuit patterns. This product is suitable for laser direct imaging and can also be used within a developable photo-paste that contains high concentrations of light-blocking silver particles, which are applied using photolithographic printing techniques. The resulting product combines a deep black hue with the required sensitivity and precision for high-resolution etching.

The Group has prospered by earning the trust of shareholders, customers, business partners, and other stakeholders. To remain worthy of such trust and support the Group's continued development, we have formulated our CSR Philosophy and a Code of Conduct based on our Management Philosophy and Basic Management Policy to guide all of our

business activities. In conducting business, we are committed to fulfilling our corporate social responsibilities as an enterprise.

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

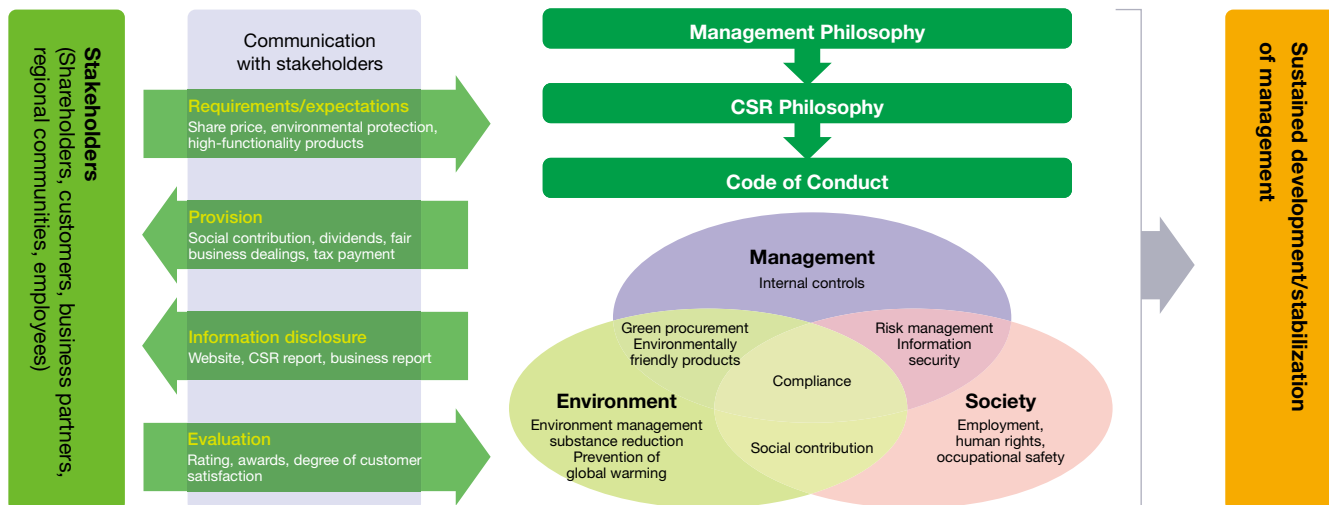
## CSR Philosophy

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

## Code of Conduct

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

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





## Relationship with Shareholders

### Performing IR Activities

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

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

## Relationship with Customers

### Innovating Quality Management and Utilizing Complaints

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

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

## Relationship with Suppliers

### Carry Out Supplier Assessments and On-Site Audits

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

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

## Relationship with Local Communities and Society

### Social Contribution

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

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

### Environmental Protection Activities

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

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

### Protection of Great Purple Emperor, Japan's National Butterfly

Designated Japan's national butterfly, the great purple emperor (*Sasakia charonda*) is found in nettle trees (*Celtis sinensis*), on which it feeds during the larval stage and on which adults deposit eggs. The butterfly inhabits the densely wooded areas in the town of Ranzan in Saitama Prefecture, including on two species of oak tree, *Quercus serrata* and *Quercus acutissima*, which produce the sap on which the adult butterflies feed.

TAIYO INK undertakes protection activities in conjunction with the town, for instance by creating an environment within our Ranzan Facility site in which the butterflies can easily pass the winter.

Employees also take an active part in the volunteer activity of creating secondary forest.



# Corporate Governance

## Construction of Sound Management Structures

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

## Basic Thinking on Corporate Governance

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

## Corporate Governance Structures

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

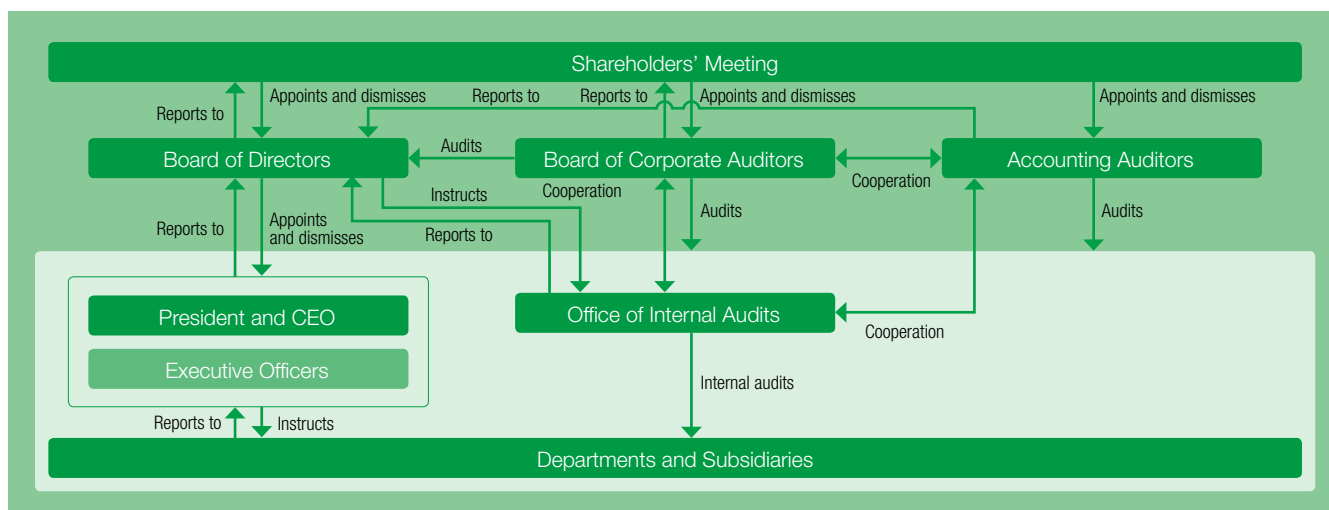
The Board of Directors is composed of seven Directors, one of whom is an outside director. The Board of Corporate Auditors is composed of four Corporate Auditors, two of whom are outside auditors. Meetings of the Board of Directors are held regularly each month, but the Board can also hold extraordinary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

The Internal Audit 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 Board of Corporate Auditors.

## Internal Controls

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

(1) Keep all Directors and employees informed about our CSR (Corporate Social Responsibility) Philosophy and the Code of Conduct.



- (2) The appointment of one Director as Chief Compliance Officer to chair the Ethics Committee and lead a team promoting internal business ethics.
- (3) An internal hotline to enable employees to report compliance violations or any related concerns to an external lawyer.
- (4) Regular reports by the Chief Compliance Officer to the Board of Directors concerning the ethics and compliance framework status.
- (5) Establishment of an independent Internal Audit Department that reports audit findings to the Board of Directors and the Board of Corporate Auditors, and where necessary to the accounting auditors as well.

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

## Risk Management

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

One Director is appointed as “the Director in charge of risk management.” Moreover, the department in charge of risks occurring in the course of natural work operations evaluates and responds to these risks. Furthermore, the Risk Management Committee conducts risk management in a cross-departmental manner over the entire Group. As regards the detailed activities conducted during the fiscal year ended March 2012, the Group completely reviewed the *Risk Management Manual*, and also focused activities on issues related to the aftermath of the Great East Japan Earthquake that occurred in March 2011. As part of our responses in the period after the earthquake, we established an earthquake countermeasure conference framework, and arranged for domestic bases to hold frequent television conferences. As a

result, the Group confirmed that it could respond rapidly in the event of an earthquake. We also verified that we had secured a method of communication to use immediately after an earthquake, and that time is needed to confirm the safety status of those employees who are on leave when an earthquake occurs.

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

## Executive Compensation

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

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

Executive compensation for the year ended March 2013 is shown below.

