Translation

May 2, 2014

Consolidated Financial Results for the Fiscal Year Ended March 31, 2014 <under Japanese GAAP>

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

Scheduled date of ordinary general meeting of shareholders: June 20, 2014
Scheduled date to commence dividend payments: June 23, 2014
Scheduled date to file annual securities report: June 23, 2014
Preparation of supplementary results briefing material on financial results: Yes
Holding of financial results presentation meeting: Yes (for institutional investors and analysts)

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

1. Consolidated financial results for the fiscal year ended March 31, 2014 (from April 1, 2013 to March 31, 2014)

(1) Operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2014	44,224	22.2	7,568	72.6	7,827	65.0	4,930	46.4
March 31, 2013	36,184	(9.1)	4,385	8.5	4,743	17.8	3,367	34.6

Note: Comprehensive income
For the fiscal year ended March 31, 2014: 8,090 million yen [43.2%]
For the fiscal year ended March 31, 2013: 5,648 million yen [124.0%]

	Net income per share	Diluted net income per share	Net income/ shareholders' equity	Ordinary income/ total assets	Operating income/ net sales
Fiscal year ended	Yen	Yen	%	%	%
March 31, 2014	193.83	–	12.8	15.3	17.1
March 31, 2013	132.38	–	9.7	11.2	12.1

Reference: Share of (profit) loss of entities accounted for using equity method
For the fiscal year ended March 31, 2014: 13 million yen
For the fiscal year ended March 31, 2013: – million yen

(2) Financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
March 31, 2014	58,369	42,655	69.6	1,596.45
March 31, 2013	44,023	36,809	82.2	1,423.26

Reference: Equity (Net assets excluding minority interests)
As of March 31, 2014: 40,610 million yen As of March 31, 2013: 36,205 million yen

(3) Cash flows

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at the end of period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2014	7,020	(3,839)	2,350	20,338
March 31, 2013	6,109	(2,477)	(2,314)	13,766

2. Cash dividends

	Annual cash dividends					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended March 31, 2013	–	45.00	–	45.00	90.00	2,289	68.0	6.6
Fiscal year ended March 31, 2014	–	75.00	–	45.00	120.00	3,052	61.9	7.9
Fiscal year ending March 31, 2015 (Forecasts)	–	45.00	–	45.00	90.00		45.8	

Note: The dividend at end of the second quarter of the fiscal year ended March 31, 2014 includes payments of an ordinary dividend of 45 yen per share and a commemorative dividend of 30 yen per share.

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2015 (from April 1, 2014 to March 31, 2015)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2014	23,000	7.7	3,900	3.1	3,900	0.9	2,530	2.5	99.46
Fiscal year ending March 31, 2015	45,500	2.9	7,700	1.7	7,700	(1.6)	5,000	1.4	196.56

* Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): Yes

Newly consolidated: 6 companies (Name: Onstatic Technology Co., Ltd., and another five subsidiaries)

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

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

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

c. Changes in accounting estimates: None

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

Note: For details see "4. Consolidated Financial Statements (7) Changes in accounting policies" on page 23 of the Attached Materials.

(3) Number of issued shares (common shares)

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

As of March 31, 2014	27,464,000 shares
As of March 31, 2013	27,464,000 shares

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

As of March 31, 2014	2,026,110 shares
As of March 31, 2013	2,025,826 shares

c. Average number of outstanding shares during the period

Fiscal year ended March 31, 2014	25,438,048 shares
Fiscal year ended March 31, 2013	25,438,277 shares

*** Indication regarding execution of audit procedures**

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

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

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

Attached Materials

Index

1. Analysis of operating results and financial position

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

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

- This financial report includes information on the fiscal year ended March 31, 2014 (12 months from April 1, 2013 to March 31, 2014). The following abbreviations for the quarters are used in this section.

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

(1) Analysis of operating results

In the global economy during the fiscal year ended March 31, 2014, the U.S. economy remained on a moderate recovery track due to the expansion of exports and an increase in consumer spending, and the European economy showed signs of a recovery although unemployment rates are still high. On the other hand, uncertainty over China's economy was not wiped out, as seen by the continued slowdown of economic growth in that country. The Japanese economy started recovering moderately, as seen by the recovery of exports and increases in consumer spending as the correction of the strong yen advanced following proactive monetary and financial policies.

In the electronics components industry, in which the Group operates, the market of products for car electronics expanded and demand for products for smartphones and tablet devices was firm.

Operating under these conditions, net sales for the current fiscal year amounted to 44,224 million yen (up 22.2% year on year).

In the PWB (printed wiring board) materials market, both the sales volume and the sales amount increased year on year, partly due to contributions of the inclusion of Onstatic Technology Co., Ltd. in the scope of consolidation and the weak yen, in addition to robust sales of rigid board materials. As a result, net sales of PWB materials were 38,226 million yen (up 36.5% year on year).

Net sales of FPD materials, mainly consisting of PDP materials, dropped to 4,554 million yen (down 37.7% year on year), owing to lower sales volume and fall in the unit price 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 7,568 million yen (up 72.6% year on year) with ordinary income at 7,827 million yen (up 65.0% year on year) and net income at 4,930 million yen (up 46.4% year on year).

Sales results by product group category

The following are sales results by product group category for the fiscal year ended March 31, 2014.

(Millions of yen)

Name of product group category	Previous fiscal year results	Current fiscal year results	Compared to the previous fiscal year	
			Change	Rate of change (%)
Rigid board materials	20,262	29,235	8,973	44.3
PKG board and flexible board materials	6,763	7.965	1,202	17.8
Build-up board materials	972	1,025	53	5.5
FPD materials	7,316	4,554	(2,761)	(37.7)
Others	869	1,443	573	66.0
Total	36,184	44,224	8,040	22.2

Results by segment are as follows.

1) Japan

The consolidated company comprising the Japan segment is TAIYO INK MFG. CO., LTD., a manufacturing and marketing subsidiary.
Sales of rigid board materials remained unchanged, with no major fluctuations. Sales of PKG board materials were strong due to the expansion of the smartphone market.
As a result, net sales amounted to 14,005 million yen (up 7.2% year on year) with segment profit at 1,906 million yen (up 13.1% year on year).

2) China (including Hong Kong)

The consolidated companies comprising the China segment are TAIYO INK (SUZHOU) CO., LTD. and Onstatic Ink (Shenzhen) Co., Ltd., manufacturing and marketing subsidiaries, and TAIYO INK INTERNATIONAL (HK) LIMITED and TAIYO INK TRADING (SHENZHEN) CO., LTD., marketing subsidiaries operating mainly in the southern China region. Onstatic Ink (Shenzhen) Co., Ltd. is a subsidiary of Onstatic Technology Co., Ltd., which was acquired during the current fiscal year.
Lower-priced rigid board materials performed favorably due to the expansion of the market of products for servers and telecommunication equipment.
As a result, net sales amounted to 17,791 million yen (up 64.2% year on year) with segment profit at 2,617 million yen (up 65.2% year on year).

3) Taiwan

The consolidated companies comprising the Taiwan segment are manufacturing and marketing subsidiaries TAIWAN TAIYO INK CO., LTD., and Onstatic Technology Co., Ltd. (and another three subsidiaries).
Performance was strong for rigid board materials owing to the expansion of the market of products for servers and car electronics.
As a result, net sales amounted to 8,398 million yen (up 113.4% year on year) with segment profit at 1,427 million yen (up 186.7% year on year).

