(Translation)

Annual Securities Report

for the 72nd business term (April 1, 2017 to March 31, 2018)

Filed pursuant to Article 24-1 of the Financial Instruments and Exchange Act of Japan

388 Ohkura, Ranzan-machi, Hiki-gun, Saitama 355-0222, Japan

TAIYO HOLDINGS CO., LTD.

Contents

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Part I About Taiyo Holdings and the Taiyo Group

I. Overview of Taiyo Holding and the Taiyo Group

1. Key financial data

(1) Consolidated financial data

Business term		68th	69th	70th	71st	72nd
Year ended		Mar 31, 2014	Mar 31, 2015	Mar 31, 2016	Mar 31, 2017	Mar 31, 2018
Net sales	million yen	44,224	48,260	49,843	47,866	52,241
Ordinary profit	" "	7,827	9,529	11,129	9,202	11,199
Profit attributable to owners of parent	" "	4,930	6,667	7,796	6,398	4,856
Comprehensive income	" "	8,090	10,199	5,891	6,151	5,014
Net assets	" "	42,655	41,312	45,250	71,846	73,023
Total assets	" "	58,369	61,241	65,464	92,386	111,490
Net assets per share	yen	1,596.45	1,703.14	1,865.94	2,468.99	2,520.68
Basic earnings per share	" "	193.83	264.05	337.99	266.46	168.55
Diluted earnings per share	" "	–	–	–	–	–
Equity ratio	%	69.6	63.8	65.9	76.9	65.2
Return on equity	" "	12.8	16.7	19.0	11.2	6.8
Price earnings ratio	times	15.8	16.0	11.3	18.3	27.1
Net cash provided by (used in) operating activities	million yen	7,020	9,232	10,546	9,042	8,100
Net cash provided by (used in) investing activities	" "	(3,839)	(2,913)	(6,750)	(1,063)	(24,161)
Net cash provided by (used in) financing activities	" "	2,350	(9,919)	(2,740)	20,342	11,319
Cash and cash equivalents at the end of period	" "	20,338	18,183	18,385	46,661	41,816
Number of employees (not including average number of non-fulltime)	persons	1,148	1,122	1,202	1,249	1,268
Average number of non-fulltime (excluded)		[–]	[–]	[–]	[–]	[–]

(Notes) 1. Net sales do not include consumption tax.

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 receive dividends of surplus and the right to receive distribution of residual assets. Accordingly, when calculating the net assets per share and basic earnings per share, we include Class A-I and Class A-II shares in the number of outstanding shares at period-end as well as in the average number of outstanding shares during the period.
3. We have not shown diluted earnings per share because this item included no dilutive stock after we adjusted for dilutive stock.
4. We have not stated the average number of non-fulltime employees because such employees accounted for less than 10% of total employees.

(2) Non-consolidated financial data (Taiyo Holdings Co., Ltd.)

Business term		68th	69th	70th	71st	72nd
Year ended		Mar 31, 2014	Mar 31, 2015	Mar 31, 2016	Mar 31, 2017	Mar 31, 2018
Operating revenue	million yen	7,431	7,212	8,844	10,251	8,108
Ordinary profit	" "	5,299	4,702	6,125	7,247	4,832
Profit	" "	4,855	4,403	5,468	5,827	262
Capital stock	" "	6,134	6,134	6,188	9,171	9,232
Total issued shares	shares	27,464,000	27,464,000	27,485,600	28,841,100	28,865,194
Net assets	million yen	29,650	22,618	26,539	54,987	51,938
Total assets	" "	36,030	32,392	35,658	64,415	77,258
Net assets per share	yen	1,165.61	985.90	1,148.56	1,910.44	1,801.83
Dividend per share	" "	120.00	90.00	110.00	120.10	160.20
(interim dividend per share)	(" ")	(75.00)	(45.00)	(55.00)	(55.00)	(65.10)
Basic earnings per share	" "	190.87	174.40	237.06	242.65	9.12
Diluted earnings per share	" "	–	–	–	–	–
Equity ratio	%	82.3	69.8	74.4	85.4	67.2
Return on equity	" "	16.9	16.9	22.2	14.3	0.5
Price earnings ratio	times	16.0	24.2	16.1	20.1	501.0
Dividend payout ratio	%	62.9	51.6	46.4	49.5	1,756.2
Number of employees (not including average number of non-fulltime)	persons	67	80	80	85	81
Average number of non-fulltime (excluded)		[–]	[–]	[–]	[–]	[–]

(Notes) 1. Operating revenue does not include consumption tax.

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 receive dividends of surplus and the right to receive distribution of residual assets. Accordingly, when calculating the net assets per share and basic earnings per share, we include Class A-I and Class A-II shares in the number of outstanding shares at period-end as well as in the average number of outstanding shares during the period.

