



May 2, 2018

**Consolidated Financial Results  
for the Fiscal Year Ended March 31, 2018  
<under Japanese GAAP>**

Company name: **TAIYO HOLDINGS CO., LTD.**  
 Listing: First Section of the Tokyo Stock Exchange  
 Stock code: 4626  
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Scheduled date of ordinary general meeting of shareholders: June 23, 2018  
 Scheduled date to commence dividend payments: June 25, 2018  
 Scheduled date to file annual securities report: June 25, 2018  
 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, 2018  
(from April 1, 2017 to March 31, 2018)**

**(1) Operating results**

(Millions of yen, % year on year)

Fiscal year ended	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
		%		%		%		%
March 31, 2018	52,241	9.1	11,337	22.9	11,199	21.7	4,856	(24.1)
March 31, 2017	47,866	(4.0)	9,221	(15.9)	9,202	(17.3)	6,398	(17.9)

Note: Comprehensive income  
 For the fiscal year ended March 31, 2018: 5,014 Millions of yen [(18.5%)]  
 For the fiscal year ended March 31, 2017: 6,151 Millions of yen [4.4%]

(Yen)

Fiscal year ended	Basic earnings per share	Diluted earnings per share	Return on equity	Ordinary income/total assets	Operating income/net sales
March 31, 2018	168.55	–	6.8	11.0	21.7
March 31, 2017	266.46	–	11.2	11.7	19.3

Reference: Share of (profit) loss of entities accounted for using equity method  
 For the fiscal year ended March 31, 2018: – Millions of yen  
 For the fiscal year ended March 31, 2017: – Millions of 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, 2018	111,490	73,023	65.2	2,520.68
March 31, 2017	92,386	71,846	76.9	2,468.99

Reference: Equity (Net assets excluding non-controlling interests)

As of March 31, 2018 72,659 Millions of yen

As of March 31, 2017 71,063 Millions of 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, 2018	8,100	(24,161)	11,319	41,816
March 31, 2017	9,042	(1,063)	20,342	46,661

## 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			
Fiscal year ended March 31, 2017	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
	–	55.00	–	65.10	120.10	3,147	45.1	5.5
Fiscal year ended March 31, 2018	–	65.10	–	95.10	160.20	4,613	95.0	6.4
Fiscal year ending March 31, 2019 (Forecast)	–	65.10	–	65.10	130.20		56.0	

Notes: 1. The cash dividends presented above are cash dividends related to common shares. Please refer to “Cash dividends for class shares,” presented below, for information on cash dividends for class shares (unlisted) that have a different relationship of rights compared with the common shares issued by the Company.

2. Year-end dividend breakdown for fiscal year ended March 31, 2018:  
Dividend per common share: 65.10 yen; commemorative dividend: 30.00 yen

## 3. Consolidated earnings forecasts for the fiscal year ending March 31, 2019 (from April 1, 2018 to March 31, 2019)

(Millions of yen, % year on year)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Basic earnings per share
		%		%		%		%	Yen
Six months ending September 30, 2018	30,500	18.3	5,100	(11.2)	5,000	(12.1)	3,500	(12.5)	121.42
Fiscal year ending March 31, 2019	60,200	15.2	9,800	(13.6)	9,600	(14.3)	6,700	38.0	232.43

Note: The consolidated earnings forecasts for the fiscal year ending March 31, 2019 were calculated based on the assumption that the average exchange rate for the period will be JPY102/USD.

The reference values are stated in “1. Overview of Operating Results (4) Future Forecasts” on Page 5 of the attached materials.

**\*Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements after error corrections
- a. Changes in accounting policies due to revisions to accounting standards and other regulations: None
  - b. Changes in accounting policies due to other reasons: None
  - c. Changes in accounting estimates: None
  - d. Restatement of prior period financial statements after error corrections: None

(3) Number of issued shares

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

As of March 31, 2018	28,865,194 shares
As of March 31, 2017	28,841,100 shares

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

As of March 31, 2018	39,815 shares
As of March 31, 2017	58,515 shares

c. Average number of outstanding shares during the period

Fiscal year ended March 31, 2018	28,812,060 shares
Fiscal year ended March 31, 2017	24,014,559 shares

- Notes: 1. Series I Class A Shares and Series II Class A Shares possess the same rights as common shares in regard to the right to receive dividends of surplus and the right to receive distribution of residual assets. They are therefore included in the number of outstanding shares at period-end and the average number of outstanding shares during the period.
2. The number of treasury shares includes the Company's shares held by The Master Trust Bank of Japan, Ltd. (trust account for shares granted under the Employee Stock Ownership Plan (ESOP)).