4) Korea

The consolidated company comprising the Korea segment is TAIYO INK CO., (KOREA) LTD., a manufacturing and marketing subsidiary.
Sales volumes of FPD materials, which have a low profit margin, declined substantially, while sales amounts were also down considerably compared with the previous fiscal year due to a fall in the price of silver, which is connected with sales unit prices of FPD materials. On the other hand, dry film for PKG boards, which have a high-profit margin, performed favorably because of the expansion of the market for smartphone-related products, and profit increased year on year.
As a result, net sales amounted to 10,599 million yen (down 9.6% year on year) with segment profit at 1,073 million yen (up 81.6% year on year).

5) Other

The consolidated companies comprising the operations in areas other than the above are TAIYO AMERICA, INC. and TAIYO INK INTERNATIONAL (SINGAPORE) PTE LTD.

At TAIYO AMERICA, sales were roughly in the same level with the same period of the previous fiscal year.

TAIYO INK INTERNATIONAL (SINGAPORE) performed steadily due to the expansion of the market of products for car electronics in Thailand.

As a result, net sales amounted to 3,524 million yen (up 23.5% year on year) with segment profit at 453 million yen (up 39.9% year on year).

(Consolidated forecasts for the next fiscal year)

Although the operating environment in the next fiscal year ending March 31, 2015 is expected to remain uncertain, demand for small-sized 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, while we also expect that the sales volume of FPD materials will continue to decline.

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

	Net sales (Millions of yen)	Operating income (Millions of yen)	Ordinary income (Millions of yen)	Net income (Millions of yen)	Net income per share (yen)
For the fiscal year ending March 31, 2015 (Forecast)	45,500	7,700	7,700	5,000	196.56
For the fiscal year ended March 31, 2014 (Actual results)	44,224	7,568	7,827	4,930	193.83
Rate of change (%)	2.9	1.7	(1.6)	1.4	1.4

(2) Analysis of financial position

a. Positions of assets, liabilities and net assets

The following shows the positions of assets, liabilities and net assets as of March 31, 2014.

	As of March 31, 2013 (Millions of yen)	As of March 31, 2014 (Millions of yen)	Change (Millions of yen)	Main factors (comparison with the end of the previous fiscal year)
Current assets	26,979	37,798	10,819	Cash and deposits increased approx. 6,400 million yen and notes and accounts receivable - trade increased approx. 3,600 million yen.
Non-current assets	17,043	20,570	3,526	Goodwill increased approx. 4,700 million yen, shares of subsidiaries and associates decreased approx. 2,600 million yen and buildings and structures increased approx. 700 million yen.
Total assets	44,023	58,369	14,346	
Total liabilities	7,213	15,713	8,500	Long-term loans payable increased approx. 5,600 million yen, notes and accounts payable - trade increased approx. 900 million yen and accounts payable - other increased approx. 700 million yen.
Total net assets	36,809	42,655	5,845	Net income increased approx. 4,900 million yen, cash dividends paid of approx. 3,000 million yen, foreign currency translation adjustment increased approx. 2,500 million yen and minority interest increased approx. 1,400 million yen.
Total liabilities and net assets	44,023	58,369	14,346	

b. Cash flow position

The following is the position of cash flows for the fiscal year ended March 31, 2014.

	Fiscal year ended March 31, 2014 (Millions of yen)	Main factors
Net cash provided by (used in) operating activities	7,020	Income before income taxes and minority interests provided approx. 7,500 million yen, depreciation provided approx. 1,100 million yen and income taxes paid used approx. 1,900 million yen
Net cash provided by (used in) investing activities	(3,839)	Purchase of property, plant and equipment used approx. 1,700 million yen, purchase of shares of subsidiaries used approx. 2,700 million yen and liquidation of investments in capital of subsidiaries and associates provided approx. 500 million yen.
Net cash provided by (used in) financing activities	2,350	Proceeds from long-term loans payable provided approx. 5,600 million yen and cash dividends paid used approx. 3,000 million yen.
Net increase (decrease) in cash and cash equivalents	6,571	
Cash and cash equivalents at end of period	20,338	

c. Trend of indicators

The following is the transition of cash flow indicators.

	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014
Equity ratio (%)	80.1	78.2	81.1	82.2	69.6
Equity ratio on mark-to-market basis (%)	148.7	152.0	138.7	156.0	133.1
Interest-bearing debt to cash flow ratio (year)	–	–	–	–	0.9
Interest coverage ratio (times)	2,734.6	1,350.2	992.5	3,850.3	331.3

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

(1) The above indicators are calculated based on consolidated financial figures.
(2) Total market capitalization is calculated based on total number of issued shares at the fiscal year end (excluding treasury shares) ×stock market price at the fiscal year end
(3) Net cash provided by (used in) operating activities stated in the consolidated statement of cash flows is used for “Cash flows.” “Interest paid” are the amounts stated under interest expenses paid in the consolidated statement of cash flows.

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

The Company regards profit distribution to shareholders in cash as an important policy and will effectuate a continuous, stable profit distribution at high levels. We use the ratio of dividends to net assets as our target index, keeping this figure at least 5% of consolidated financial results for the mid-to long-term.
In accordance with this policy, the Company paid an interim dividend of 75 yen per share: 45 yen of ordinary dividend and 30 yen of commemorative dividend.
As already announced, we also plan to pay a year-end dividend of 45 yen and this will be placed on the agenda of the next General Meeting of Shareholders. This will result in an annual dividend of 120 yen per share for the current fiscal year.
Concerning dividends of the next fiscal year, we plan to pay an interim dividend of 45 yen and a year-end dividend of 45 yen, and this will result in an annual dividend of 90 yen per share.

(4) Risk factors

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

a. Technological innovation risks

1) Risks related to PWBs

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

2) Risks related to PDP materials

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

b. Risks associated with patents

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

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

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

d. Risk related to procurement of raw materials

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

e. Country-specific risks related to business deployment overseas

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

f. Risk of exchange rate fluctuations

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

g. Risk of price fluctuations in key products

PWB manufacturing is shifting to other Asian countries, especially China, and we are engaged in continuing price wars with 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 carry forward, the Group determines recoverability after reasonably estimating future taxable income when recording deferred tax assets. However, in the event deferred tax assets are deemed unrecoverable in whole or in part as actual taxable income may differ from estimates due to changes in the business environment and other factors, or should changes in tax rates or revisions in tax systems occur in various countries, a recalculation of deferred tax assets would become necessary. If, as a result of the above, a reversal of deferred tax assets is necessary, it could impact on our operating results and financial position.

2. Overview of the corporate group

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

[The Company and consolidated subsidiaries]

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

[Non-consolidated subsidiaries]