3. We have not shown diluted earnings per share because this item included no dilutive stock after we adjusted for dilutive stock.

4. We have not stated the average number of non-fulltime employees because such employees accounted for less than 10% of total employees.

5 Number of employees indicates the number of full-time employees (this excludes employees that we second to other companies, but includes employees that other companies second to us).

6. The dividend per share for the 68th business term included a ¥30 portion commemorating our 60th anniversary.

7. The dividend per share for the 72nd business term included a ¥30 portion commemorating our 65th anniversary.

2. Our history

Month/Year	History
September, 1953	Taiyo Ink Mfg. Co., Ltd. (our forerunner) was established in Minato-ku, Tokyo, as a printing ink manufacturer and marketer
August, 1970	Launched sales of printed wiring board materials
May, 1973	Developed and launched sales of an epoxy resin-based and thermally curable single-component solder resist
March, 1982	Established Ranzan Plant (now Ranzan Facility) in Ranzan-machi, Hiki-gun, Saitama
June, 1984	Exhibited a liquid photo imageable solder resist ink at a JPCA trade fair
September, 1988	Established a joint-venture in South Korea— Taiyo Ink Mfg. Co., (Korea) Ltd.
September, 1990	Made initial public offering in over-the-counter market
December, 1990	Established a sales subsidiary in Nevada, US— Taiyo America, Inc.
March, 1992	Relocated head office to Nerima-ku, Tokyo
November, 1993	Registered basic patent for an alkaline developable solder resist ink in Japan
February, 1995	Transformed Taiyo America, Inc. (sales subsidiary) into a manufacturing and sales subsidiary
September, 1996	Established a production subsidiary— Taiwan Taiyo Ink Co., Ltd.
July, 1998	Made Taiyo Ink Mfg. Co., (Korea) Ltd. a consolidated subsidiary and changed its name to Taiyo Ink Co., (Korea) Ltd.
January, 1999	Established a sales subsidiary in Singapore— Taiyo Ink International (Singapore) Pte Ltd
January, 1999	Established a sales subsidiary in Hong Kong— Taiyo Ink International (HK) Limited
August, 1999	Established a subsidiary in Japan— Taiyo Japan Co., Ltd.
January, 2001	Listed on the First Section of Tokyo Stock Exchange
April, 2001	Opened production base in Ranzan-Kitayama, Saitama Prefecture (Ranzan-Kitayama Facility)
July, 2001	Established a technological support subsidiary in Thailand— Taiyo Ink (Thailand) Co., Ltd.
December, 2001	Established a production subsidiary in China—Taiyo Ink (Suzhou) Co., Ltd.
September, 2010	Established a sales subsidiary in China— Taiyo Ink Trading (Shenzhen) Co., Ltd.
October, 2010	Adopted the holding company structure and changed trading name from Taiyo Ink Mfg. Co., Ltd. to Taiyo Holdings Co., Ltd. Changed Taiyo Japan Co., Ltd.'s trading name to Taiyo Ink Mfg. Co., Ltd. Implemented a company split in which the newly named Taiyo Holdings Co., Ltd. assumed the rights and responsibilities for domestic business operations
May, 2013	Acquired Taiwanese company Onstatic Technology Co., Ltd. as our subsidiary
December, 2014	Established a photovoltaic power generation business subsidiary in Japan—Taiyo Green Energy Co., Ltd.
April, 2015	Taiyo Ink Mfg. Co., Ltd. established a sales subsidiary in South Korea— Taiyo Ink Products Co., Ltd.
June, 2015	Acquired Japanese company Chugai Kasei Co., Ltd. as our subsidiary
October, 2015	Taiyo Ink Mfg. Co., Ltd. opened a production base (its second) in Kitakyushu, Fukuoka Prefecture (Kitakyushu Facility)
January, 2017	Entered a capital and business alliance with DIC Corporation
August, 2017	Established a pharmaceuticals development and sales subsidiary—Taiyo Pharma Co., Ltd.
January, 2018	Relocated head office to Toshima-ku, Tokyo
April, 2018	Acquired Japanese company Micro Network Technologies Corp. as our subsidiary

3. Our businesses

Note: We abbreviate printed wiring boards as PWBs.

Our group comprises Taiyo Holdings (the filing company), 17 subsidiaries, and one associated company. We primarily engage in the electronics materials business. In this business, we manufacture, stock, and market chemicals for PWBs and other electronic components. Recently, we expanded into the medical and pharmaceuticals business.