**\* Summary financial statements are not subject to review by a certified public accountant or audit firm.**

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

(Disclaimer concerning forward-looking statements)

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. See "1. Overview of Operating Results (4) Future Forecasts" on P. 5 of the attached materials for precautions on the use of earnings forecasts and the assumptions underlying earnings forecasts.

(Change in date presentation method)

The date presentation method has changed from the Japanese era year to the Gregorian calendar year from the Consolidated Financial Results for Fiscal Year Ended March 31, 2018.

## Cash dividends for class shares

The following is a breakdown of cash dividends per share for class shares granted different rights than common shares.

(Yen)

Series I Class A shares	Annual cash dividends				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
Fiscal year ended March 31, 2017	–	55.00	–	65.10	120.10
Fiscal year ending March 31, 2018	–	65.10	–	95.10	160.20
Fiscal year ending March 31, 2019 (Forecast)	–	–	–	–	–

- Notes:
1. Year-end dividend breakdown for the fiscal year ended March 31, 2018:  
Dividend per common share: 65.10 yen; commemorative dividend: 30.00 yen
  2. Series I Class A shares will be exchanged for common shares in June 2018, per the Articles of Incorporation. Therefore, no dividend is planned for the fiscal year ending March 31, 2019.

(Yen)

Series II Class A shares	Annual cash dividends				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
Fiscal year ended March 31, 2017	–	55.00	–	65.10	120.10
Fiscal year ending March 31, 2018	–	65.10	–	95.10	160.20
Fiscal year ending March 31, 2019 (Forecast)	–	65.10	–	65.10	130.20

- Note: Year-end dividend breakdown for the fiscal year ended March 31, 2018:  
Dividend per common share: 65.10 yen; commemorative dividend: 30.00 yen

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## 1. Overview of Operating Results

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

Abbreviation	Meaning
PWB	Printed Wiring Board
PKG	Semiconductor Package

### (1) Overview of operating results for fiscal year ended March 31, 2018

During fiscal year ended March 31, 2018, the U.S. economy continued to rebound gradually, underpinned by improvement in employment and corporate results. The European economy also continued to rebound as exports and capital investment increased. The Chinese economy showed signs of improvement due to growth in external demand. In Japan, the economy continued its gradual rebound on the back of strong employment and wage growth.

In the electronics component industry, a market related to the Taiyo Group, demand for smartphones, servers for virtual currency, and vehicle installation parts remained strong.

The Taiyo Group formulated NEXT STAGE 2020, its three-year medium-term business plan, amid these conditions. The goal of the plan is to extricate the company from a business model that is largely dependent on solder resist, our core product, and to make the leap to becoming a comprehensive chemical company, based on the keyword of the “chemicals” the company possesses.

During the current consolidated fiscal year, which is the first year of the medium-term business plan, we established TAIYO Pharma Co., Ltd. as a subsidiary for expanding the medical and pharmaceutical business, and we acquired the marketing authorizations, including marketing and manufacturing rights, of 13 long-term listed products.

The above factors led to net sales of 52,241 million yen (up 9.1% year on year) for the current consolidated fiscal year. This was due in part to the trend of depreciation in the Japanese yen. We expect the medical and pharmaceutical business to contribute to growth in net sales during the next consolidated fiscal year.

Rigid board materials sales were 34,342 million yen (up 3.4% year on year), due in part to the trend of depreciation of the yen.

Volume growth in PKG board and flexible board materials exceeded last fiscal year. This combined with the beneficial effect of yen depreciation resulted in growth in sales to 12,197 million yen (up 17.9% year on year).