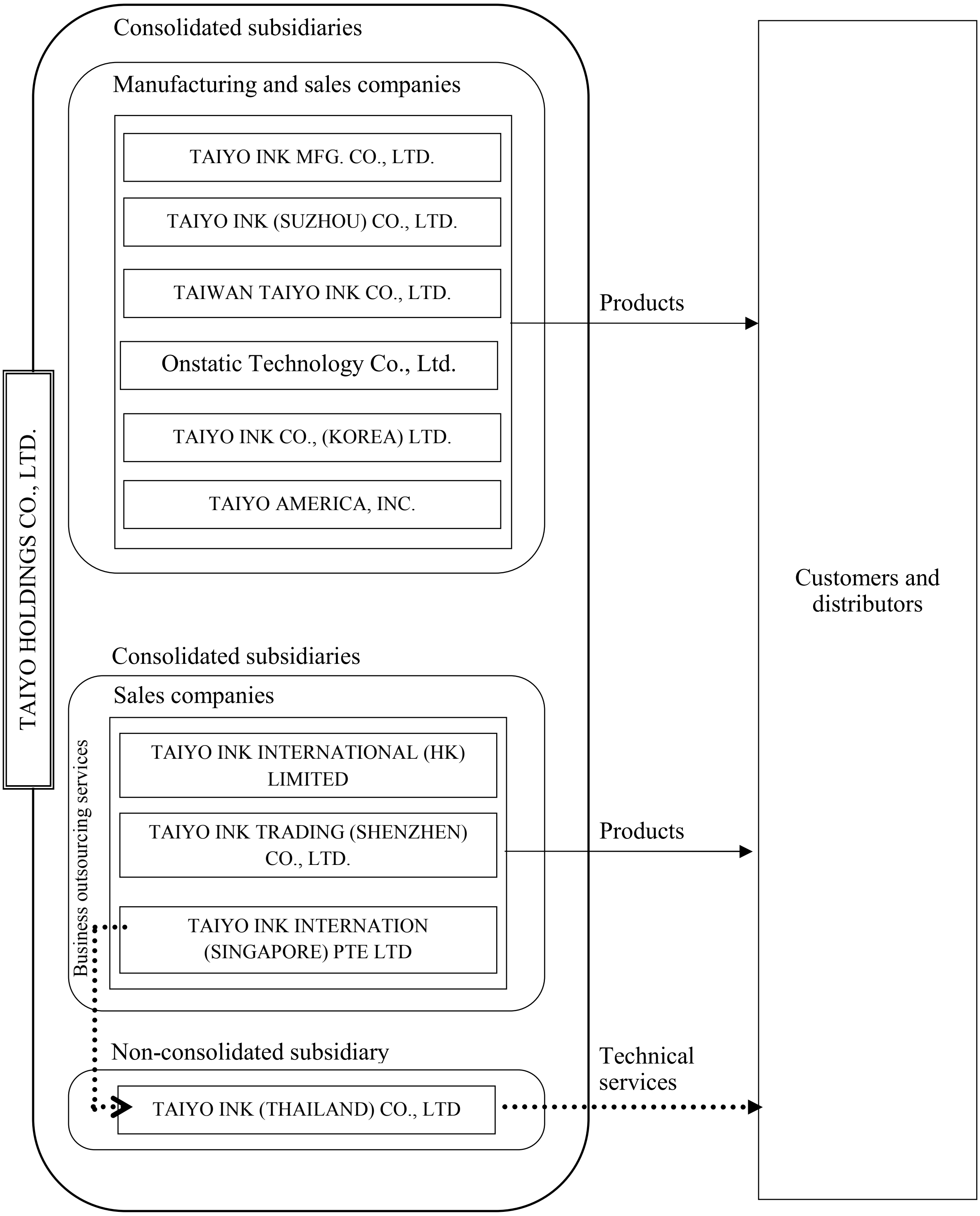
Relation to the filing company	Company name	Main business
Non-consolidated subsidiary	TAIYO INK (THAILAND) CO., LTD.	Technical services relating to PWB materials

[Associated company]

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

Notes:
1. The Company included Onstatic Technology Co., Ltd. ("Onstatic Technology") in the scope of consolidation in the current fiscal year, since the Company acquired shares of Onstatic Technology and turned it into a subsidiary.
2. Onstatic Technology has five associates.
3. TAIYO LOGISTICS CO., LTD., which was a non-consolidated subsidiary in the previous fiscal year, ceased to be a non-consolidated subsidiary, since all its shares were sold in the current fiscal year.
4. Liquidation procedures for TAIYO INK (ZHONGSHAN) CO., LTD., which was a non-consolidated subsidiary in the previous fiscal year, were completed in the current fiscal year.

The organization chart is as follows.



3. Business policies

(1) Basic management policies

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

Management Philosophy

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

Basic Management Policy

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

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

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

1) Strengthening R&D structure

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

2) Rapid commercialization of new products

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

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

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

(3) Other significant matters concerning management
No items to report.

4. Consolidated Financial Statements

(1) Consolidated balance sheet

(Millions of yen)

		As of March 31, 2013		As of March 31, 2014
Assets				
Current assets				
Cash and deposits		14,652		21,149
Notes and accounts receivable - trade	*1	8,199	*1	11,891
Securities		0		1
Merchandise and finished goods		1,816		2,227
Work in process		195		319
Raw materials and supplies		1,674		1,841
Consumption taxes receivable		123		151
Deferred tax assets		93		90
Other		330		399
Allowance for doubtful accounts		(105)		(272)
Total current assets		26,979		37,798
Non-current assets				
Property, plant and equipment				
Buildings and structures, net	*2	6,872	*2	7,625
Machinery, equipment and vehicles, net		1,217		1,607
Tools, furniture and fixtures, net	*2	393	*2	656
Land		4,179		4,237
Construction in progress		1		248
Total property, plant and equipment	*3	12,664	*3	14,375
Intangible assets				
Goodwill		29		4,745
Leasehold right		106		113
Software		156		235
Other		54		49
Total intangible assets		347		5,144
Investments and other assets				
Investment securities		587		748
Shares of subsidiaries and associates		2,702		19
Investments in capital of subsidiaries and associates		498		–
Long-term loans receivable		1		4
Deferred tax assets		72		16
Other		577		263
Allowance for doubtful accounts		(408)		(1)
Total investments and other assets		4,032		1,050
Total non-current assets		17,043		20,570
Total assets		44,023		58,369

(Millions of yen)

	As of March 31, 2013	As of March 31, 2014
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,486	5,433
Short-term loans payable	–	534
Accounts payable - other	683	1,394
Income taxes payable	508	562
Accrued expenses	238	239
Deferred tax liabilities	253	286
Provision for bonuses	304	352
Provision for directors' bonuses	49	61
Other	198	71
Total current liabilities	6,724	8,936
Non-current liabilities		
Deferred tax liabilities	173	701
Long-term loans payable	–	5,658
Provision for retirement benefits	216	–
Provision for directors' retirement benefits	10	10
Net defined benefit liability	–	316
Asset retirement obligations	54	54
Other	33	34
Total non-current liabilities	488	6,776
Total liabilities	7,213	15,713
Net assets		
Shareholders' equity		
Capital stock	6,134	6,134
Capital surplus	7,102	7,102
Retained earnings	30,379	32,257
Treasury shares	(5,372)	(5,373)
Total shareholders' equity	38,243	40,120
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	135	235
Foreign currency translation adjustment	(2,173)	328
Remeasurements of defined benefit plans	–	(74)
Total accumulated other comprehensive income	(2,038)	489
Minority interests	604	2,045
Total net assets	36,809	42,655
Total liabilities and net assets	44,023	58,369

Please refer to "Notes to consolidated balance sheet" on page 25 for *1 *2 and *3.

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

(Consolidated statement of income)

(Millions of yen)

		Fiscal year ended March 31, 2013		Fiscal year ended March 31, 2014
Net sales		36,184		44,224
Cost of sales		25,319		28,348
Gross profit		10,864		15,875
Selling, general and administrative expenses	*1, *2	6,479	*1, *2	8,307
Operating income		4,385		7,568
Non-operating income				
Interest income		88		103
Dividend income		61		46
Foreign exchange gains		149		23
Share of profit of entities accounted for using equity method		–		13
Other		83		112
Total non-operating income		382		299
Non-operating expenses				
Interest expenses		1		32
Loss on insurance cancellation		14		–
Other		8		7
Total non-operating expenses		24		40
Ordinary income		4,743		7,827
Extraordinary income				
Gain on sales of non-current assets	*3	28	*3	59
Gain on liquidation of subsidiaries and associates		–		58
Total extraordinary income		28		118
Extraordinary losses				
Loss on sales of non-current assets	*4	6	*4	–
Impairment loss	*5	–	*5	278
Loss on valuation of shares of subsidiaries and associates	*6	66	*6	–
Loss on step acquisitions		–		73
Other		0		0
Total extraordinary losses		73		352
Income before income taxes and minority interests		4,698		7,593
Income taxes - current		1,430		1,908
Income taxes - deferred		(166)		485
Total income taxes		1,264		2,393
Income before minority interests		3,434		5,199
Minority interests in income		67		269
Net income		3,367		4,930

Please refer to "Notes to consolidated statement of income" on page 26 for *1, *2, *3, *4, *5 and *6.