## Executive Compensation

Executive category	Aggregate remuneration (Millions of yen)	Aggregate remuneration by component (Millions of yen)			Total number of executives
		Base salary	Earnings-based performance	Retirement benefits	
Director	135	96	39	—	10
Corporate Auditor	8	8	—	—	2
Outside Corporate Auditor	43	43	—	—	4

## Board of Directors and Corporate Auditors (As of June 26, 2013)



### Front row:

<b>Takayuki Morita</b> Director	<b>Masahisa Kakinuma</b> Director	<b>Mitsuo Kawahara</b> Honorary Chairman	<b>Eiji Sato</b> President and CEO	<b>Seiki Kashima</b> Director	<b>Jong Tae Kim</b> Director
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### Back row:

<b>Si Bum Yoo</b> Corporate Auditor	<b>Toshio Nemoto</b> Outside Corporate Auditor	<b>Takato Kawahara</b> Director	<b>Masayuki Hizume</b> Outside Director	<b>Akihito Sakai</b> Outside Corporate Auditor	<b>Haruomi Yoshimoto</b> Corporate Auditor
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### Directors

<b>Eiji Sato</b>	President and CEO
<b>Masahisa Kakinuma</b>	Director
<b>Seiki Kashima</b>	Director
<b>Takayuki Morita</b>	Director
<b>Jong Tae Kim</b>	Director
<b>Takato Kawahara</b>	Director
<b>Masayuki Hizume</b>	Outside Director

### Corporate Auditors

<b>Akihito Sakai</b>	Outside Corporate Auditor
<b>Toshio Nemoto</b>	Outside Corporate Auditor
<b>Si Bum Yoo</b>	Corporate Auditor
<b>Haruomi Yoshimoto</b>	Corporate Auditor





## Financial Section

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# Six-Year Summary

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

2008  
(TAIYO INK MFG. CO., LTD.)

## For the Year:

Net sales	¥45,338
Cost of sales	29,512
Selling, general and administrative expenses	6,930
Operating income	8,896
Net income	6,171
Depreciation and amortization	1,529
Net cash provided by operating activities	9,241
Net cash used in (provided by) investing activities	(3,390)
Net cash used in financing activities	(1,969)

## At year-end:

Total assets	48,938
Property, plant and equipment, net	15,899
Total liabilities	9,792
Minority interests	737
Total equity	39,140

## Per share data:

Basic net income (loss)	¥ 233.18
Cash dividends applicable to the year	115.00
Net assets	1,450.87

## Ratios:

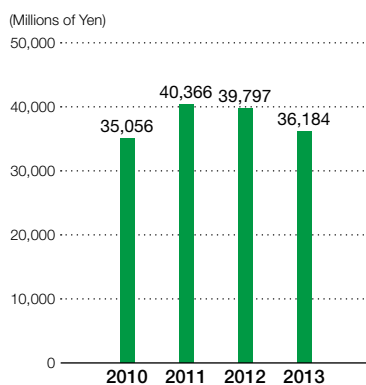
Ratio of operating income to net sales	19.6%
Return on equity	16.5
Equity ratio	78.5

## Common stock:

Number of shares issued	28,464,000
-------------------------	------------

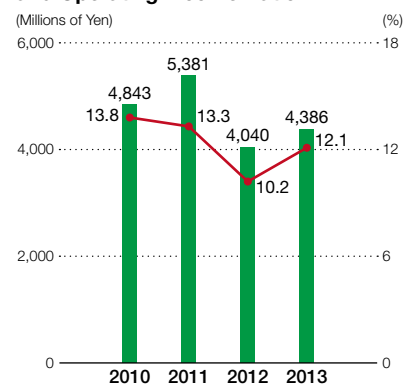
See notes to consolidated financial statements.

## Net Sales



(Years ended March 31)

## Operating Income and Operating Income Ratio

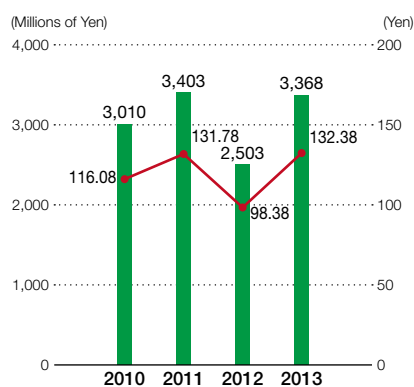


(Years ended March 31)

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

Millions of Yen				
2009 (TAIYO INK MFG. CO., LTD.)	2010	2011	2012	2013
¥32,614	¥35,056	¥40,366	¥39,797	¥36,184
22,635	24,123	28,428	29,823	25,319
6,647	6,089	6,557	5,934	6,479
3,332	4,843	5,381	4,040	4,386
1,958	3,010	3,403	2,503	3,368
1,396	1,261	1,127	1,046	1,004
4,581	3,126	4,575	2,793	6,109
(1,470)	(70)	758	(1,343)	(2,478)
(4,428)	(2,366)	(3,696)	(2,979)	(2,314)
40,869	43,704	42,851	40,703	44,023
14,664	13,954	13,050	12,546	12,664
6,285	8,018	8,664	7,227	7,213
522	679	696	478	605
34,584	35,685	34,186	33,476	36,810
Yen				
¥ 74.25	¥ 116.08	¥ 131.78	¥ 98.38	¥ 132.38
90.00	90.00	115.00	90.00	90.00
1,313.20	1,349.61	1,316.53	1,297.18	1,423.26
%				
10.2%	13.8%	13.3%	10.2%	12.1%
5.4	8.7	9.9	7.5	9.7
83.3	80.1	78.2	81.1	82.2
Thousands of Shares				
27,464,000	27,464,000	27,464,000	27,464,000	27,464,000

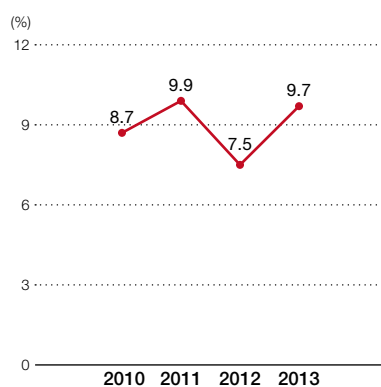
### Net Income and Net Income Per Share



(Years ended March 31)

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

### Return on Equity



(Years ended March 31)

# Management's Discussion and Analysis

## Overview of the Consolidated Results

During the fiscal year ended March 31, 2013, the global economy continued to be uncertain due to such factors as the lingering impact of the European debt crisis and the slowdown of economic growth in China. However, from the latter half of the year, the U.S. economy started to show a recovering trend. The Japanese economy also remained stagnant owing to the sluggish global economy and the extremely strong yen. Nevertheless, after Japan's new government was formed, consumer consumption and corporate earnings entered a recovery track thanks to a correction of the extremely strong yen.

In the electronics components industry, in which the Group operates, demand for products for smartphones and tablet devices was firm, while demand for display products mainly for PCs and TVs was weak.

### Net sales

In the PWB (printed wiring board) materials market, although the sales of the products for PCs and AV items decreased, sales of products for cars and amusement were robust. Sales volumes were almost in line with the previous fiscal year, and sales unit prices rose due to the strong sales of multifunction products. As a result, net sales of PWB materials were ¥27,998 million (up 4.7% year on year).

Sales of flat panel display (FPD) materials, mainly consisting of PDP materials, dropped to ¥7,316 million (down 40.6% year on year), owing to lower sales volume and a fall in unit prices driven by a significant drop in the market price of silver, which constitutes one of the products' raw materials.

As a result, consolidated net sales for the year under review amounted to ¥36,184 million (down 9.1% year on year).

### Gross profit and operating income

Gross profit increased 8.9% year on year, to ¥10,865 million, due mainly to a 15.1% decrease in the cost of sales, to ¥25,319 million. Selling, general and administrative expenses increased 9.2%, to ¥6,479 million. As a result, operating income increased 8.6% year on year, to ¥4,386 million.

The operating income ratio increased 1.9 percentage points, from 10.2% to 12.1%.

### Net income

Income before income taxes and minority interests and net income both increased year on year, to ¥4,699 million (up 32.0%) and ¥3,368 million (up 34.6%), respectively. These increases were due mainly to an increase in net income before minority interests

Net income per share increased 34.6% year on year, from ¥98.38 to ¥132.38.

## Results by Segment

### Japan

The smartphone market expanded globally, which pushed up the sales of multifunction products, although sales of rigid board materials decreased due to the slowdown of the domestic electronics market, mainly the TV market.