Operating income consequently increased to 11,337 million yen (up 22.9% year on year) and ordinary income increased to 11,199 million yen (up 21.7% year on year). Profit attributable to owners of parent fell to 4,856 million yen (down 24.1% year on year), as a result of one-time amortization of goodwill for Onstatic Technology Co., Ltd.

*Sales results by product group category*

The following are sales results by product group category for the fiscal year ended March 31, 2017.

(Millions of yen)

Name of product group category		Previous fiscal year results	Current fiscal year results	Compared to the previous fiscal year	
				Change	Change (%)
PWB materials	Rigid board materials	33,216	34,342	1,126	3.4
	PKG board and flexible printed circuit board materials	10,348	12,197	1,848	17.9
	Build-up board materials	1,136	1,502	366	32.2
Other related products		3,165	4,199	1,033	32.7
Total		47,866	52,241	4,375	9.1

Results by segment are as follows (Segment sales include inter-segment sales and transactions).

1) Japan

Rigid board materials saw strong growth in sales, primarily for vehicle installation parts, and sales of PKG board materials were strong mainly due to demand for high function smartphone-related materials, and components for servers used for virtual currencies.

As a result, sales rose to 19,807 million yen (up 10.6% year on year) and segment profit increased to 3,408 million yen (up 68.2% year on year).

2) China

Rigid board materials saw strong growth in sales, primarily for vehicle installation parts, and PKG board materials performed well, mainly due to strong performance of high function smartphone-related materials.

This led to sales of 21,539 million yen (up 4.5% year on year) and segment profit of 4,602 million yen (up 0.4% year on year).

3) Taiwan

Sales of rigid board materials were strong, while demand for lower-priced products was sluggish.

This resulted in sales of 9,116 million yen (down 9.2% year on year) and segment profit of 1,847 million yen (up 23.8% year on year).

4) Korea

Sales of PKG board materials were strong mainly due to demand for high function smartphone-related materials, and components for servers used for virtual currencies.

As a result, sales rose to 10,271 million yen (up 16.4% year on year) and segment profit increased to 1,663 million yen (up 30.4% year on year).

5) Other

Rigid board materials sales were on par with last fiscal year. Sales from the medical and pharmaceutical business were still insignificant so they are included in the Other segment.

This resulted in sales of 4,979 million yen (up 22.2% year on year) and segment profit of 514 million yen (down 3.7% year on year).

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

The following shows the status of assets, liabilities and net assets as of March 31, 20##.

	As of March 31, 2017 (Millions of yen)	As of March 31, 2018 (Millions of yen)	Change (Millions of yen)	Main factors (Comparison with the end of the previous fiscal year)
Current assets	67,401	68,373	971	A decrease of 4,212 million yen in cash and deposits, and increases of 2,162 million yen in notes and accounts receivable – trade, and 1,317 million yen in merchandise and finished goods.
Non-current assets	24,984	43,116	18,132	A decrease of 3,429 million yen in goodwill, and an increase of 20,555 million yen in sales rights
Total assets	92,386	111,490	19,103	
Total liabilities	20,540	38,467	17,926	Increases of 5,615 million yen in the current portion of long-term loans payable, and 8,753 million yen in long-term loans payable
Total net assets	71,846	73,023	1,177	Positive factor: 4,856 million yen in profit attributable to owners of parent Negative factor: 3,748 million yen in payment of dividends
Total liabilities and net assets	92,386	111,490	19,103	

## (3) Consolidated statements of cash flows

The following is the status of cash flows for the fiscal year ended March 31, 2018.

	Fiscal year ended March 31, 2018 (Millions of yen)	Main factors
Net cash provided by (used in) operating activities	8,100	Cash inflows included 7,941 million yen in profit before income taxes and 3,535 million yen in amortization of goodwill. Payment of income taxes resulted in a cash outflow of 1,918 million yen.
Net cash provided by (used in) investing activities	(24,161)	Cash outflows included 21,192 million yen for acquisition of intangible assets and 1,381 million yen for acquisition of property, plant and equipment.
Net cash provided by (used in) financing activities	11,319	Cash outflows included of 3,748 million yen in payment of dividends. Cash inflows included an increase of 15,100 million yen long-term loans payable.
Net increase (decrease) in cash and cash equivalents	(4,844)	
Cash and cash equivalents at end of period	41,816	



#### (4) Future forecasts

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

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

The Taiyo Group also has a high ratio of overseas sales to net sales. We therefore expect appreciation of the yen to have an impact on earnings results for the next period.