(Consolidated statement of comprehensive income)

(Millions of yen)

	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014
Income before minority interests	3,434	5,199
Other comprehensive income		
Valuation difference on available-for-sale securities	57	100
Foreign currency translation adjustment	2,156	2,789
Total other comprehensive income	2,213	2,890
Comprehensive income	5,648	8,090
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,496	7,560
Comprehensive income attributable to minority interests	151	530

(3) Consolidated statement of changes in equity

Fiscal year ended March 31, 2013

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	6,134	7,102	29,301	(5,372)	37,166
Changes of items during period					
Dividends of surplus			(2,289)		(2,289)
Net income			3,367		3,367
Purchase of treasury shares				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	1,078	(0)	1,077
Balance at end of current period	6,134	7,102	30,379	(5,372)	38,243

	Accumulated other comprehensive income				Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	77	(4,245)	–	(4,168)	478	33,476
Changes of items during period						
Dividends of surplus						(2,289)
Net income						3,367
Purchase of treasury shares						(0)
Net changes of items other than shareholders' equity	57	2,072	–	2,129	126	2,256
Total changes of items during period	57	2,072	–	2,129	126	3,333
Balance at end of current period	135	(2,173)	–	(2,038)	604	36,809

Fiscal year ended March 31, 2014

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	6,134	7,102	30,379	(5,372)	38,243
Changes of items during period					
Dividends of surplus			(3,052)		(3,052)
Net income			4,930		4,930
Purchase of treasury shares				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during period	–	–	1,878	(0)	1,877
Balance at end of current period	6,134	7,102	32,257	(5,373)	40,120

	Accumulated other comprehensive income				Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	135	(2,173)	—	(2,038)	604	36,809
Changes of items during period						
Dividends of surplus						(3,052)
Net income						4,930
Purchase of treasury shares						(0)
Net changes of items other than shareholders' equity	100	2,502	(74)	2,528	1,440	3,968
Total changes of items during period	100	2,502	(74)	2,528	1,440	5,845
Balance at end of current period	235	328	(74)	489	2,045	42,655

(4) Consolidated statement of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014
Cash flows from operating activities		
Income before income taxes and minority interests	4,698	7,593
Depreciation	1,003	1,181
Amortization of goodwill	18	168
Share of (profit) loss of entities accounted for using equity method	–	(13)
Increase (decrease) in provision for retirement benefits	(4)	–
Loss (gain) on step acquisitions	–	73
Increase (decrease) in provision for directors' retirement benefits	(93)	–
Increase (decrease) in provision for bonuses	42	43
Increase (decrease) in provision for directors' bonuses	39	12
Increase (decrease) in allowance for doubtful accounts	(27)	(289)
Increase (decrease) in net defined benefit liability	–	(29)
Interest and dividend income	(149)	(149)
Interest expenses	1	32
Loss (gain) on sales and retirement of property, plant and equipment	(22)	(59)
Loss (gain) on liquidation of subsidiaries and associates	–	(58)
Loss (gain) on valuation of investment securities	0	0
Impairment loss	–	278
Loss on valuation of shares of subsidiaries and associates	66	–
Decrease (increase) in notes and accounts receivable - trade	1,198	(228)
Decrease (increase) in inventories	962	722
Decrease (increase) in other current assets	84	137
Increase (decrease) in notes and accounts payable - trade	(961)	(200)
Increase (decrease) in other current liabilities	43	(334)
Increase (decrease) in accrued consumption taxes	132	(20)
Other, net	–	(11)
Subtotal	7,034	8,849
Interest and dividend income received	148	148
Interest expenses paid	(1)	(21)
Income taxes paid	(1,072)	(1,956)
Net cash provided by (used in) operating activities	6,109	7,020
Cash flows from investing activities		
Payments into time deposits	(2,164)	(3,284)
Proceeds from withdrawal of time deposits	2,808	3,448
Purchase of property, plant and equipment	(552)	(1,727)
Proceeds from sales of property, plant and equipment	51	111

(Millions of yen)

	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014
Purchase of intangible assets	(54)	(142)
Proceeds from sales of investment securities	0	14
Purchase of shares of subsidiaries and associates	(2,668)	–
Purchase of shares of subsidiaries	–	(1,927)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	*2 (861)
Payments of long-term loans receivable	(13)	(19)
Collection of long-term loans receivable	16	22
Collection of investments in capital	–	557
Other, net	98	(29)
Net cash provided by (used in) investing activities	(2,477)	(3,839)
Cash flows from financing activities		
Increase in short-term loans payable	700	0
Decrease in short-term loans payable	(700)	–
Purchase of treasury shares	(0)	(0)
Proceeds from long-term loans payable	–	5,619
Cash dividends paid	(2,289)	(3,052)
Cash dividends paid to minority shareholders	(24)	(215)
Net cash provided by (used in) financing activities	(2,314)	2,350
Effect of exchange rate change on cash and cash equivalents	885	1,040
Net increase (decrease) in cash and cash equivalents	2,202	6,571
Cash and cash equivalents at beginning of period	11,563	13,766
Cash and cash equivalents at end of period	*1 13,766	*1 20,338

Please refer to “Notes to consolidated statement of cash flows” on page 29 for *1 and *2.

(5) Notes on premise of going concern

No items to report.

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

1) Scope of consolidation

Number of consolidated subsidiaries: 14
Number of non-consolidated subsidiaries: 1
Names of consolidated subsidiaries:
TAIYO INK MFG. CO., LTD., TAIWAN TAIYO INK CO., LTD., TAIYO INK CO., (KOREA) LTD., TAIYO INK (SUZHOU) CO., LTD., TAIYO AMERICA, INC., TAIYO INK INTERNATIONAL (SINGAPORE) PTE LTD, TAIYO INK INTERNATIONAL (HK) LIMITED, TAIYO INK TRADING (SHENZHEN) CO., LTD., Onstatic Technology Co., Ltd. (and another five companies)
Name of non-consolidated subsidiary:
TAIYO INK (THAILAND) CO., LTD.

Reason for exclusion from the scope of consolidation
The non-consolidated subsidiary is small in size, and its accounts, such as total assets, net sales, net income or loss (for the Company's equity interest) and retained earnings (for the Company's equity interest), have no significant effects on the Company's consolidated financial statements.

2) Fiscal year-end of consolidated subsidiaries

Among the consolidated subsidiaries, the fiscal year-end of TAIYO INK (SUZHOU) CO., LTD. and TAIYO INK TRADING (SHENZHEN) CO., LTD. is December 31.
TAIYO INK (SUZHOU) CO., LTD. and TAIYO INK TRADING (SHENZHEN) CO., LTD. perform tentative closings and prepare financial statements as of and for the period ended March 31.
Among the consolidated subsidiaries, the fiscal year-end of Onstatic Technology Co., Ltd. is December 31, which is different from the consolidated fiscal year-end. However, since the difference between the fiscal year-end of the subsidiary and the consolidated fiscal year-end does not exceed three months, consolidated financial statements are prepared based on the financial statements of the said subsidiary.
Earnings of Onstatic Technology Co., Ltd. up to March 31, 2013 are recorded as share of profit of entities accounted for using equity method on the consolidated financial statements for the current fiscal year, since the deemed acquisition date of business combination is April 1, 2013.
Fiscal year-ends of other consolidated subsidiaries coincide with that for consolidated financial statements.