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

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

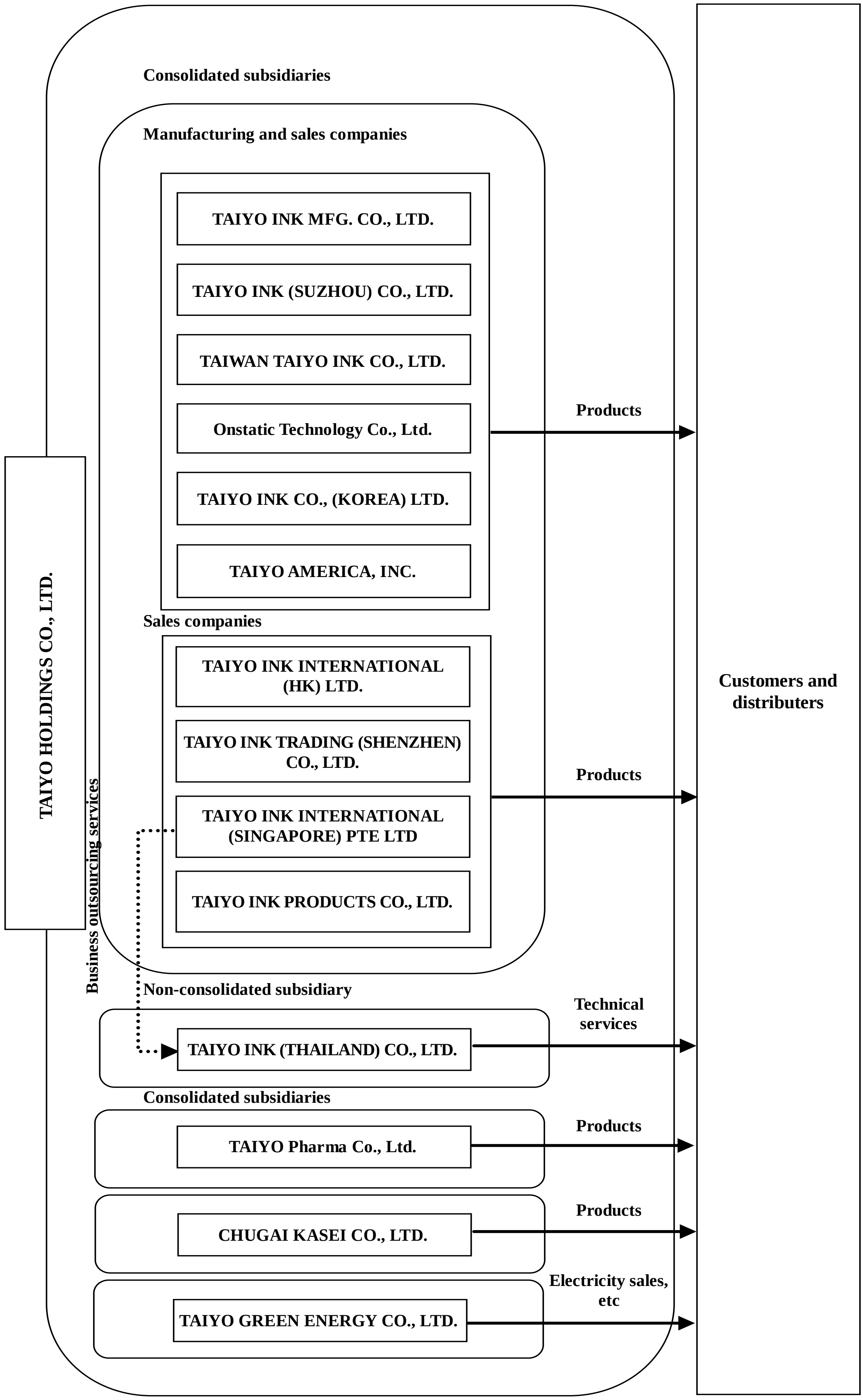
The table below lists our business segments and the subsidiaries or other affiliates who engage in them. The segment titles "electronics materials" and "medical and pharmaceuticals" match the titles in the consolidated statements (see p. 85). The reporting segments in this consolidated fiscal year differ from that of previous years. We describe these differences in the notes for the consolidated financial statements.

We are a listed company as defined in Article 49-2 of the Cabinet Office Ordinance on Restrictions on Securities Transactions. Accordingly, when determining "minor criteria" facts (facts that could potentially influence an investment decision), we use consolidated rather than non-consolidated figures.

Segment	Business operations	Main company/ies	
– Note	· Sets the group's broad strategic direction · Manages subsidiaries · Researches and develops chemicals for electronic components	Japan	The filing company
Electronics materials	· Manufactures, stocks, and markets chemicals for PWBs and other electronic components	Japan	Taiyo Ink Mfg. Co., Ltd.
		Other.	Taiyo Ink (Suzhou) Co., Ltd. Taiwan Taiyo Ink Co., Ltd. Onstatic Technology Co., Ltd. Taiyo Ink Co., (Korea) Ltd. Taiyo America, Inc.
	· Stocks and markets affiliates' chemicals for PWBs and other electronic components	Other	Taiyo Ink International (HK) Limited Taiyo Ink Trading (Shenzhen) Co., Ltd. Taiyo Ink International (Singapore) Pte Ltd Taiyo Ink Products Co., Ltd.
Medical and pharmaceuticals	· Develops, manufactures, and markets pharmaceuticals and quasi-drugs	Japan	Taiyo Pharma Co., Ltd.
Other	· Manufactures and markets dyes, pigments, and other chemical products	Japan	Chugai Kasei Co., Ltd.
	· Supplies renewable energy	Japan	Taiyo Green Energy Co., Ltd.