As a result, net sales amounted to ¥13,065 million (up 10.8% year on year), with segment profit at ¥1,686 million (up 70.3% year on year).

### China (including Hong Kong)

Although sales of lower-priced rigid board materials were favorable, sales of FPD materials were sluggish.

As a result, net sales amounted to ¥10,835 million (up 1.9% year on year), with segment profit at ¥1,585 million (down 9.5% year on year).

### Taiwan

Despite a fall in sales volume, the sales mix of rigid board materials improved.

As a result, net sales amounted to ¥3,936 million (up 6.2% year on year), with segment profit at ¥498 million (up 6.0% year on year).

### Korea

The sales volume of FPD materials declined substantially, while sales were also down considerably compared with the same period of the previous fiscal year due to a fall in the price of silver, which has a connection with sales unit prices of FPD materials.

As a result, net sales amounted to ¥11,723 million (down 29.7% year on year), with segment profit at ¥591 million (down 9.1% year on year).



## Other

TAIYO INK INTERNATIONAL (SINGAPORE) performed steadily amid continued recovery from damage caused by the floods in Thailand. At TAIYO AMERICA, sales were roughly at the same level with the same period of the previous fiscal year.

As a result, net sales amounted to ¥2,854 million (up 9.0% year on year), with segment profit at ¥324 million (up 18.7% year on year).

## Analysis of Financial Position

### Assets

Current assets increased 2.3%, to ¥26,979 million. This increase was mainly attributable to a ¥2,203 million increase in cash and cash equivalents and a ¥562 million decrease in inventories (down 13.2% year on year).

Total property, plant and equipment rose 0.9%, to ¥12,664 million.

Investments and other assets increased 246.6%, to ¥4,380 million. This increase was mainly attributable to a ¥2,572 million increase in investments in unconsolidated subsidiaries and affiliates (up 508.9% year on year).

As a result, total assets stood at ¥44,023 million at March 31, 2013, 8.2% higher than at the previous fiscal year-end.

### Liabilities

Current liabilities increased 5.2%, to ¥6,725 million. This increase was mainly due to a ¥319 million increase in income taxes payable (up 267.9% year on year) and a ¥166 million increase in deferred tax liabilities (up 288.6% year on year)—though there was a ¥365 million decrease in notes and accounts payable—trade (down 7.5% year on year).

Long-term liabilities decreased 41.5% year on year, to ¥488 million. This was mainly due to a ¥256 million decrease in deferred tax liabilities (down 59.5% year on year) and an ¥81 million decrease in liability for retirement benefits (down 26.3% year on year).

## Total equity

Total equity, after adding minority interests, was ¥36,810 million as of March 31, 2013, a 10.0% increase from the previous fiscal year-end. This was mainly due to a ¥2,072 million increase in foreign currency translation adjustments and a ¥127 million increase in minority interests.

As a result, the equity ratio increased 1.1 percentage points, from 81.1% to 82.2%. The ROE was 9.7%.

## Analysis of Cash Flows

### Cash flows from operating activities

Net cash provided by operating activities for the fiscal year increased 219% year on year, to ¥6,109 million. The main cash inflows were depreciation and amortization of ¥1,004 million and a devaluation loss of ¥67 million on investments in subsidiaries. The main cash outflows were a decrease in accounts payable—trade and other current liabilities of ¥919 million and income taxes—paid amounting to ¥1,072 million.

### Cash flows from investing activities

Net cash used in investing activities for the fiscal year amounted to ¥2,478 million, a decline of 184.5% from the previous year. This was mainly due to ¥644 million provided for deposits into time deposits, ¥552 million for the purchases of property, plant and equipment, and ¥2,669 million for purchase primarily of subsidiaries and affiliates' stock.

### Cash flows from financing activities

Net cash used in financing activities for the fiscal year decreased 22.3%, to ¥2,314 million. The main usage of cash was for dividends paid of ¥2,290 million.

As a result, cash and cash equivalents as of March 31, 2013 stood at ¥13,767 million, ¥2,203 million higher than at the previous fiscal year-end.

## Consolidated Forecasts for the Next Fiscal Year

Although the operating environment in the next fiscal year ending March 31, 2014 is expected to remain uncertain, demand for small information terminals such as smartphones and tablet devices and car electronics related products continues to be strong in the electronics components industry in which the Group operates. We also expect that the correction of the extremely strong yen will make a positive contribution to the Group's earnings throughout the year.

	Net sales (Millions of yen)	Operating income (Millions of yen)	Net income (Millions of yen)	Net income per share (yen)
For the fiscal year ending March 31, 2014 (Forecast)	40,000	6,800	4,700	184.76
For the fiscal year ended March 31, 2013 (Actual results)	36,184	4,386	3,368	132.38
Rate of change (%)	10.5	55.0	39.5	39.6

## Research and Development Expenses

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

Research and development expenses for the year ended March 31, 2013 totaled ¥1,199 million, ¥236 million higher than in the previous fiscal year.

## Risk Factors

### a. Technological innovation risks

#### 1) Risks related to PWBs

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

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

Under these circumstances, the Group will continue to strengthen its marketing capabilities, 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.

#### 2) Risks related to PDP materials

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

As PDPs compete with LCDs and other technologies in the FPD market, the future demand of PDPs 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 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 their 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 negatively 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 hinders the Group's production activities may negatively 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 sales and profits.

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

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

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

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

**i. Credit risks related to receivables**

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

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

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

# Consolidated Balance Sheets

TAIYO HOLDINGS CO., LTD. and Consolidated Subsidiaries  
March 31, 2013 and 2012

Thousands of  
U.S. Dollars  
(Note 1)

	Millions of Yen		(Note 1)
ASSETS	2013	2012	2013
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents (Note 12)	¥13,767	¥11,564	\$146,457
Time deposits (Note 12)	886	1,400	9,426
Notes and accounts receivable—trade (Notes 5 and 12)	8,200	8,452	87,234
Inventories (Note 6)	3,686	4,248	39,213
Consumption taxes receivable	123	246	1,309
Deferred tax assets (Note 10)	93	64	989
Other current assets	330	505	3,511
Allowance for doubtful accounts (Note 12)	(106)	(98)	(1,128)
Total current assets	26,979	26,381	287,011
<b>PROPERTY, PLANT, AND EQUIPMENT (Note 7):</b>			
Land	4,179	4,084	44,457
Buildings and structures—net	6,872	6,859	73,106
Machinery, equipment, and vehicles—net	1,218	1,204	12,957
Tools, furniture, and fixtures—net	394	374	4,192
Construction in progress	1	25	11
Total property, plant, and equipment	12,664	12,546	134,723
<b>INVESTMENTS AND OTHER ASSETS:</b>			
Investment securities (Notes 4 and 12)	587	497	6,245
Investments in unconsolidated subsidiaries and affiliates (Note 12)	3,201	629	34,053
Goodwill	30	49	319
Software	156	153	1,660
Deferred tax assets (Note 10)	73	56	777
Other assets	741	766	7,882
Allowance for doubtful accounts	(408)	(374)	(4,340)
Total investments and other assets	4,380	1,776	46,596
TOTAL	¥44,023	¥40,703	\$468,330

See notes to consolidated financial statements.