3) Application of the equity method

Change in the scope of application of the equity method

(Exclusion) The number of companies accounted for using the equity method decreased by one, since the following company became a consolidated subsidiary due to an increase in the equity following additional acquisition of shares.
Onstatic Technology Co., Ltd.
Although Onstatic Technology has five subsidiaries and associates, the Company only includes Onstatic Technology as an equity method subsidiaries and associate, because Onstatic Technology's associates can be deemed to be a part of their parent company since they virtually form one distribution channel.

4) Bases for accounting treatments

I. Valuation bases and methods for significant assets

i Securities

Subsidiaries' stocks and associates' stocks
Stated at cost using the moving-average method.

Other securities (available-for-sale securities)
Securities with fair market value
Stated at market value based on fair market value etc. as of the closing date (Net unrealized holding gains or losses, net of the applicable income taxes, are directly included in a component of

stockholders' equity. The cost of securities sold is measured using the moving-average method)
Securities with no fair market value
Stated at cost using the moving-average method

ii Derivatives
Stated at fair market value

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

II Method of depreciation for significant depreciable assets

i Property, plant and equipment (excluding leased assets)
Buildings:
Depreciated mainly by the straight-line method
Property, plant and equipment other than buildings:
Depreciated mainly by the declining-balance method
Useful lives of major property, plant and equipment are as follows.

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

ii Intangible assets (excluding leased assets)
Leasehold right:
Amortized by the straight-line method
Software (for internal use):
Amortized by the straight-line method over the internally estimated useful life of the software (5 years)
Others:
Amortized by the straight-line method
Useful lives of major intangible assets are as follows:

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

III Accounting for significant reserves

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

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

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

iv Provision for retirement benefits
To prepare for employees' retirement benefits, the Company recognizes an amount decided based on retirement benefit obligation and the fair value of the plan assets as of the end of the current fiscal year.
Prior service cost will be recognized as expenses mainly by amortizing the amount by the straight-line method over a certain period of time (mainly five years) which is shorter than the employees' average remaining service period.
Actuarial gains or losses are mainly amortized as incurred over the periods, which are shorter than the average remaining service years of employees (mainly five years), by the straight-line method, starting from the following fiscal years.

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

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

IV Accounting treatment related to retirement benefits
i Method of attributing the projected benefits to periods of service
In calculation of retirement benefits, the method of attributing the projected benefits to periods until the end of the current fiscal year is based on the straight-line method over period.
ii Method of amortization of actuarial gains or losses and prior service cost
Prior service cost will be recognized as expenses mainly by amortizing the amount by the straight-line method over a certain period of time (mainly five years) which is shorter than the employees' average remaining service period.
Actuarial gains or losses are mainly amortized as incurred over the periods, which are shorter than the average remaining service years of employees (mainly five years), by the straight-line method, starting from the following fiscal years.

V Basis of translation from significant foreign currency-denominated assets and liabilities to yen
Foreign currency-denominated monetary claims and liabilities are translated to yen with the spot exchange rate of the consolidated balance sheet date with translation differences charged to profit and loss in the corresponding fiscal year.
Assets and liabilities of foreign subsidiaries are translated to yen with the spot exchange rate of the consolidated balance sheet date. Revenue and expenses thereof are translated to yen with the average exchange rate during the period. Exchange differences are included in foreign currency translation adjustment and minority interests in the section of net assets.

VI Goodwill amortization method and period
Goodwill is amortized by the straight-line method over 5 years or 20 years.

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

VIII Other significant matters for preparation of consolidated financial statements
i Treatment of consumption taxes
Treatment of consumption taxes is based on the tax excluded method.
ii Application of consolidated tax system
The consolidated tax system is adopted.

(7) Changes in accounting policies

Application of the Accounting Standard for Retirement Benefits, etc.
With the application of the "Accounting Standard for Retirement Benefits (Accounting Standards Board of Japan (ASBJ) Statement No. 26, revised on May 17, 2012; hereinafter referred to as "Retirement Benefits Accounting Standard")" and the "Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No.25, revised on May 17, 2012; hereinafter referred to as "Retirement Benefit Application Guidance")" at the end of the current fiscal year (however, excluding the provisions given in the text of Paragraph 35 of the Retirement Benefits Accounting Standard and those given in the text of Paragraph 67 of the Retirement Benefit Application Guidance), the Company and its domestic consolidated subsidiaries changed the previous method to a method of recording the amount obtained by deducting plan assets from retirement benefit obligations as net defined benefit liability, and recorded unrecognized actuarial gains or losses and unrecognized prior service cost as net defined benefit liability.
The Retirement Benefits Accounting Standard, etc. are applied pursuant to the transitional handling specified in Paragraph 37 of the Retirement Benefits Accounting Standard, and the amount resulting

from the impact of the said change is adjusted in remeasurements of defined benefit plans under accumulated other comprehensive income as of the end of the current fiscal year.
As a result, net defined benefit liability of 316 million yen was recorded and accumulated other comprehensive income (remeasurements of defined benefit plans) decreased 74 million yen at the end of the current fiscal year.

(8) Unapplied accounting standards, etc.

Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012)
Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No.25, May 17, 2012)

1) Outline
Revisions were made mainly about treatment of unrecognized actuarial gains or losses and unrecognized prior service cost, determination of retirement benefit obligations and service costs and enhancement of disclosures.
2) Scheduled date of application
Revised calculation method of retirement benefit obligations and service costs will be applied from the beginning of the fiscal year ending March 2015.
Since the said accounting standards, etc. specify transitional handling, the revisions will not be applied retrospectively to consolidated financial statements for prior periods.
3) Impact of the application of the said accounting standard, etc.
As a result of the application of the said accounting standard, operating income, ordinary income and income before income taxes and minority interests for the next fiscal year will decrease 24 million yen, respectively.

(9) Notes to consolidated financial statements

(Notes to consolidated balance sheet)

*1 Amount of notes receivable with maturity date on the fiscal year-end is as follows.

Notes receivable with maturity date on the fiscal year-end are cashed on clearing dates.

As the fiscal year-end of some subsidiaries fell on a holiday for financial institutions, the following amount of notes receivable with maturity date on the fiscal year-end was included in the balance of notes receivable at fiscal year-end.

	As of March 31, 2013	As of March 31, 2014
Notes receivable	125 million yen	0 million yen

*2 Reduction entry

Due to acceptance of national subsidies, the following reduction entry amount was deducted from the acquisition cost of relevant assets.

	As of March 31, 2013	As of March 31, 2014
Buildings and structures	7 million yen	7 million yen
Tools, furniture and fixtures	2	1

*3 Accumulated depreciation of property, plant and equipment is as follows.

	As of March 31, 2013	As of March 31, 2014
Accumulated depreciation of property, plant and equipment	18,894 million yen	21,024 million yen

4 Export discount bills

	As of March 31, 2013	As of March 31, 2014
Export discount bills	26 million yen	25 million yen

5 Agreement on overdrafts

The Company has concluded an agreement with banks of account on overdrafts for efficient funding of working capital. The outstanding unused balance under this agreement as of March 31, 2014, is as follows.