	Net sales (Millions of yen)	Operating income (Millions of yen)	Ordinary income (Millions of yen)	Profit attributable to owners of parent (Millions of yen)	Basic earnings per share (Yen)
For the fiscal year ending March 31, 2019 (Forecast)	60,200	9,800	9,600	6,700	232.43
For the fiscal year ended March 31, 2018 (Actual results)	52,241	11,337	11,199	4,856	168.55
Rate of change (%)	15.2	(13.6)	(14.3)	38.0	37.9

#### Reference 1

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

(% year on year)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Basic earnings per share Yen
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	
Six months ending September 30, 2018	31,900	23.7	5,700	(0.8)	5,600	(1.6)	3,900	(2.5)	135.30
Fiscal year ending March 31, 2019	63,800	22.1	11,400	0.6	11,200	0.0	7,800	60.6	270.59

Reference 2

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

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

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

## **2. Basic Policy Concerning the Selection of Accounting Standards**

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

### 3. Consolidated Financial Statements and Explanatory Notes

#### (1) Consolidated balance sheet

(Millions of yen)

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

(Millions of yen)

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

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

(Millions of yen)

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

**(Consolidated statement of comprehensive income)**

(Millions of yen)

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

### (3) Consolidated statement of changes in equity

Fiscal year ended March 31, 2017

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	6,188	7,304	42,490	(14,141)	41,841
Changes of items during period					
Dividends of surplus			(2,544)		(2,544)
Profit attributable to owners of parent			6,398		6,398
Changes in scope of consolidation			(35)		(35)
Purchase of shares of consolidated subsidiaries		(609)			(609)
Issuance of new shares	2,982	2,982			5,965
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		5,145		13,963	19,109
Net changes of items other than shareholders' equity					
Total changes of items during period	2,982	7,519	3,818	13,963	28,283
Balance at end of current period	9,171	14,824	46,308	(178)	70,125

	Accumulated other comprehensive income				Non-controlling 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	96	1,190	(12)	1,274	2,135	45,250
Changes of items during period						
Dividends of surplus						(2,544)
Profit attributable to owners of parent						6,398
Changes in scope of consolidation						(35)
Purchase of shares of consolidated subsidiaries						(609)
Issuance of new shares						5,965
Purchase of treasury shares						(0)
Disposal of treasury shares						19,109
Net changes of items other than shareholders' equity	99	(448)	13	(335)	(1,352)	(1,688)
Total changes of items during period	99	(448)	13	(335)	(1,352)	26,595
Balance at end of current period	195	741	0	938	782	71,846



Fiscal year ended March 31, 2018

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	9,171	14,824	46,308	(178)	70,125
Changes of items during period					
Dividends of surplus			(3,748)		(3,748)
Profit attributable to owners of parent			4,856		4,856
Purchase of shares of consolidated subsidiaries		(167)			(167)
Issuance of new shares	60	60			121
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares				57	57
Net changes of items other than shareholders' equity					
Total changes of items during period	60	(106)	1,107	56	1,118
Balance at end of current period	9,232	14,717	47,415	(121)	71,244

	Accumulated other comprehensive income				Non-controlling 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	195	741	0	938	782	71,846
Changes of items during period						
Dividends of surplus						(3,748)
Profit attributable to owners of parent						4,856
Purchase of shares of consolidated subsidiaries						(167)
Issuance of new shares						121
Purchase of treasury shares						(0)
Disposal of treasury shares						57
Net changes of items other than shareholders' equity	125	342	8	476	(418)	58
Total changes of items during period	125	342	8	476	(418)	1,177
Balance at end of current period	321	1,084	9	1,415	363	73,023

**(4) Consolidated statement of cash flows**

(Millions of yen)

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

(Millions of yen)

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

## (5) Notes to consolidated financial statements

### (Notes on premise of going concern)

No items to report.