	Thousands of U.S. Dollars (Note 1)	
	Millions of Yen	
LIABILITIES AND EQUITY	2013	2012
<b>CURRENT LIABILITIES:</b>		
Notes and accounts payable—trade (Note 12)	¥ 4,487	¥ 4,852
Accounts payable—other (Note 12)	684	628
Income taxes payable (Note 12)	509	190
Accrued expenses	593	537
Deferred tax liabilities (Note 10)	254	88
Other current liabilities	198	98
Total current liabilities	6,725	6,393
<b>LONG-TERM LIABILITIES:</b>		
Liability for retirement benefits (Note 8)	227	308
Asset retirement obligations	54	53
Deferred tax liabilities (Note 10)	174	430
Other long-term liabilities	33	43
Total long-term liabilities	488	834
<b>COMMITMENTS AND CONTINGENT LIABILITIES</b> (Note 14)		
<b>EQUITY</b> (Notes 9 and 17):		
Shareholders' equity:		
Common stock—authorized, 50,000,000 shares; issued, 27,464,000 shares in 2013 and 2012	6,135	6,135
Capital surplus	7,102	7,102
Retained earnings	30,379	29,301
Treasury stock—at cost, 2,025,826 shares in 2013 and 2,025,666 shares in 2012	(5,372)	(5,372)
Total shareholders' equity	38,244	37,166
Accumulated other comprehensive income (loss):		
Valuation difference on available-for-sale securities	135	78
Foreign currency translation adjustments	(2,174)	(4,246)
Total accumulated other comprehensive loss	(2,039)	(4,168)
Minority interests	605	478
Total equity	36,810	33,476
<b>TOTAL</b>	<b>¥44,023</b>	<b>¥40,703</b>

# Consolidated Statements of Income

TAIYO HOLDINGS CO., LTD. and Consolidated Subsidiaries  
Years Ended March 31, 2013 and 2012

Thousands of  
U.S. Dollars  
(Note 1)

	Millions of Yen		
	2013	2012	2013
<b>NET SALES</b>	<b>¥36,184</b>	¥ 39,797	<b>\$384,936</b>
<b>COST OF SALES</b>	<b>25,319</b>	29,823	<b>269,351</b>
Gross profit	<b>10,865</b>	9,974	<b>115,585</b>
<b>SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES</b> (Note 11)	<b>6,479</b>	5,934	<b>68,925</b>
Operating income	<b>4,386</b>	4,040	<b>46,660</b>
<b>OTHER INCOME (EXPENSES):</b>			
Interest and dividend income	<b>150</b>	72	<b>1,596</b>
Interest expense	<b>(2)</b>	(3)	<b>(21)</b>
Foreign exchange gain (loss)—net	<b>149</b>	(125)	<b>1,585</b>
Loss on valuation of investments in unconsolidated subsidiaries and affiliates	<b>(67)</b>	(421)	<b>(713)</b>
Loss on insurance cancellation	<b>(14)</b>		<b>(149)</b>
Other—net	<b>97</b>	(2)	<b>1,031</b>
Other income (expenses)—net	<b>313</b>	(479)	<b>3,329</b>
<b>INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS</b>	<b>4,699</b>	3,561	<b>49,989</b>
<b>INCOME TAXES</b> (Note 10):			
Current	<b>1,431</b>	1,002	<b>15,223</b>
Deferred	<b>(167)</b>	3	<b>(1,777)</b>
Total income taxes	<b>1,264</b>	1,005	<b>13,446</b>
<b>NET INCOME BEFORE MINORITY INTERESTS</b>	<b>3,435</b>	2,556	<b>36,543</b>
<b>MINORITY INTERESTS IN NET INCOME</b>	<b>67</b>	53	<b>713</b>
<b>NET INCOME</b>	<b>¥ 3,368</b>	¥2,503	<b>\$ 35,830</b>

	Yen	U.S. Dollars
<b>PER SHARE OF COMMON STOCK</b> (Notes 2.s and 16):		
Basic net income	<b>¥132.38</b>	¥98.38 <b>\$1.41</b>
Cash dividends applicable to the year	<b>90.00</b>	90.00 <b>0.96</b>

See notes to consolidated financial statements.

# Consolidated Statements of Comprehensive Income

TAIYO HOLDINGS CO., LTD. and Consolidated Subsidiaries  
Years Ended March 31, 2013 and 2012

Thousands of  
U.S. Dollars  
(Note 1)

	Millions of Yen		
	2013	2012	2013
<b>NET INCOME BEFORE MINORITY INTERESTS</b>	<b>¥3,435</b>	¥2,556	<b>\$36,543</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS) (Note 15):</b>			
Valuation difference on available-for-sale securities	57	(12)	606
Foreign currency translation adjustments	2,156	(22)	22,936
Total other comprehensive income (loss)	2,213	(34)	23,542
<b>COMPREHENSIVE INCOME (Note 15)</b>	<b>¥5,648</b>	¥2,522	<b>\$60,085</b>
<b>COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>			
Owners of the parent	¥5,497	¥2,433	\$58,479
Minority interests	151	89	1,606

See notes to consolidated financial statements.

# Consolidated Statements of Changes in Equity

TAIYO HOLDINGS CO., LTD. and Consolidated Subsidiaries  
Years Ended March 31, 2013 and 2012

Thousands of  
U.S. Dollars  
(Note 1)

	Millions of Yen		
	2013	2012	2013
<b>SHAREHOLDERS' EQUITY:</b>			
<b>Common stock:</b>			
Balance at the end of previous year—shares issued, 2013—27,464,000 shares, 2012—27,464,000 shares	¥ 6,135	¥ 6,135	\$ 65,266
Balance at the end of current year—shares issued, 2013—27,464,000 shares, 2012—27,464,000 shares	¥ 6,135	¥ 6,135	\$ 65,266
<b>Capital surplus:</b>			
Balance at the end of previous year	¥ 7,102	¥ 7,102	\$ 75,553
Balance at the end of current year	¥ 7,102	¥ 7,102	\$ 75,553
<b>Retained earnings:</b>			
Balance at the end of previous year	¥29,301	¥29,724	\$311,713
Net income	3,368	2,503	35,830
Dividends from surplus	(2,290)	(2,926)	(24,362)
Balance at the end of current year	¥30,379	¥29,301	\$323,181
<b>Treasury stock—at cost:</b>			
Balance at the end of previous year 2013—2,025,666 shares, 2012—2,025,546 shares	¥ (5,372)	¥ (5,372)	\$ (57,149)
Purchase of treasury stock 2013—160 shares, 2012—120 shares			
Balance at the end of current year 2013—2,025,826 shares, 2012—2,025,666 shares	¥ (5,372)	¥ (5,372)	\$ (57,149)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>¥38,244</b>	<b>¥37,166</b>	<b>\$406,851</b>
<b>ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS):</b>			
<b>Valuation difference on available-for-sale securities:</b>			
Balance at the end of previous year	¥ 78	¥ 90	\$ 830
Changes of items during the year	57	(12)	606
Balance at the end of current year	¥ 135	¥ 78	\$ 1,436
<b>Foreign currency translation adjustments:</b>			
Balance at the end of previous year	¥ (4,246)	¥ (4,188)	\$ (45,170)
Changes of items during the year	2,072	(58)	22,043
Balance at the end of current year	¥ (2,174)	¥ (4,246)	\$ (23,127)
<b>TOTAL ACCUMULATED OTHER COMPREHENSIVE LOSS</b>	<b>¥ (2,039)</b>	<b>¥ (4,168)</b>	<b>\$ (21,691)</b>
<b>MINORITY INTERESTS:</b>			
Balance at the end of previous year	¥ 478	¥ 696	\$ 5,085
Changes of items during the year	127	(218)	1,351
Balance at the end of current year	¥ 605	¥ 478	\$ 6,436
<b>TOTAL EQUITY:</b>			
Balance at the end of previous year	¥33,476	¥34,187	\$356,128
Net income	3,368	2,503	35,830
Dividends from surplus	(2,290)	(2,926)	(24,362)
Net changes of items other than shareholders' equity	2,256	(288)	24,000
Balance at the end of current year	¥36,810	¥33,476	\$391,596

See notes to consolidated financial statements.



# Consolidated Statements of Cash Flows

TAIYO HOLDINGS CO., LTD. and Consolidated Subsidiaries  
Years Ended March 31, 2013 and 2012

Thousands of  
U.S. Dollars  
(Note 1)

	Millions of Yen		
	2013	2012	2013
<b>OPERATING ACTIVITIES:</b>			
Income before income taxes and minority interests	¥ 4,699	¥ 3,561	\$ 49,989
Adjustments for:			
Income taxes—paid	(1,072)	(1,591)	(11,404)
Depreciation and amortization	1,004	1,046	10,681
Loss on valuation of investments in unconsolidated subsidiaries and affiliates	67	421	713
Decrease in notes and accounts receivable—trade	1,199	285	12,755
Decrease (increase) in inventories	963	(192)	10,244
Decrease in notes and accounts payable—trade	(962)	(444)	(10,234)
Increase (decrease) in other current liabilities	43	(363)	457
Increase in accrued expenses	214	80	2,277
Other—net	(46)	(10)	(489)
Total adjustments	1,410	(768)	15,000
Net cash provided by operating activities	6,109	2,793	64,989
<b>INVESTING ACTIVITIES:</b>			
Payments into time deposits	(2,164)	(3,137)	(23,021)
Proceeds from withdrawal of time deposits	2,808	2,601	29,872
Purchases of property, plant, and equipment	(552)	(494)	(5,872)
Purchase of stocks of subsidiaries and affiliates	(2,669)	(201)	(28,394)
Purchase of software	(54)	(102)	(574)
Other—net	153	(10)	1,627
Net cash used in investing activities	(2,478)	(1,343)	(26,362)
<b>FINANCING ACTIVITIES:</b>			
Repayments of short-term loans payable	700	1,200	7,447
Proceeds from short-term loans payable	(700)	(1,200)	(7,447)
Cash dividends paid	(2,290)	(2,926)	(24,362)
Cash dividends paid to minority shareholders	(24)	(53)	(255)
Net cash used in financing activities	(2,314)	(2,979)	(24,617)
<b>FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS</b>	886	(60)	9,426
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	2,203	(1,589)	23,436
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	11,564	13,153	123,021
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	¥13,767	¥11,564	\$146,457

See notes to consolidated financial statements.