	As of March 31, 2013	As of March 31, 2014
Maximum lines of overdrafts	6,500 million yen	6,500 million yen
Loan amount currently executed	–	–
Outstanding unused overdraft amount	6,500 million yen	6,500 million yen

(Notes to consolidated statement of income)

*1 Major items of selling, general and administrative expenses were as follows:

	Fiscal year ended March 31, 2013 (From April 1, 2012 to March 31, 2013)	Fiscal year ended March 31, 2014 (From April 1, 2013 to March 31, 2014)
Distribution expenses	666 million yen	775 million yen
Packing expenses	217	208
Sales commission	94	81
Directors' compensations	290	322
Salaries	1,270	1,671
Bonuses	177	242
Provision for bonuses	145	191
Provision for directors' bonuses	49	44
Commission fee	476	559
Depreciation	198	276
Experiment and research expenses	814	1,078
Traveling and transportation expenses	253	365
Retirement benefit expenses	105	106
Amortization of goodwill	18	168

*2 Research and development expenses included in general and administrative expenses and cost of products manufactured

	Fiscal year ended March 31, 2013 (From April 1, 2012 to March 31, 2013)	Fiscal year ended March 31, 2014 (From April 1, 2013 to March 31, 2014)
	1,199 million yen	1,594 million yen

*3 Breakdown of gain on sales of non-current assets

	Fiscal year ended March 31, 2013 (From April 1, 2012 to March 31, 2013)	Fiscal year ended March 31, 2014 (From April 1, 2013 to March 31, 2014)
Buildings and structures	24 million yen	– million yen
Machinery, equipment and vehicles	3	9
Tools, furniture and fixtures	0	-
Land	-	49

*4 Breakdown of loss on sales of non-current assets

	Fiscal year ended March 31, 2013 (From April 1, 2012 to March 31, 2013)	Fiscal year ended March 31, 2014 (From April 1, 2013 to March 31, 2014)
Machinery, equipment and vehicles	5 million yen	– million yen
Tools, furniture and fixtures	0	-

*5 Impairment loss

In the current fiscal year, the Group booked the following impairment losses on assets.

Location	Application	Category	Impairment loss
TAIYO INK CO., (KOREA) LTD.	Assets for business use	Buildings	124 million yen
		Machinery and equipment	154 million yen

There were signs of impairment losses on assets for business use of TAIYO INK CO., (KOREA) LTD., a consolidated subsidiary, in the current fiscal year, as profitability and appraised value of the assets declined significantly compared with their book values. Therefore, their book values have been reduced to their recoverable values.

Recoverable value is measured by the use value, which is calculated by conservatively evaluating the feasibility of the business plan of the said asset group.

There were no items to report in the previous fiscal year.

*6 Loss on valuation of stocks of subsidiaries and associates

In the previous fiscal year, the Company recognized loss on valuation of stocks of subsidiaries and associates related to a non-consolidated subsidiary TAIYO LOGISTICS CO., LTD.

There were no items to report in the current fiscal year.

(Notes to consolidated statement of changes in equity)

Fiscal year ended March 31, 2013 (From April 1, 2012 to March 31, 2013)

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

	Number of shares as of April 1, 2012 (Shares)	Increase (Shares)	Decrease (Shares)	Number of shares as of March 31, 2013 (Shares)
Issued shares				
Common shares	27,464,000	–	–	27,464,000
Treasury shares				
Common shares (Note)	2,025,666	160	—	2,025,826

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

2. Matters related to dividends

(a) Dividends paid to shareholders

Resolution	Class of shares	Total dividends (million yen)	Dividend per share (yen)	Record date	Effective date
June 27, 2012 Annual General Meeting of Shareholders	Common shares	1,144	45	March 31, 2012	June 28, 2012
November 9, 2012 Board of Directors	Common shares	1,144	45	September 30, 2012	December 3, 2012

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

Resolution	Class of shares	Total dividends (million yen)	Source of dividends	Dividend per share (yen)	Record date	Effective date
June 26, 2013 Annual General Meeting of Shareholders	Common shares	1,144	Retained earnings	45	March 31, 2013	June 27, 2013

Fiscal year ended March 31, 2014 (From April 1, 2013 to March 31, 2014)

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

	Number of shares as of April 1, 2013 (Shares)	Increase (Shares)	Decrease (Shares)	Number of shares as of March 31, 2014 (Shares)
Issued shares				
Common shares	27,464,000	–	–	27,464,000
Treasury shares				
Common shares (Note)	2,025,826	284	–	2,026,110

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

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

Resolution	Class of shares	Total dividends (million yen)	Dividend per share (yen)	Record date	Effective date
June 26, 2013 Annual General Meeting of Shareholders	Common shares	1,144	45	March 31, 2013	June 27, 2013
November 7, 2013 Board of Directors	Common shares	1,907	75	September 30, 2013	December 2, 2013

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

Resolution	Class of shares	Total dividends (million yen)	Source of dividends	Dividend per share (yen)	Record date	Effective date
June 20, 2014 Annual General Meeting of Shareholders	Common shares	1,144	Retained earnings	45	March 31, 2014	June 23, 2014

(Notes to consolidated statement of cash flows)

*1 Cash and cash equivalents at end of period were reconciled to the accounts reported in the consolidated balance sheets as follows:

	Fiscal year ended March 31, 2013 (From April 1, 2012 to March 31, 2013)	Fiscal year ended March 31, 2014 (From April 1, 2013 to March 31, 2014)
Cash and deposits	14,652 million yen	21,149 million yen
Time deposits whose term exceeds three months	(885)	(810)
Cash and cash equivalents	13,766	20,338

*2 Breakdown of major items of assets and liabilities of the companies that have newly become consolidated subsidiaries through acquisition of shares

The breakdown of assets and liabilities when the consolidation of six companies, including Onstatic Technology Co., Ltd., through acquisition of shares started and the relationship between acquisition value of shares and expenditure for the acquisition (net value) are as follows.

During the third quarter of the current fiscal year, one of the subsidiaries of Onstatic Technology Co., Ltd. was liquidated.

Current assets	4,998 million yen
Non-current assets	413
Goodwill	3,292
Current liabilities	(1,359)
Non-current liabilities	(118)
Minority interests	(1,906)
Valuation difference	(24)
Subtotal	5,297
Acquisition cost by the time of acquisition of control	(2,668)
Appraisal value of equity by the time of acquisition of control	(73)
Loss on step acquisitions	73
Acquisition cost of shares	2,629
Cash and cash equivalents	(1,767)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	861

(Business combinations)

(Business combination through acquisition)

1. Overview of business combination
   (1) Name and business activities of the acquired company
   Name of the acquired company: Onstatic Technology Co., Ltd.
   Business activities: Manufacturing and sales of specialty ink for precision instruments
   (2) Main reasons for business combination
   The Group manufactures and sells specialty ink for precision instruments, mainly operating in Japan, China, Taiwan, Korea and the ASEAN region. On the other hand, Onstatic Technology Co., Ltd., the subject company, manufactures and sells specialty ink for precision instruments mainly in China and Taiwan.
   With the acquisition of shares of Onstatic Technology Co., Ltd., which is located in Taiwan, and turning of it into a subsidiary, it will become possible for the two groups to share and effectively use management resources of each other, which we believe will realize careful responses to demand of customers.
   (3) Date of business combination
   May 16, 2013
   (4) Legal form of business combination
   Acquisition of shares in exchange for cash
   (5) Name of the company after combination
   No change in the name
   (6) Acquired voting right ratio
   Voting right ratio possessed immediately before the business combination: 25.5%
   Voting right ratio additionally acquired on the date of business combination: 25.5%
   Voting right ratio after the acquisition: 51.0%
   (7) Main ground for deciding the company to be acquired
   Because the Company acquired 51.0% of voting rights of Onstatic Technology Co., Ltd. through acquisition of shares in exchange for cash.