### (Segment information)

#### I. Fiscal year ended March 31, 2017 (From April 1, 2016 to March 31, 2017)

##### 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 manufacture and sale of solder resist and other materials for PWB. Each Group company formulates a comprehensive strategy and engages in business activities, operating under a holding company structure with Taiyo Holdings Co., Ltd. as the holding company. The Company is composed of four reportable segments divided by geographic area, namely “Japan,” “China,” “Taiwan,” and “Korea,” based on our manufacturing and marketing system.

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

Profit by reportable segment represents operating income.

Inter-segment revenue and transactions are based on the market prices.

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

(Millions of yen)

	Reportable segments					Other (Note 2)	Total
	Japan	China (Note 1)	Taiwan (Note 1)	Korea	Total		
Net sales							
External sales	9,446	19,923	6,062	8,459	43,891	3,974	47,866
Inter-segment sales or transfers	8,471	694	3,979	366	13,512	101	13,614
Total sales	17,917	20,618	10,042	8,825	57,403	4,076	61,480
Segment profit	2,026	4,582	1,492	1,275	9,376	534	9,911
Segment assets	17,976	14,972	14,868	6,711	54,528	2,988	57,517
Other items							
Depreciation (Note 3)	1,068	252	474	118	1,912	93	2,006
Increase in property, plant and equipment and intangible assets	526	272	48	98	946	20	966

- Notes:
1. The “China” and “Taiwan” segments include net sales and operating income of Onstatic Technology Co., Ltd. (and three other subsidiaries).
  2. The “Other” segment represents operating segments not included in reportable segments and mainly consists of local subsidiaries in the U.S. and other Asian countries.
  3. Depreciation does not include amortization of goodwill.

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

(Millions of yen)

Net Sales	Fiscal year ended March 31, 2017
Reportable segments total	57,403
“Other” segment sales	4,076
Inter-segment eliminations	(13,614)
Inter-segment eliminations	47,866

(Millions of yen)

Profit/Loss	Fiscal year ended March 31, 2017
Reportable segments total	9,376
“Other” segment profit	534
Inter-segment eliminations	(103)
Amortization of goodwill	(241)
Profit/loss not allocated to business segments (Note)	(348)
Other adjusted amounts	3
Operating income in the consolidated statement of income	9,221

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

(Millions of yen)

Assets	Fiscal year ended March 31, 2017
Reportable segments total	54,528
“Other” segment assets	2,988
Inter-segment eliminations	(9,983)
Assets not allocated to business segments (Note)	44,870
Reclassification by tax effect accounting	(17)
Total assets in the consolidated balance sheet	92,386

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

(Millions of yen)

Other items	Reportable segments total	Other	Adjustments (Note)	Amount on the consolidated financial statements
	FY ended March 31, 2017	FY ended March 31, 2017	FY ended March 31, 2017	FY ended March 31, 2017
Depreciation	1,912	93	479	2,485
Increase in property, plant and equipment and intangible assets	946	20	756	1,722

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

## II Fiscal year ended March 31, 2018 (From April 1, 2017 to March 31, 2018)

### 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 Taiyo Group mainly consists of the sale and manufacture of solder resist and other materials for PWB. Each Group company formulates a comprehensive strategy and engages in business activities, operating under a holding company structure with Taiyo Holdings Co., Ltd. as 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.

Our subsidiary, TAIYO Pharma Co., Ltd., acquired approval for manufacture and sale and manufacturing and sales rights from CHUGAI PHARMACEUTICAL CO., LTD. and F. Hoffmann-La Roche Ltd. on January 5, 2018. This did not contribute significantly to sales during the consolidated fiscal year under review, and has therefore been included in the Other segment.

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

Profit by reportable segment represents operating income.

Inter-segment revenue and transactions are based on the market prices.