# Notes to Consolidated Financial Statements

TAIYO HOLDINGS CO., LTD. and Consolidated Subsidiaries  
Year Ended March 31, 2013

## 1. Basis of Presenting Consolidated Financial Statements

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

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form that is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2012 financial statements to conform to the classifications used in 2013.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which TAIYO HOLDINGS Co., Ltd. (the "Company") is incorporated and operates. The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at the rate of ¥94 to \$1, the approximate rate of exchange at March 31, 2013. Such translation should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

## 2. Summary of Significant Accounting Policies

### a. Consolidation

The consolidated financial statements as of March 31, 2013, include the accounts of the Company and its eight significant (eight as of March 31, 2012) subsidiaries (together, the "Group").

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

(Names of Consolidated Subsidiaries)

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

Investments in the remaining three (three as of March 31, 2012) unconsolidated subsidiaries are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

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

Investment in one (none in 2012) associated company is accounted for by the equity method.  
(Name of Associated Company)

ONSTATIC TECHNOLOGY CO., LTD. ("OTC")

Since the Company acquired 25.5% of the outstanding shares of OTC, investment in this associated company is accounted for by the equity method from the year ended March 31, 2013. With regard to the five associated companies owned by OTC, the Company does not count them in the number of associated companies accounted for by the equity method in consideration of the

fact that OTC establishes one commercial distribution channel with the five companies, and they are considered one company as a whole.

The excess of cost over the fair value of net assets acquired is being amortized on a straight-line basis over a period of 20 years.

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

As of March 31, 2012, two of the Company's consolidated subsidiaries closed their accounts on December 31. To prepare the Company's consolidated financial statements, these subsidiaries prepared a set of accounts with a closing date of March 31, and these were used for consolidation purposes.

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

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

#### ***c. Business Combination***

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

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

procedures used in the purchase allocation. This standard was applicable to business combinations undertaken on or after April 1, 2010. The Company adopted this standard on April 1, 2010.

**d. Cash Equivalents**

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

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

**e. Inventories**

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

**f. Marketable and Investment Securities**

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

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

**g. Allowance for Doubtful Accounts**

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

**h. Property, Plant, and Equipment**

Property, plant, and equipment are stated at cost.

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

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

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

**i. Long-Lived Assets**

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

**j. Software**

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

**k. R&D Costs**

R&D costs are charged to income as incurred.



#### ***l. Accrued Bonuses***

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

#### ***m. Retirement and Pension Plans***

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

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

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

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

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

#### ***n. Asset Retirement Obligations***

In March 2008, the ASBJ published the accounting standard for asset retirement obligations, ASBJ Statement No. 18, "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No. 21, "Guidance on Accounting Standard for Asset Retirement Obligations."

Under these accounting standards, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development, and the normal operation of a tangible fixed asset, and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

#### ***o. Income Taxes***

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

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

#### ***p. Foreign Currency Transactions***

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

**q. Foreign Currency Financial Statements**

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

**r. Derivative Financial Instruments**

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

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

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

**s. Per Share Information**

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

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

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

**t. Accounting Changes and Error Corrections**

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

**u. Accounting Standard Issued but Not Yet Adopted**

On May 17, 2012, the ASBJ issued ASBJ Statement No. 26, “Accounting Standard for Retirement Benefits” and ASBJ Guidance No. 25, “Guidance on Accounting Standard for Retirement Benefits,” which replaced the Accounting Standard for Retirement Benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000, and the other related practical guidances, being followed by partial amendments from time to time through 2009.

Major changes are as follows:

**(1) Overview**

(a) Treatment in the consolidated balance sheet

Under the current requirements, actuarial gains (losses) and prior service costs that are yet to be recognized in profit or loss are not recognized in the balance sheet, and the difference between projected benefit obligations and plan assets (hereinafter, “deficit or surplus”), adjusted by such unrecognized amounts, is recognized as a liability or asset.

Under the revised accounting standard, actuarial gains (losses) and prior service costs that are yet to be recognized in profit or loss shall be recognized within equity (accumulated other comprehensive income (loss)), after adjusting for tax effects, and the deficit or surplus shall be recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).

(b) Treatment in the consolidated statement of income and the consolidated statement of comprehensive income (loss)

The revised accounting standard would not change how to recognize actuarial gains (losses) and prior service costs in profit or loss. Those amounts would be recognized in profit or loss over a certain period no longer than the expected average remaining working lives of the employees. However, actuarial gains (losses) and prior service costs that arose in the current period and yet to be recognized in profit or loss shall be included in other comprehensive income (loss) and actuarial gains (losses) and prior service costs that were recognized in other comprehensive income (loss) in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments.

**(2) Expected application date**

The Group expects to apply this accounting standard and the guidance from the end of the fiscal year beginning on or after April 1, 2013.

**(3) Effects of the application of the standard and the guidance**

Effects on the consolidated financial statements are currently under review.

### 3. Accounting Change

**Change in Depreciation Method**

Due to the corporation tax reform, effective from April 1, 2012, the Company and its domestic consolidated subsidiaries changed their depreciation method for property, plant, and equipment acquired on and after April 1, 2012, in accordance with the revised corporation tax law. The effects of this change were immaterial.

### 4. Marketable and Investment Securities

Marketable and investment securities at March 31, 2013 and 2012, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Noncurrent:			
Marketable equity securities	¥574	¥484	\$6,106
Government and corporate bonds	1	1	11
Total	¥575	¥485	\$6,117

The costs and aggregate fair values of marketable and investment securities at March 31, 2013 and 2012, were as follows:

	Millions of Yen			Fair Value
	Cost	Unrealized Gains	Unrealized Losses	
<b>March 31, 2013</b>				
Securities classified as available-for-sale:				
Equity securities	¥365	¥216	¥7	¥574
Debt securities	1			1
<b>Total</b>	<b>¥366</b>	<b>¥216</b>	<b>¥7</b>	<b>¥575</b>

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

	Thousands of U.S. Dollars			Fair Value
	Cost	Unrealized Gains	Unrealized Losses	
<b>March 31, 2013</b>				
Securities classified as available-for-sale:				
Equity securities	\$3,883	\$2,298	\$75	\$6,106
Debt securities	11			11
<b>Total</b>	<b>\$3,894</b>	<b>\$2,298</b>	<b>\$75</b>	<b>\$6,117</b>

Available-for-sale securities whose fair values are not readily determined at March 31, 2013 and 2012, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Available-for-sale—equity securities	¥12	¥12	\$128

The Group did not sell available-for-sale securities during the years ended March 31, 2013 and 2012.

## 5. Notes Maturing on March 31, 2013 and 2012

Notes that were to mature at the balance sheet date were accounted for at the date of actual settlement. The end of the years ended March 31, 2013 and 2012, coincided with a bank holiday, and the following notes maturing on March 31, 2013 and 2012, were included in the consolidated balance sheets at March 31, 2013 and 2012:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Notes receivable—trade	¥125	¥108	\$1,330



## 6. Inventories

Inventories at March 31, 2013 and 2012, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Merchandise and finished products	<b>¥1,816</b>	¥2,155	<b>\$19,319</b>
Work in process	<b>196</b>	199	<b>2,085</b>
Raw materials and supplies	<b>1,674</b>	1,894	<b>17,809</b>
Total	<b>¥3,686</b>	¥4,248	<b>\$39,213</b>

## 7. Property, Plant, and Equipment

Accumulated depreciation at March 31, 2013 and 2012, was ¥18,894 million (\$201,000 thousand) and ¥17,459 million, respectively.