Note: We do not include Taiyo Holdings Co., Ltd. (the filing company) among the reportable segments.

This is our organizational chart:



4. Our affiliates

(1) Consolidated subsidiaries

Name	Address	Capital	Main business	Ownership ratio (%)	Nature of relationship
Taiyo Ink Mfg. Co., Ltd. (See Note 3)	Ranzan-machi, Hiki-gun, Saitama Prefecture, Japan	450 million JPY	Manufactures and markets solder resists for PWBs	100.0	· The company manufactures and markets our solder resists for PWBs · We have interlocking directorates with the company · We lend equipment to the company
Chugai Kasei Co., Ltd.	Nihonmatsu-shi, Fukushima Prefecture, Japan	49 million JPY	Manufactures and markets dyes, pigments, and other chemical products	100.0	· We have interlocking directorates with the company
Taiyo Ink (Suzhou) Co., Ltd. (See Notes 1 and 4)	Suzhou, Jiangsu Province, China	20 million USD	Manufactures and markets solder resists for PWBs	100.0	· The company manufactures and markets our solder resists for PWBs · We have interlocking directorates with the company
Taiwan Taiyo Ink Co., Ltd. (See Note 1)	Guanyin District, Taoyuan City, Taiwan	310 million TWD	Manufactures and markets solder resists for PWBs	100.0	· The company manufactures and markets our solder resists for PWBs · We have interlocking directorates with the company
Onstatic Technology Co., Ltd. (See Note 1)	Yingge District, New Taipei City, Taiwan	313 million TWD	Manufactures and markets solder resists for PWBs	100.0	· The company manufactures and markets our solder resists for PWBs · We have interlocking directorates with the company
Taiyo Ink Co., (Korea) Ltd.	Ansan-si, Gyeonggi Province, South Korea	2,698 million KRW	Manufactures and markets solder resists for PWBs	90.4	· The company manufactures and markets our solder resists for PWBs · We have interlocking directorates with the company
Taiyo America, Inc.	Carson City, Nevada, United States	2 million USD	Manufactures and markets solder resists for PWBs	100.0	· The company manufactures and markets our solder resists for PWBs
Taiyo Ink International (HK) Limited (See Note 5)	Hunghom, Kowloon, Hong Kong	10 million HKD	Markets solder resists for PWBs	100.0	· The company stocks and markets our solder resists for PWBs · We have interlocking directorates with the company

Name	Address	Capital	Main business	Ownership ratio (%)	Nature of relationship
Taiyo Ink Trading (Shenzhen) Co., Ltd.	Shenzhen, Guangdong Province, China	0.8 million USD	Markets solder resists for PWBs	100.0	· The company stocks and markets our solder resists for PWBs · We have interlocking directorates with the company
Taiyo Ink International (Singapore) Pet Ltd	Chinatown Point, Singapore	2 million SGD	Markets solder resists for PWBs	100.0	· The company stocks and markets our solder resists for PWBs · We have interlocking directorates with the company
Taiyo Ink Products Co., Ltd. (See Note 6)	Ansan-si, Gyeonggi Province, South Korea	100 million KRW	Markets solder resists for PWBs	100.0 (100.0)	· The company stocks and markets our solder resists for PWBs · We have interlocking directorates with the company
Taiyo Green Energy Co., Ltd.	Ranzan-machi, Hiki-gun, Saitama Prefecture, Japan	10 million JPY	Supplies renewable energy	100.0	· We have interlocking directorates with the company
Taiyo Pharma Co., Ltd. (See Note 7)	Marunouchi, Chiyoda-ku, Tokyo, Japan	450 million JPY	Develops, manufactures, and markets pharmaceuticals and quasi-drugs	100.0	· We have interlocking directorates with the company
(The three remaining companies are not shown here)					·

(Notes) 1. Taiyo Ink (Suzhou) Co., Ltd. and Taiwan Taiyo Ink Co., Ltd. are specified subsidiaries as defined in the Cabinet Office Ordinance on the Disclosure of Corporate Affairs.

2. The parenthesized figure indicates the indirect ownership ratio.

3. Taiyo Ink Mfg. Co., Ltd.'s sales account for more than 10% of the group's consolidated sales (excluding inter-company sales).