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

(Millions of yen)

	Reportable segments					Other (Note 1)	Total
	Japan	China	Taiwan	Korea	Total		
Net sales							
External sales	10,171	21,063	6,410	9,771	47,416	4,824	52,241
Inter-segment sales or transfers	9,636	475	2,706	500	13,318	154	13,472
Total sales	19,807	21,539	9,116	10,271	60,735	4,979	65,714
Segment profit	3,408	4,602	1,847	1,663	11,521	514	12,036
Segment assets	21,956	15,085	12,548	7,021	56,611	29,568	86,180
Other items							
Depreciation (Note 2)	914	253	125	142	1,436	393	1,830
Increase in property, plant and equipment and intangible assets	542	250	110	123	1,027	21,109	22,137

Notes: 1. The “Other” segment represents operating segments not included in reportable segments and consists of local subsidiaries in the U.S. and other Asian countries, the medical and pharmaceutical business, etc.

2. Depreciation does not include amortization of goodwill.

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

(Millions of yen)

Net Sales	Fiscal year ended March 31, 2018
Reportable segments total	60,735
“Other” segment sales	4,979
Inter-segment eliminations	(13,472)
Inter-segment eliminations	52,241

(Millions of yen)

Profit/loss	Fiscal year ended March 31, 2018
Reportable segments total	11,521
“Other” segment profit	514
Inter-segment eliminations	184
Amortization of goodwill	(257)
Profit/loss not allocated to business segments (Note)	(629)
Other adjusted amounts	3
Operating income in the consolidated statement of income	11,337

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

(Millions of yen)

Assets	Fiscal year ended March 31, 2018
Reportable segments total	56,611
“Other” segment assets	29,568
Inter-segment eliminations	(4,265)
Assets not allocated to business segments (Note)	29,628
Reclassification by tax effect accounting	(52)
Total assets in the consolidated balance sheet	111,490

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

(Millions of yen)

Other items	Reportable segments total	Other	Adjustments (Note)	Amount on the consolidated financial statements
	FY ended March 31, 2018	FY ended March 31, 2018	FY ended March 31, 2018	FY ended March 31, 2018
Depreciation	1,436	393	454	2,284
Increase in property, plant and equipment and intangible assets	1,027	21,109	375	22,513

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

**(Per share information)**

	Fiscal year ended March 31, 2017 (From April 1, 2016 to March 31, 2017)	Fiscal year ended March 31, 2018 (From April 1, 2017 to March 31, 2018)
Net assets per share	2,468.99 yen	2,520.68 yen
Basic earnings per share	266.46 yen	168.55 yen

- Notes: 1. Diluted earnings per share is not presented because there are no dilutive shares.
2. In calculating net assets per share, treasury shares are deducted, and shares held in the trust account for shares granted under the Employee Stock Ownership Plan (ESOP) are included in the treasury shares. (previous consolidated fiscal year: 58,480 shares; current consolidated fiscal year: 39,660 shares).
3. Basis for calculating basic earnings per share is shown below.

	Fiscal year ended March 31, 2017 (From April 1, 2016 to March 31, 2017)	Fiscal year ended March 31, 2018 (From April 1, 2017 to March 31, 2018)
Profit attributable to owners of parent (Millions of yen)	6,398	4,856
Amount not attributable to common shareholders and shareholders equivalent to common shareholders (Millions of yen)	—	—
Profit attributable to owners of parent concerning common shares and common share-equivalents (Millions of yen)	6,398	4,856
Average number of outstanding common shares and common share-equivalents during the period (Shares)	24,014,559	28,812,060
(of which common shares)	(23,959,959)	(28,747,560)
(of which First Series Class A shares)	(21,600)	(21,600)
(of which Series II Class A shares)	(33,000)	(42,900)

- Notes: 1. In calculating the average number of outstanding common shares during the period, treasury shares are deducted and shares held in the trust account for shares granted under the Employee Stock Ownership Plan are included in the treasury shares (previous consolidated fiscal year: 63,565 shares; current consolidated fiscal year: 45,635 shares).
2. Series I Class A shares and Series II Class A shares possess the same rights as common shares in regard to the right to claim dividends of surplus and the right to claim residual property distribution and are therefore included in calculating the number of common shares and per share information.

**(Significant subsequent events)**

No items to report.