2. Period of operating results of the acquired company, which is included in the consolidated statement of income
   The fiscal year-end of the acquired company is December 31, which is different from the consolidated fiscal year-end. However, since the difference between the fiscal year-end of the subsidiary and the consolidated fiscal year-end does not exceed three months, consolidated financial statements are prepared based on the financial statements of the said subsidiary. Earnings of Onstatic Technology Co., Ltd. up to March 31, 2013 are recorded as share of profit of entities accounted for using equity method on the consolidated financial statements for the current fiscal year, since the deemed acquisition date of business combination is April 1, 2013.

3. Acquisition cost of the acquired company and its breakdown

Consideration for acquisition:	Acquisition value possessed immediately before acquisition	2,668 million yen
	Cash delivered on the date of business combination	2,568
Expenses directly required by acquisition:	Advisory expenses, etc.	60
Acquisition cost:		5,297

4. Amount of goodwill that occurred, cause of occurrence, amortization method and amortization period
   (1) Amount of goodwill that occurred
   3,330 million yen
   (2) Cause of occurrence
   Since the acquisition cost exceeded the net amount allocated to the accepted assets and overtaken liabilities, the surplus is recorded as goodwill.
   (3) Amortization method and amortization period
   Equal amortization over 20 years

(Transactions, etc. under common control)

1. Overview of transactions
   (1) Name and business activities of company involved in combination
   Name of company involved in combination: Onstatic Technology Co., Ltd.
   Business activities: Manufacturing and sales of specialty ink for precision instruments
   (2) Date of business combination
   August 12, 2013
   (3) Legal form of business combination
   Acquisition of shares in exchange for cash
   (4) Name of company after combination
   No change in the name
   (5) Other matters concerning overview of transactions
   To share and effectively use management resources, shares held by minority shareholders were acquired.

2. Overview of implemented accounting treatment
   Pursuant to the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, December 26, 2008) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, December 26, 2008), transactions are treated as those with minority shareholders among those under common control.

3. Acquisition cost of the acquired company and its breakdown

Consideration for acquisition:	Cash and deposits	1,908 million yen
Expenses directly required by acquisition:	Advisory expenses, etc.	19
Acquisition cost:		1,927

4. Amount of goodwill that occurred, cause of occurrence, amortization method and amortization period
   (1) Amount of goodwill that occurred
   1,145 million yen
   (2) Cause of occurrence
   Since the acquisition cost exceeded the net amount allocated to the accepted assets and overtaken liabilities, the surplus is recorded as goodwill.
   (3) Amortization method and amortization period
   Equal amortization over 20 years

(Derivatives)

1. Derivatives transactions for which hedge accounting is not applied

(a) Currency related

Fiscal year ended March 31, 2013

Classification	Type	Contract amount, etc. (millions of yen)	Market value (millions of yen)	Gain or loss on valuation (millions of yen)
Non-market transactions	Forward exchange contracts			
	U.S. dollar short positions	3,112	(86)	(86)
	Japanese yen long positions	281	2	2

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

Fiscal year ended March 31, 2014

Classification	Type	Contract amount, etc. (millions of yen)	Market value (millions of yen)	Gain or loss on valuation (millions of yen)
Non-market transactions	Forward exchange contracts			
	U.S. dollar short positions	3,339	(9)	(9)
	Japanese yen long positions	396	(5)	(5)

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

(b) Interest rate related

No items to report.

2. Derivatives transactions for which hedge accounting is applied

No items to report.

(Tax effect accounting)

1. Major breakdown of deferred tax assets and liabilities

	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014
Deferred tax assets		
Denial of provision for directors' retirement benefits	3 million yen	3 million yen
Denial of provision of retirement benefits	110	131
Remeasurements of defined benefit plans	-	40
Deferred tax assets for unrealized income	106	96
Foreign tax credit carried forward	66	72
Denial of provision of bonuses	105	96
Denial of social insurance premiums corresponding to bonuses	15	13
Denial of accrued business tax	41	29
Denial of provision of allowance for doubtful accounts	61	0
Denial of loss on valuation of investments in capital of subsidiaries and associates	159	-
Denial of loss on valuation of stocks of subsidiaries and associates	23	-
Denial of loss on valuation of golf club membership	10	10
Others	191	60
Subtotal deferred tax assets	897	554
Valuation allowances	(185)	(171)
Total deferred tax assets	712	383
Deferred tax liabilities		
Deferred tax liabilities pertaining retaining earnings of subsidiaries	719	1,082
Reserve for technical development	81	57
Depreciation	15	19
Valuation difference on available-for-sale securities	74	129
Others	83	(23)
Total deferred tax liabilities	973	1,265
Net deferred tax liabilities	261	881

Note: Classification of "Net deferred tax assets/liabilities" on the consolidated balance sheets.

	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014
Current assets – deferred tax assets	93 million yen	90 million yen
Non-current assets – deferred tax assets	72	16
Current liabilities – deferred tax liabilities	253	286
Non-current liabilities – deferred tax liabilities	173	701

2. Reconciliation between statutory tax rates and the effective income taxes rate after applying tax effect accounting

	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014
Statutory tax rate	37.87%	37.87%
<Reconciliation>		
Tax rate difference from those for foreign subsidiaries	(13.46)	(14.75)
Tax rate difference in line with offsetting of dividend income	1.50	0.95
Tax rate difference in line with crediting foreign taxes	(1.02)	(0.12)
Tax adjustments pertaining to retained earnings of foreign subsidiaries	(1.79)	2.86
Tax rate difference connected with permanent differences (e.g. entertainment expenses)	0.18	0.16
Permanent difference of non-deductible expenses of withholding tax on dividends	6.44	5.53
Tax adjustments pertaining to amortization of goodwill	0.15	0.84
Experiment and research expenses tax credit	(2.33)	(1.82)
Valuation allowances	(1.36)	(0.92)
Others	0.72	0.92
Effective income taxes rate after applying tax effect accounting	26.90	31.52

3. Impact of change in income tax rates
Following the promulgation of the "Act on Partial Revision of the Income Tax Act, etc." (Law No. 10 of 2014), the "Act on Partial Revision of the Local Tax Act, etc." (Law No. 4 of 2014) and the "Local Corporation Tax Act" (Law No. 11 of 2014) on March 31, 2014, the income tax rates are to be changed from the consolidated fiscal year starting on or after April 1, 2014. In line with these changes, the statutory tax rate used to measure deferred tax assets and deferred tax liabilities will be 35.52% for temporary differences expected to be eliminated in the consolidated fiscal year beginning on April 1, 2014 and 35.53% for temporary differences expected to be eliminated in the consolidated fiscal years beginning on or after April 1, 2015.
The impact of this change in tax rates is insignificant.

(Segment information, etc)

[Segment information]

1. Overview of reportable segments
   The reportable segments of the Group are components of the Group whose separate financial information is available. These segments are periodically evaluated by the Board of Directors in deciding how to allocate management resources and in assessing the performance.
   The business of the Group consists mainly of one activity, the manufacturing and marketing of solder resist for PWBs, among others. Each Group company formulates comprehensive strategies and deploys business activities, operating under a holding company system whereby the Company is the holding company. The Company is composed of four reportable segments divided by geographic area, namely "Japan," "China," "Taiwan," and "Korea," based on our manufacturing and marketing system.
   The Group acquired Onstatic Technology Co., Ltd. (and another six subsidiaries) and included it in the scope of consolidation, effective from the first quarter of the current fiscal year. Also, it liquidated one of the subsidiaries of Onstatic Technology Co., Ltd. in the third quarter of the current fiscal year.