## 8. Retirement and Pension Plans

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

The liability for retirement benefits at March 31, 2013 and 2012, for directors and corporate auditors is ¥10 million (\$106 thousand) and ¥104 million, respectively. The retirement benefits for directors and corporate auditors are paid subject to the approval of the shareholders.

The liability for retirement benefits for employees at March 31, 2013 and 2012, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Projected benefit obligations	<b>¥(2,541)</b>	¥(2,396)	<b>\$(27,032)</b>
Fair value of plan assets	<b>2,271</b>	2,094	<b>24,160</b>
Unfunded retirement benefit obligations	<b>(270)</b>	(302)	<b>(2,872)</b>
Unrecognized actuarial losses	<b>43</b>	77	<b>457</b>
Unrecognized prior service costs	<b>10</b>	21	<b>106</b>
Liability for retirement benefits	<b>¥ (217)</b>	¥ (204)	<b>\$ (2,309)</b>

The components of net periodic benefit costs for the years ended March 31, 2013 and 2012, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Service cost	<b>¥158</b>	¥142	<b>\$1,681</b>
Interest cost	<b>42</b>	54	<b>447</b>
Expected return on plan assets	<b>(29)</b>	(27)	<b>(309)</b>
Amortization of actuarial losses (gains)	<b>17</b>	(22)	<b>181</b>
Amortization of prior service costs	<b>10</b>	10	<b>106</b>
Net periodic benefit costs	<b>¥198</b>	¥157	<b>\$2,106</b>

In addition to the costs shown in the preceding table, other expenses for the defined contribution plans of the Company and certain overseas consolidated subsidiaries amounted to ¥27 million (\$287 thousand) and ¥24 million for the years ended March 31, 2013 and 2012, respectively.

Assumptions used for the years ended March 31, 2013 and 2012, are as follows:

	2013	2012
Discount rate	1.2%	1.2%
Expected rate of return on plan assets	1.0%	1.0%
Amortization period of actuarial (gains) losses	Mainly 5 years	Mainly 5 years
Amortization period of prior service costs	Mainly 5 years	Mainly 5 years

## 9. Equity

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

### **a. Dividends**

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

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

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

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

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

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

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

### **c. Treasury Stock and Treasury Stock Acquisition Rights**

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

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

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

## 10. Income Taxes

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes, which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 38% and 41% for the years ended March 31, 2013 and 2012, respectively.

The tax effects of significant temporary differences, which resulted in deferred tax assets and liabilities at March 31, 2013 and 2012, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Deferred tax assets:			
Retirement benefits	¥ 114	¥ 124	\$ 1,213
Unrealized profit	107	73	1,138
Deduction of foreign corporation tax carried forward	67	467	713
Allowance for doubtful accounts	61	65	649
Accrued expenses	106	86	1,128
Loss on valuation of investments in unconsolidated subsidiaries and affiliates	182	159	1,936
Other	260	161	2,765
Total deferred tax assets	897	1,135	9,542
Less valuation allowance	(185)	(528)	(1,968)
Total deferred tax assets, net of valuation allowance	712	607	7,574
Deferred tax liabilities:			
Undistributed earnings of associated companies	(719)	(797)	(7,649)
Reserve for technique and development	(82)	(81)	(872)
Valuation difference on available-for-sale securities	(74)	(42)	(787)
Other	(99)	(85)	(1,053)
Total deferred tax liabilities	(974)	(1,005)	(10,361)
Net deferred tax assets	¥(262)	¥ (398)	\$ (2,787)

Reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of income for the years ended March 31, 2013 and 2012, is as follows:

	2013	2012
Normal effective statutory tax rate	37.87%	40.54%
Tax rates difference relating to overseas subsidiaries	(13.46)	(19.53)
Elimination of dividend income	1.50	1.96
Deduction of foreign corporation tax carried forward	(1.02)	(2.06)
Undistributed earnings of associated companies	(1.79)	(0.49)
Nondeductible withholding income tax of dividends	6.44	6.28
Tax exemption for experiments and research expenses and other	(2.33)	(1.81)
Valuation allowance	(1.36)	1.97
Other	1.05	1.38
Actual effective tax rate	26.90%	28.24%

## 11. R&D Costs

R&D costs charged to income for the years ended March 31, 2013 and 2012, were ¥1,199 million (\$12,755 thousand) and ¥963 million, respectively.

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## 12. Financial Instruments and Related Disclosures

### **(1) Summary of Financial Instruments Status**

#### **a. Group policy for financial instruments**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Carrying amount, fair value, and unrealized gain (loss) at March 31, 2013 and 2012, were as follows:

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

	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Gain (Loss)
<b>March 31, 2013</b>			
(1) Cash and cash equivalents	¥13,767	¥13,767	
(2) Time deposits	886	886	
(3) Notes and accounts receivable—trade	8,200		
Less allowance for doubtful receivables	(106)		
	8,094	8,094	
(4) Investment securities	575	575	
(5) Notes and accounts payable—trade	4,487	4,487	
(6) Accounts payable—other	684	684	
(7) Income taxes payable	509	509	
(8) Derivatives—net	83	83	
<b>March 31, 2012</b>			
(1) Cash and cash equivalents	¥11,564	¥11,564	
(2) Time deposits	1,400	1,400	
(3) Notes and accounts receivable—trade	8,452		
Less allowance for doubtful receivables	(98)		
	8,354	8,354	
(4) Investment securities	485	485	
(5) Notes and accounts payable—trade	4,852	4,852	
(6) Accounts payable—other	628	628	
(7) Income taxes payable	190	190	
(8) Derivatives—net	54	54	



March 31, 2013	Thousands of U.S. Dollars		
	Carrying Amount	Fair Value	Unrealized Gain (Loss)
(1) Cash and cash equivalents	\$146,457	\$146,457	
(2) Time deposits	9,426	9,426	
(3) Notes and accounts receivable—trade	87,234		
Less allowance for doubtful receivables	(1,128)		
	86,106	86,106	
(4) Investment securities	6,117	6,117	
(5) Notes and accounts payable—trade	47,734	47,734	
(6) Accounts payable—other	7,277	7,277	
(7) Income taxes payable	5,415	5,415	
(8) Derivatives—net	883	883	

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

Notes: 1. Measurement of fair value of financial instruments

(1) Cash and cash equivalents, (2) Time deposits and (3) Notes and accounts receivable—trade

The fair value of cash and deposit, and receivables approximate carrying values due to the short maturity of these instruments.

(4) Investment securities

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

(5) Notes and accounts payable—trade, (6) Accounts payable—other, and (7) Income taxes payable

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

(8) Derivatives

Please see Note 13.

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

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Investment securities—unlisted securities	¥ 12	¥ 12	\$ 128
Investments in unconsolidated subsidiaries:			
Unlisted securities	2,702	130	28,744
Investment in partnership	499	499	5,309

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

March 31, 2013	Millions of Yen		Thousands of U.S. Dollars
	Due in One Year or Less	Due after One Year through Five Years	
Cash and cash equivalents	¥13,767		
Time deposits	886		
Notes and accounts receivable—trade	8,200		
Government and corporate bonds			¥1
March 31, 2013	Thousands of U.S. Dollars		
	Due in One Year or Less	Due after One Year through Five Years	
Cash and cash equivalents	\$146,457		
Time deposits	9,426		
Notes and accounts receivable—trade	87,234		
Government and corporate bonds			\$11

### 13. Derivative Financial Instruments

Derivative transactions to which hedge accounting is not applied at March 31, 2013 and 2012, were as follows:

	Millions of Yen			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized (Loss) Gain
<b>March 31, 2013</b>				
Foreign exchange forward contracts:				
Selling U.S. dollar	<b>¥3,113</b>		<b>¥(86)</b>	<b>¥(86)</b>
Buying yen	<b>282</b>		<b>3</b>	<b>3</b>
March 31, 2012				
Foreign exchange forward contracts:				
Selling U.S. dollar	¥2,836		¥(63)	¥(63)
Buying yen	930		9	9
	Thousands of U.S. Dollars			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized (Loss) Gain
<b>March 31, 2013</b>				
Foreign exchange forward contracts:				
Selling U.S. dollar	<b>\$33,117</b>		<b>\$(915)</b>	<b>\$(915)</b>
Buying yen	<b>3,000</b>		<b>32</b>	<b>32</b>