Taiyo Ink Mfg. Co., Ltd.'s financial data

Sales:	¥18,975 million
Ordinary profit:	¥3,252 million
Profit:	¥2,380 million
Net assets:	¥9,544 million
Total assets:	¥19,926 million

4. Taiyo Ink (Suzhou) Co., Ltd.'s sales account for more than 10% of the group's consolidated sales (excluding inter-company sales).

Taiyo Ink (Suzhou) Co., Ltd.'s key financial data

Sales:	¥12,924 million
Ordinary profit:	¥3,653 million
Profit:	¥3,111 million
Net assets:	¥8,079 million
Total assets:	¥10,004 million

5. Taiyo Ink International (HK) Limited’s sales account for more than 10% of the group’s consolidated sales (excluding inter-company sales).
    Taiyo Ink International (HK) Limited’s key financial data
    Sales: ¥6,799 million
    Ordinary profit: ¥582 million
    Profit: ¥487 million
    Net assets: ¥1,175 million
    Total assets: ¥2,484 million
6. Taiyo Ink Products Co., Ltd.’s sales account for more than 10% of the group’s consolidated sales (excluding inter-company sales).
    Taiyo Ink Products Co., Ltd.’s key financial data
    Sales: ¥6,620 million
    Ordinary profit: ¥917 million
    Profit: ¥717 million
    Net assets: ¥1,320 million
    Total assets: ¥2,762 million
7. We incorporated Taiyo Pharma Co., Ltd. into the scope of consolidation after newly founding the company.

(2) Other affiliates

Name	Address	Capital	Main business	Ownership ratio (%)	Nature of relationship
DIC Corporation	Itabashi-ku, Tokyo, Japan	96,557 million JPY	Manufactures and markets organic pigments and synthetic resins	19.5	· We procure raw materials from the company · We have interlocking directorates with the company

5. Our employees

(1) Consolidated (group-wide)

As of March 31, 2018

Segment	Number of employees
Electronics Materials	1,106
Medical and Pharmaceuticals	20
Other	61
Trans-segment i.e., employees of Taiyo Holdings Co., Ltd. (the holding and filing company)	81
Total	1,268

(Notes) 1. Number of employees indicates the number of full-time employees.
2. We have not stated the average number of non-fulltime employees because such employees account for less than 10% of total employees.

(2) Non-consolidated (Taiyo Holdings Co., Ltd.)

As of March 31, 2018

Number of employees	Average age	Average years of service	Average annual remuneration (¥)
81	40.3	12.1	7,985,975

(Notes) 1. Number of employees indicates the number of full-time employees (this excludes employees that we second to other companies, but includes employees that other companies second to us).
2. We have not stated the average number of non-fulltime employees because such employees account for less than 10% of total employees

3. Average annual remuneration includes:
   - Extra wages
   - Bonuses
   - Shares provided under the employee stock ownership plan
   - Annual amount set aside for the defined benefit pension plan
   - Installments for the defined contribution pensions plan

(3) Labor organizations

Other than those employed in our mainland Chinese companies—Taiyo Ink (Suzhou) and Taiyo Ink Trading (Shenzhen)—our employees do not belong to any labor organization. We enjoy strong employee relations.

II. Trends and Outlooks

1. Policies, climate, challenges

The information below includes projections and other forward-looking statements. These forward-looking are based on information available to us as of the end of the current consolidated fiscal year. They are not guarantees of future performance.

(1) Business policies

Shown below are our core values and basic management policies. These texts describe the kind of group we strive to be, and thus guide us in our pursuit of ongoing growth. The core values will remain an unchangeable cornerstone of the group. On the other hand, the basic management policies will occasionally be modified to reflect long-term changes in the business climate and in our business strategies.

Our core values

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

Our basic management policies

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

(2) Key performance indicators

The following key performance indicators are outlined in Next Stage 2020, our three-year medium-term business plan (which began in the fiscal year ended March 31, 2018).

Key performance indicator	Target
Operating margin	20% or more
Return on equity ratio (ROE)	11% or more
Dividend on equity ratio (DOE)	5% or more
Operating income	New record high

(3) The business climate, our strategies, and our operating and financial challenges

<u>Electronics materials segment</u>

The segment’s mainstay is solder resists. We hold a global top share in the solder resists market, and 80% of solder resist sales are in overseas countries. As such, the segment’s sales and profit depend to a large extent on global solder market trends—in other words, demand for products that use PWBs and semiconductors. The segment is also vulnerable to global currency fluctuations.

We intend to further expand our market share in solder resist materials, but we also want to offset the above risks. Accordingly, we will keep developing new products that can serve a secondary source of revenue. We will also put in place a business structure to help us bring new innovations to market as quickly as possible. Steadily implemented measures along this line will enable us to achieve sustained growth.