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

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

Fiscal year ended March 31, 2013 (From April 1, 2012 to March 31, 2013)

(Millions of yen)

	Reportable segments					Other (Note 2)	Total
	Japan	China (Note 1)	Taiwan	Korea	Total		
Net sales							
External sales	8,822	10,682	2,897	10,985	33,387	2,796	36,184
Inter-segment sales or transactions	4,243	152	1,038	737	6,171	57	6,229
Total sales	13,065	10,834	3,936	11,722	39,559	2,854	42,413
Segment profit	1,685	1,584	497	591	4,359	323	4,683
Segment assets	7,429	8,079	4,646	7,045	27,201	1,727	28,928
Other items							
Depreciation (Note 3)	193	186	149	103	633	12	645
Increase in property, plant and equipment and intangible assets	164	97	91	154	508	10	519

Notes: 1. The “China” segment covers local subsidiaries in China and Hong Kong.
2. The “Other” segment is not included in reportable segments and covers the business activities of local subsidiaries in the U.S. and other Asian countries.
3. Depreciation does not include goodwill amortization.

Fiscal year ended March 31, 2014 (From April 1, 2013 to March 31, 2014)

(Millions of yen)

	Reportable segments					Other (Note 2)	Total
	Japan	China (Note 1)	Taiwan	Korea	Total		
Net sales							
External sales	8,697	16,203	5,575	10,312	40,788	3,436	44,224
Inter-segment sales or transactions	5,307	1,588	2,823	287	10,007	87	10,095
Total sales	14,005	17,791	8,398	10,599	50,795	3,524	54,319
Segment profit	1,906	2,617	1,427	1,073	7,024	453	7,477
Segment assets	7,897	12,368	12,999	7,624	40,890	2,053	42,943
Other items							
Depreciation (Note 3)	238	205	192	157	794	14	808
Increase in property, plant and equipment and intangible assets	1,266	275	171	443	2,156	10	2,167

Notes: 1. The “China” segment covers local subsidiaries in China and Hong Kong.
2. The “Other” segment is not included in reportable segments and covers the business activities of local subsidiaries in the U.S. and other Asian countries.
3. Depreciation does not include goodwill amortization.
4. The net sales and operating income of Onstatic Technology Co., Ltd. (and another four subsidiaries) have been presented in the Taiwan and China segments effective from the six months ended September 30, 2013.
As one of the five subsidiaries of Onstatic Technology Co., Ltd. does not operate any business, it does not constitute a reportable segment.

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

(Millions of yen)

Profit/Loss	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014
Reportable segments total	4,359	7,024
“Other” segment profit	323	453
Inter-segment eliminations	(13)	120
Amortization of goodwill	(18)	(168)
Profit/loss not allocated to business segments (Note)	(265)	133
Other adjusted amounts	–	6
Operating income in the consolidated statement of income	4,385	7,568

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

(Millions of yen)

Assets	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014
Reportable segments total	27,201	40,890
“Other” segment assets	1,727	2,053
Inter-segment eliminations	(1,484)	(3,565)
Assets not allocated to business segments (Note)	16,764	19,083
Reclassification by tax effect accounting	(186)	(93)
Total assets in the consolidated balance sheet	44,023	58,369

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

(Millions of yen)

Other items	Reportable segment total		Other		Adjustments (Note)		Amount on the consolidated financial statements	
	FY ended March 31, 2013	FY ended March 31, 2014	FY ended March 31, 2013	FY ended March 31, 2014	FY ended March 31, 2013	FY ended March 31, 2014	FY ended March 31, 2013	FY ended March 31, 2014
Depreciation	633	794	12	14	357	308	1,003	1,117
Increase in property, plant and equipment and intangible assets	508	2,156	10	10	86	388	605	2,555

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

[Related information]

Fiscal year ended March 31, 2013 (From April 1, 2012 to March 31, 2013)

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

2. Information by geographical area
   (a) Net sales

(Millions of yen)

Japan	China	Taiwan	Korea	Other	Total
6,141	11,575	4,239	11,284	2,942	36,184

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

(b) Property, plant and equipment

(Millions of yen)

Japan	Taiwan	Korea	Asia	Other	Total
8,218	1,670	1,409	1,223	142	12,664

3. Information by major customer

(Millions of yen)

Name of customer or individual	Net sales	Related business segment
LG Electronics Inc.	6,434	Korea

Fiscal year ended March 31, 2014 (From April 1, 2013 to March 31, 2014)

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

2. Information by geographical area
   (a) Net sales

(Millions of yen)

Japan	China	Taiwan	Korea	Other	Total
5,885	18,525	5,215	10,764	3,832	44,224

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

(b) Property, plant and equipment

(Millions of yen)

Japan	Taiwan	Korea	Asia	Other	Total
9,156	1,946	1,546	1,576	149	14,375

3. Information by major customer
   This information has been omitted, since there is no external customer that accounts for 10% or more of net sales recorded on the consolidated statement of income.

[Impairment losses on non-current assets for each reportable segment]

Fiscal year ended March 31, 2013 (From April 1, 2012 to March 31, 2013)
No items to report.
Fiscal year ended March 31, 2014 (From April 1, 2013 to March 31, 2014)
For details, see "4. Consolidated Financial Statements (9) (Notes to consolidated statement of income) * 5 Impairment loss" on page 27.

[Goodwill amortization amount and remaining goodwill balance for each reportable segment]

(Millions of yen)

Fiscal year ended March 31, 2013 (From April 1, 2012 to March 31, 2013)		Fiscal year ended March 31, 2014 (From April 1, 2013 to March 31, 2014)	
Amortization of goodwill	18	Amortization of goodwill	168
Unamortized balance	29	Unamortized balance	4,745

[Gains on negative goodwill for each reportable segment]

No items to report.

(Items to omit notes thereon)
Consolidated statement of comprehensive income, notes on leases, related party transactions, financial instruments, retirement benefits, stock options, asset retirement obligations and leases and other real estate transactions are omitted because the necessity to disclose those in this financial report is deemed small.

(Per share information)

Fiscal year ended March 31, 2013 (From April 1, 2012 to March 31, 2013)		Fiscal year ended March 31, 2014 (From April 1, 2013 to March 31, 2014)	
Net assets per share	1,423.26 yen	Net assets per share	1,596.45 yen
Net income per share	132.38 yen	Net income per share	193.83 yen
Diluted net income per share is not presented because there are no dilutive shares.		Diluted net income per share is not presented because there are no dilutive shares.	

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

	Fiscal year ended March 31, 2013 (From April 1, 2012 to March 31, 2013)	Fiscal year ended March 31, 2014 (From April 1, 2013 to March 31, 2014)
Total net assets as shown on the balance sheet (Millions of yen)	36,809	42,655
Deducted amount from total net assets (Millions of yen)	604	2,045
(Minority interests in the amount above) (Millions of yen)	(604)	(2,045)
Net assets related to common shares (Millions of yen)	36,205	40,610
Number of shares at the end of period (Shares)	25,438,174	25,437,890

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

	Fiscal year ended March 31, 2013 (From April 1, 2012 to March 31, 2013)	Fiscal year ended March 31, 2014 (From April 1, 2013 to March 31, 2014)
Net income as shown on the statement of income (Millions of yen)	3,367	4,930
Net income not attributable to common shareholders (Millions of yen)	–	-
Net income related to common shares (Millions of yen)	3,367	4,930
Average number of shares during the period (Shares)	25,438,277	25,438,048