### 14. Contingent Liabilities

At March 31, 2013 and 2012, the Group had the following contingent liabilities:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Export bill discount	<b>¥26</b>	¥21	<b>\$277</b>

### 15. Comprehensive Income

Components of other comprehensive income for the years ended March 31, 2013 and 2012, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Valuation differences on available-for-sale securities:			
(Loss) gain arising during the year	<b>¥ 89</b>	¥(31)	<b>\$ 947</b>
Income tax effect	<b>(32)</b>	19	<b>(341)</b>
	<b>57</b>	(12)	<b>606</b>
Foreign currency translation adjustments—			
Gain (loss) arising during the year	<b>2,156</b>	(22)	<b>22,936</b>
Total other comprehensive income (loss)	<b>¥2,213</b>	¥(34)	<b>\$23,542</b>

## 16. Net Income Per Share

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2013 and 2012 was as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net Income	Weighted-Average Shares		EPS
<b>Year Ended March 31, 2013</b>				
Basic EPS—Net income available to common shareholders	<b>¥3,368</b>	<b>25,438</b>	<b>¥132.38</b>	<b>\$1.41</b>
<b>Year Ended March 31, 2012</b>				
Basic EPS—Net income available to common shareholders	¥2,503	25,438	¥98.38	

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

## 17. Subsequent Event

### (1) Dividends

The following appropriation of retained earnings at March 31, 2013, was approved at the Company's shareholders meeting held on June 26, 2013:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥45 (\$0.48) per share	<b>¥1,145</b>	<b>\$12,181</b>

### (2) Loan Agreements

At the board of directors' meeting held on May 13, 2013, the Company resolved to borrow long-term funds and the loans were executed as follows:

#### (a) Purpose of the funds

Additional acquisition of shares of ONSTATIC TECHNOLOGY CO., LTD. ("OTC")

#### (b) Lenders

Sumitomo Mitsui Banking Corporation  
Mizuho Bank, Ltd.

#### (c) Loan amount

\$55 million

#### (d) Interest rate

Floating interest rate

#### (e) Terms of repayment

Bullet repayment

#### (f) Execution date

May 16, 2013

#### (g) Repayment date

May 16, 2018

#### (h) Assets pledged as collateral or loan guarantee

Not applicable

### (3) Acquisition of Shares of the Company in Taiwan

At the board of directors' meeting held on May 13, 2013, the Company resolved to acquire additional shares of OTC, an equity method associated company. Accordingly, the Company acquired the shares on May 16, 2013.

#### (a) Purpose of the acquisition

The Group manufactures and distributes specialty ink for precision equipment, expanding business activities mainly in Japan, China, Taiwan, Korea, and ASEAN. In the meantime, OTC, the

acquired company, manufactures and distributes specialty ink for precision equipment mainly focusing on China and Taiwan.

The Company acquired the shares of OTC in Taiwan and made it its subsidiary, whereby the Group expects to share and use the respective management resources effectively, providing intensive services to meet the customers' needs.

**(b) Information of the acquired subsidiary**

Company name: ONSTATIC TECHNOLOGY CO., LTD.  
 Location: 7F., No. 1, Ren' ai Rd., Yingge Dist., New Taipei City 239, Taiwan  
 Title and name of the representative: President, D. S. Jiang  
 Business: Production and distribution of specialty ink for precision equipment  
 Capital amount: NT\$309 million

**(c) The principal sellers**

Company Name	Location
ADVANCE MATERIALS CORPORATION	The No. 2 of 498 Lane, Nanshan Road, Luzhu Village, Taoyuan, Taiwan
GOO CHEMICAL CO., LTD.	58, Ijiri, Iseda-cho, Uji City, Kyoto

**(d) Number of the shares and the acquisition cost**

Number of the shares acquired: 8,085,000 shares (25.5% of outstanding shares)  
 Acquisition cost: NT\$751 million

**(e) Shares of the Company and the sellers**

	Shares (Ownership of Voting Rights)		
	The Company	ADVANCE MATERIALS CORPORATION	GOO CHEMICAL CO., LTD.
Before the acquisition	8,100,000 (25.5%)	4,813,500 (15.2%)	4,301,437 (13.6%)
Change of the shares	8,085,000 (25.5%)	2,243,000 (7.1%)	2,004,000 (6.3%)
After the acquisition	16,185,000 (51.0%)	2,570,500 (8.1%)	2,297,437 (7.2%)

**18. Segment Information (1) Description of Reportable Segments**

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

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

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

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

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

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

Year Ended March 31, 2013	Millions of Yen								
	Reportable Segments					Other	Total	Reconciliations	Consolidated
	Japan	China	Taiwan	Korea	Total				
Sales:									
Sales to external customers	¥ 8,822	¥10,683	¥2,897	¥10,986	¥33,388	¥2,796	¥36,184		¥36,184
Intersegment sales or transfers	4,243	152	1,039	737	6,171	58	6,229	¥(6,229)	
Total sales	¥13,065	¥10,835	¥3,936	¥11,723	¥39,559	¥2,854	¥42,413	¥(6,229)	¥36,184
Segment profit	¥ 1,686	¥ 1,585	¥ 498	¥ 591	¥ 4,360	¥ 324	¥ 4,684	¥ (298)	¥ 4,386
Segment assets	7,430	8,079	4,646	7,046	27,201	1,728	28,929	15,094	44,023
Other items:									
Depreciation	193	187	150	103	633	13	646	358	1,004
Increase in property, plant, and equipment and intangible assets	165	98	91	155	509	10	519	87	606

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

Year Ended March 31, 2013	Thousands of U.S. Dollars								
	Reportable Segments					Other	Total	Reconciliations	Consolidated
	Japan	China	Taiwan	Korea	Total				
Sales:									
Sales to external customers	\$ 93,851	\$113,649	\$30,819	\$116,872	\$355,191	\$29,745	\$384,936		\$384,936
Intersegment sales or transfers	45,138	1,617	11,053	7,841	65,649	617	66,266	\$(66,266)	
Total sales	\$138,989	\$115,266	\$41,872	\$124,713	\$420,840	\$30,362	\$451,202	\$(66,266)	\$384,936
Segment profit	\$ 17,936	\$ 16,862	\$ 5,298	\$ 6,287	\$ 46,383	\$ 3,447	\$ 49,830	\$ (3,170)	\$ 46,660
Segment assets	79,043	85,947	49,426	74,957	289,373	18,383	307,756	160,574	468,330
Other items:									
Depreciation	2,053	1,989	1,596	1,096	6,734	138	6,872	3,809	10,681
Increase in property, plant, and equipment and intangible assets	1,755	1,043	968	1,649	5,415	106	5,521	926	6,447

Notes: (a) The "China" segment covers local subsidiaries in China and Hong Kong.

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

(c) Depreciation does not include goodwill amortization.

(d) Segment profit of "Reconciliations" includes unallocated segment loss of ¥266 million (\$2,830 thousand) and ¥80 million, which is mainly composed of the loss concerning the holding company in 2013 and 2012, respectively.

(e) Segment assets of "Reconciliations" include unallocated segment assets of ¥16,765 million (\$178,351 thousand) and ¥13,943 million, which are mainly composed of the assets concerning the holding company in 2013 and 2012, respectively.



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## 19. Related-Party Disclosures

Transactions of the Company with related parties for the fiscal years ended March 31, 2013 and 2012, were as follows:

### 2013

Nature of related party:	Unconsolidated subsidiary
Name:	TAIYO LOGISTICS CO., LTD.
Location:	Saitama, Japan
Capital amount:	¥12 million (\$128 thousand)
Business:	Logistic subcontracting services to the Company
Ownership of voting rights:	100%
Description of transaction:	Receipt of dividend
Transaction amount:	¥78 million (\$830 thousand)

### 2012

Nature of related party:	Officer
Name:	Si Bum Yoo
Ownership of voting rights:	—%
Description of transaction:	Purchase of shares of subsidiaries
Transaction amount:	¥201 million

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



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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated balance sheet of TAIYO HOLDINGS Co., Ltd. (the "Company") and its consolidated subsidiaries as of March 31, 2013, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

### Management's Responsibility for the Consolidated Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of TAIYO HOLDINGS Co., Ltd. and its consolidated subsidiaries as of March 31, 2013, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

### Emphasis of Matter

- (1) As described in Note 17 to the consolidated financial statements, at the Board of Directors' meeting held on May 13, 2013, the Company resolved to acquire additional shares of ONSTATIC TECHNOLOGY CO., LTD. Accordingly, the Company acquired the shares on May 16, 2013.
- (2) As described in Note 17 to the consolidated financial statements, at the board of directors' meeting held on May 13, 2013, the Company resolved to borrow long-term funds and loans were executed on May 16, 2013.