1) Strengthening R&D

We understand that to keep innovating and developing new products, we need an effective research & development structure. Our strategy is to divide R&D operations between basic research and product development based on timelines. To enable more effective basic research, a basic research team will dedicate itself to the mid-to-long-term scope, rather than focusing only on a particular project. Meanwhile, a product development will focus on bringing our innovations to market and adding new applications to existing technologies. This R&D structure will enhance our ability to translate the outcomes of basic research into new products. We will also invest heavily in R&D facilities and make a determined effort to hire and train the very best researchers and technicians from Japan and around the world.

2) Bringing new products to market swiftly

Developing a new product is like developing a new business—make it commercially viable, and you will gain profits. When we have a potentially marketable product on our hands, we will make a concerted effort to clear all the hurdles toward commercial production. We will set up a taskforce consisting of hand-picked personnel from marketing, manufacturing, and product development, and assign this taskforce powers and duties in such a way that it can fully devote itself to a successful market launch.

3) Building a self-motivated workforce

Our strategy for achieving sustained growth is to expand our share in the solder resist market while constantly creating new businesses and putting them on track. However, we can only do this if we have a large body of employees who relish a challenge and who take pleasure in accomplishing their goals. To build this self-motivated workforce, we will rotate employees' assigned jobs so that they can take on fresh challenges and experience success in different work situations. At the same time, we will appoint promising employees—whether Japanese or otherwise—to leadership positions where they can accumulate executive experience. In this way, we will train up a self-motivated workforce while also preparing the next generation of executives.

4) Managing exchange rate risk

Since many of our transactions are denominated in a foreign currency, foreign exchange fluctuations can easily affect our business results. We therefore consider it important to mitigate exchange risk. One way we do this is to produce products close to where we sell them. Another policy is to step up local procurement so as to match revenue and expenditure to the currency.

In addition to mitigating exchange risk, these measures will help us develop the products our customers need even more efficiently and to cut order lead times. Moreover, these measures will cut raw materials costs and diversify our supply chain, thereby mitigating business continuity risks.

<u>Medical and pharmaceuticals segment</u>

This segment faces a harsh business climate in Japan. The rapidly aging and declining population has overburdened the nation's healthcare budget. In an attempt to relieve the pressure, the government has started curbing the prices of original drugs and encouraging the population to use generics. It is also considering further reforms to the healthcare system.

Amid this climate, we aim to supply new drugs that will meet the needs of medical institutions and patients.

1) Raising brand recognition

Taiyo Pharma is poorly recognized in pharmaceuticals markets. We need to make ongoing efforts to raise the company’s profile among pharmaceutical wholesalers and healthcare providers. To this end, we will examine the optimum branding strategy, and our medical sales representatives will conduct direct marketing and advertising campaigns.

2) Obtaining official authorizations

Taiyo Pharma will acquire manufacturing and marketing rights for some pharmaceuticals in October 2018 and some more in January 2019—a total of nine pharmaceuticals. After obtaining these rights, the company will start marketing the pharmaceuticals under its own name. In the meantime, the company will prepare for the market launch and file the necessary paperwork to the authorities. It will also conduct an information campaign to prevent confusion in the market.

3) Product liability

When you manufacture pharmaceuticals and quasi-drugs, you run the risk of being held responsible for any injuries the products may cause. We will take out product liability insurance to minimize the financial damage from any product liability claims.

4) Recruiting and training staff

Taiyo Pharma has hired seasoned industry veterans and borrowed other personnel through secondment agreements. Assembling such a team was a necessary step to acquiring manufacturing and marketing rights for certain pharmaceuticals by the end of April 2018. However, to maintain stable operations in the future, Taiyo Pharma will aim for a lower average employee age and higher percentage of non-seconded home-grown talent.

A key challenge for Taiyo Pharma is to build a workforce that can help the company grow in the years to come. Taiyo Pharma is working to train up goal-oriented and self-motivated employees. The company will rotate employees’ assigned jobs and provide them training so that employees get opportunities to challenge themselves and grow.

2. Business risks

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

(1) Credit risk

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

(2) Procurement risk

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

(3) Risk of rise in raw material prices

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

(4) Technological innovation risk

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

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

(5) Patent risk

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

(6) Country-specific risks

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

(7) Exchange rate risk

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

(8) Risk of price fluctuations in key products

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

(9) Demand risk

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

(10) Side-effects of pharmaceuticals

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

(11) Pharmaceutical regulation

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

3. Financial position, operating results, cash flows

(1) Performance overview

This section describes the financial position, operating results, and cash flows of the group (Taiyo Holdings and our consolidated subsidiaries and equity-method affiliates) in the current consolidated fiscal year.