### Convenience Translation

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

*Deloitte Touche Tohmatsu LLC*

June 26, 2013

Member of  
Deloitte Touche Tohmatsu Limited

# Domestic and Global Network

## Domestic Network

### TAIYO HOLDINGS CO., LTD. Head Office

2-7-1 Hazawa, Nerima-ku, Tokyo 176-8508, Japan  
PHONE: 81-3-5999-1511 FAX: 81-3-5999-1501

### TAIYO HOLDINGS CO., LTD. Ranzan Facility

388 Ohkura, Ranzan-machi, Hiki-gun, Saitama 355-0222, Japan  
PHONE: 81-493-62-7777 FAX: 81-493-62-2330

### TAIYO INK MFG. CO., LTD.

900 Hirasawa, Ranzan-machi, Hiki-gun, Saitama 355-0215, Japan  
PHONE: 81-493-61-2711 FAX: 81-493-61-2701



Head Office



The Ranzan-Kitayama Facility

## Global Network

Company	Voting Shares Held	Business Description
TAIWAN TAIYO INK CO., LTD.	99.8%	Manufacture and marketing of PWB materials
TAIYO INK MFG. CO., (KOREA) LTD.	89.8%	Manufacture and marketing of PWB and FPD materials
TAIYO INK (SUZHOU) CO., LTD.	100.0%	Manufacture and marketing of PWB materials
TAIYO AMERICA, INC.	100.0%	Manufacture and marketing of PWB materials
Onstatic Technology Co., Ltd.	69.2%	Manufacture and marketing of PWB materials
GOO-AMC Corporation	*1	Manufacture and marketing of PWB materials
TAIYO INK INTERNATIONAL (SINGAPORE) PTE LTD.	100.0%	Marketing of PWB materials
TAIYO INK INTERNATIONAL (HK) LTD.	100.0%	Marketing of PWB materials
TAIYO INK TRADING (SHENZHEN) CO., LTD.	100.0%	Marketing of PWB materials
TAIYO INK (THAILAND) CO., LTD.	100.0%	Technical support for PWB materials

\*1 GOO-AMC Corporation is a wholly owned subsidiary of Onstatic Technology Co., Ltd.

## Production and Marketing Subsidiaries

### Taiwan

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

Onstatic Technology Co., Ltd.  
7F., No. 1, Ren' ai Rd., Yingge  
Dist., New Taipei City 239,  
Taiwan, R.O.C.  
PHONE: 886-2-26777481  
FAX: 886-2-26777484  
<http://www.otcink.com.tw/>

### Korea

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

### China

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

GOO-AMC Corporation  
Building No. 38, Western  
Industrial Zone, Sha-Yi Village,  
Sha-Jing Town,  
Shenzhen, Guangdong, China  
PHONE: 86-755-8173-7288  
FAX: 86-755-8173-7282

### USA

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

## Marketing or Technical Support Subsidiaries

### Singapore

TAIYO INK INTERNATIONAL  
(SINGAPORE) PTE LTD.  
133 New Bridge Road #09-08  
Chinatown Point, Singapore  
059413  
PHONE: 65-6372-1141  
FAX: 65-6372-1151

### Hong Kong

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

### China

TAIYO INK TRADING  
(SHENZHEN) CO., LTD.  
Rm. 1509, Office Tower,  
Shun Hing Square Di Wang  
Comm. Centre, 5002 Shen Nan  
Dong Road, Shenzhen,  
Guangdong, PRC  
PHONE: 86-755-2583-4787  
FAX: 86-755-8207-0989

### Thailand

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

# Corporate Information

## Company Overview

**Name:** TAIYO HOLDINGS CO., LTD.

**Head office:** 2-7-1 Hazawa, Nerima-ku, Tokyo 176-8508, Japan

**Phone:** 81-3-5999-1511

**Established:** September 29, 1953

**Capital:** ¥6,135 million

**Shares authorized:** 50,000,000

**Total number of issued shares:** 27,464,000

**Stock listing:** Tokyo

**Number of shareholders:** 7,403

**Major shareholders:**

Name	Shares (thousands)	Shareholding as a percentage of total shares issued (%)
Kowa Co., Ltd.	6,554	23.86
Company's Treasury Stock	2,025	7.37
Japan Trustee Services Bank, Ltd. (Trust. Account re-entrusted by Sumitomo Mitsui Trust Bank, Limited. Retirement Benefit Trust. Account re-entrusted by Sumitomo Mitsui Trust Bank, Limited)	1,116	4.06
Japan Trustee Services Bank, Ltd. (Trust Account)	1,050	3.82
The Master Trust Bank of Japan, Ltd. (Trust Account)	873	3.18
State Street Bank and Trust Company 505223	723	2.63
SHIKOKU CHEMICALS CORPORATION	631	2.29
Toshin Yushi Co., Ltd.	538	1.96
NORTHERN TRUST COMPANY (AVFC) SUB A/C AMERICAN CLIENTS	524	1.90
Mellon Bank, N.A. as Agent for its Client Mellon Omnibus US Pension (Standing proxy: Mizuho Corporate Bank, Ltd.)	516	1.87

## Accessing Our Investor Information Site An Introduction to TAIYO HOLDINGS's Website

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

<http://www.taiyo-hd.co.jp/English/Group/index.html>

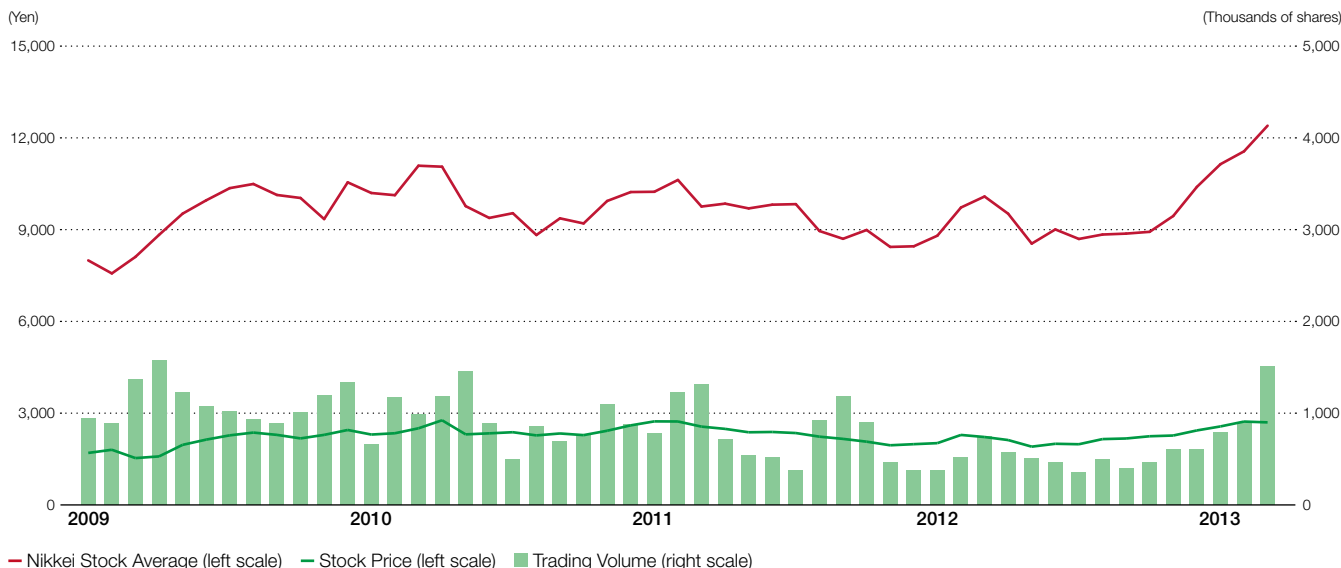
TAIYO HOLDINGS CO., LTD.



## Investor Information



## Stock Price and Trading Volume







**TAIYO HOLDINGS CO., LTD.**

2-7-1 Hazawa, Nerima-ku, Tokyo 176-8508, Japan

PHONE: 81-3-5999-1511

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