1) Financial position and operating results

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

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

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

The key operating results for the consolidated fiscal year are as follows:

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

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

The results for each segment are as follows:

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

Electronics materials

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

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

Medical and pharmaceuticals

Net sales:	¥819 million
Segment income:	¥8 million

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

2) Cash flows

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

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

3) Production, sales contracts, sales results

a. Production volume

The following table shows segment-specific production volume in the current consolidated fiscal year.

Unit: million yen

Segment	Current (April 1, 2017, to March 31, 2018)	Year-on-year (%)
Electronics materials	38,171	106.2
Medical and pharmaceuticals	–	–
Segments combined	38,171	106.2
Other	1,462	107.0
Total	39,634	106.2

Notes 1. The monetary amounts above are based on sales prices, and they describe production volume prior to inter-segment transfer pricing.

2. The monetary amounts above exclude consumption tax.

b. Sales contracts

Since we rely primarily on estimated production volume, we have omitted the data on sales contracts.

c. Sales results

The following table shows segment-specific sales results in the current consolidated fiscal year.

Unit: million yen

Segment	Current (April 1, 2017, to March 31, 2018)	Year-on-year (%)
Electronics materials	49,854	107.3
Medical and pharmaceuticals	819	–
Segments combined	50,673	109.1
Other	1,567	110.8
Total	52,241	109.1

Notes 1. The monetary amounts above exclude inter-segment transactions.
2. The monetary amounts above exclude consumption tax.

(2) How we appraise consolidated performance

In this section, we describe the criteria we use to evaluate the group’s business performance.

The information below includes projections and other forward-looking statements. These forward-looking are based on information available to us as of the end of the current consolidated fiscal year. They are not guarantees of future performance.

1) Key accounting policies and accounting estimates

Our consolidated financial statements are based on generally accepted accounting principles in Japan (GAAP). In compiling these statements, we aggregate year-end assets and liabilities and reasonably account for earnings and expenses during the fiscal period. To do so, we rely on estimates and hypothetical figures. The following accounting policies underpin and shape our consolidated financial statements, and we rely on them when making some of our more important executive decisions or when estimating amounts.

a. Allowance for doubtful accounts

To provide reserve for potential losses from bad debts, we generally recognize and record 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. We might increase this reserve if we think that debtors will struggle to make repayments in view of financial difficulties they may be experiencing.

b. Impairment of non-current assets

When circumstances indicate that an asset will entail losses because of its market price (fair value) or its usage in business activities, we will decide whether we should recognize the asset as impaired in view of our future business plans. If we recognize impairment, we will write down the asset to the extent of the recoverable amount. We may also write assets down if we change our future business plans to reflect a downturn in the business climate.

c. Investment securities

We hold available-for-sale and non-available-for-sale securities.

For available-for-sale securities, we determine their fair value as of the end of each accounting period (usually, as of the settlement date) and compare it with the price for which we originally acquired it, adjusting for tax effects. We report this difference in net assets as “valuation difference on available-for-sale securities.” If the end-of-period fair value has declined by more than 50% of the acquisition price, we will usually write down the asset. If the difference is between 30% and 50%, we will write it down to the extent we deem necessary in light of its importance and recoverability.

As for non-available-for-sale securities, if the asset's value (usually, it's net value) has declined by more than 50% of the acquisition price, we will write it down to the extent of its recoverability. We may also write these assets down if we think that a future market downturn or poor performances among our investees will incur losses that do not reflect in the carrying value.

d. Deferred tax assets

When there is a difference between our balance sheet statements and our tax liabilities and assets, we report the tax effects pertaining to the temporary difference to be deducted in the future. The title we use is "deferred tax assets." If there is a possibility that we will not realize a portion of the deferred tax asset, we deduct this uncertain portion and report it as "valuation allowance." The amount of valuation allowance varies depending on the realizability of the deferred tax asset, and may impact the balance sheet.

e. Net-defined benefit assets/liabilities

Generally speaking, we report net-defined benefit assets/liabilities and retirement benefit costs at their actuarial value. Actuarial valuations are based on discount rate, expected long-term rate of return, rate of salary increase, and employee turnover rate. Any changes in these metrics would impact the consolidated financial statements. If the discount rate declines, or if the pension assets undergo a change in their expected or actual long-term rate of return, this might impact retirement benefit costs from the next business term onward.

2) Consolidated results and outlook

a. Consolidated results

The electronics materials segment saw solid demand for smartphones, virtual currency servers, and vehicle installation parts. Although the increase in smartphone shipments slowed down, smartphone-related materials performed well amid strong demand for high-valued smartphones —a trend driven by the increasing sophistication and rising numbers of electronic components in smartphones. Components for virtual currency servers benefitted from an expanded virtual currency market. Regarding vehicle installation parts, progress in electric vehicle technologies has led to an increasingly diverse array of electronic control systems in use, and the number of electronic control units (onboard computers) per vehicle continues to rise. Coupled with advances in self-driving car technology, this trend has rapidly expanding the field of possibilities for automotive electronic components.

As for the medical and pharmaceuticals segment, Taiyo Pharma acquired manufacturing and marketing rights/authorizations for 13 long-listed products. This acquisition is our springboard into the medical and pharmaceuticals business. We will develop the business in a way that contributes to society.

Consolidated net sales came to ¥52,241 million (up 9.1% year-on-year). This result is due in part to the weak yen.

Consequently, operating income and ordinary profit both rose year-on-year, while profit attributable to owners of parent declined:

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

Regarding the decline in profit attributable to owners of parent, a factor behind this decline was that we distributed the retained earnings of our Taiwanese subsidiary, Onstatic Technology, in March 2018, and amortized the goodwill on a one-time basis. We had decided to distribute the retained earnings because of a change in Taiwanese tax law—as of December 31, 2018, any retained earnings that were not distributed in the preceding year will no longer qualify for tax deduction when distributed.

b. Factors that significantly affect consolidated results

In markets where we operate, we see rising raw material prices and falling sales prices. Furthermore, product lifecycles are shortening amid fast technological advances. Meanwhile, research & development equipment is growing increasingly high-priced.

As we expand globally, we also face mounting risks in connection with our overseas operations. Examples of such risks include exchange rate fluctuations and major changes to local laws (which we may struggle to comply with).

c. Reserves and fluidity

Our financial policy is to maintain reasonable reserves for business activities, reasonable fluidity, and a healthy balance sheet. We acquired our reserves from regular business operations, bank loans, and other sources, and we feel that we have enough reserves for now. As of the end of the current consolidated fiscal year, our short-term and long-term loans payable amount to ¥24,184 million. There is no significant seasonal change in the amount of loans that Taiyo Holdings or any of our consolidated subsidiary requires.

We retain a sum of ¥41,816 million in cash and cash equivalents. This amount is primarily on a yen basis, but we also hold foreign currency. The level of cash and cash equivalents we hold is approximately equivalent to 9.6 months of sales revenue. We feel that this level provides sufficient fluidity to enable us (Taiyo Holdings and our consolidated subsidiaries) to conduct business. However, we understand we may lose some of our fluidity if a recession occurs and causes markets to shrink or causes financial or currency markets to experience chaos. To prepare for such an eventuality, we have signed an agreement for an overdraft facility of up to ¥7,500 million.

d. The objective metrics we use to shape business policies and measure success

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

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

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

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

e. How we appraise the financial position and performance of each segment

Electronics materials

Net sales: ¥49,854 million (up 7.3% year-on-year)
Segment income: ¥12,114 million (up 23.6% year-on-year)
Segment assets: ¥52,411 million (up 16.9% year-on-year)
Net sales and Segment income increased, aided by strong demand for smartphones, virtual currency servers, and vehicle installation parts. The weak yen also contributed to these increases.

Segment assets increased after the segment raised its level of cash and cash equivalents by accumulating retained earnings.

Medical and pharmaceuticals

Net sales: ¥819 million
Segment income: ¥8 million
Segment assets: ¥26,580 million

This segment commenced in earnest in January 2018, after Taiyo Pharma acquiring manufacturing and marketing rights/authorizations for 13 long-listed products. The addition of these rights/authorizations raised the segment's assets level to ¥26,580 million. Since it was not operating before this consolidated fiscal year, we cannot provide any year-on-year comparisons.

4. Key agreements

We have an agreement with Hitachi Chemical under which we receive technical assistance from the company.

Signed with	Agreement concerns	Effective date	Agreement stipulates on	Effective term
Hitachi Chemical Co., Ltd. (Japan)	Manufacture and sale of like products (solder resists for high-end equipment)	June 2006	Patent license	The agreement endures for the life of the patent

(Note) Under this agreement, we pay Hitachi Chemical royalties (a certain portion of the net sales)

The following table shows the major agreements we signed during the current consolidated fiscal year.

We signed agreements with Chugai Pharmaceutical and F. Hoffman-La Roche under which our pharmaceutical subsidiary, Taiyo Pharma, receives manufacturing and marketing rights/authorizations. These rights pertain to 13 long-listed products that Chugai Pharmaceutical manufactures and markets in Japan.

Signed with	Agreement concerns	Effective date	Agreement stipulates on
Chugai Pharmaceutical Co., Ltd.	Transfer of assets (13 long-listed products)	November 2017	Transfer of assets
F. Hoffmann-La Roche Ltd.	Transfer of assets (13 long-listed products)	November 2017	Transfer of assets

5. Research & development

Guided by our core values (see p. 13), we conduct our electronics materials business with the aim of contributing toward an advanced information society and a more pleasant environment. To this end, we facilitate research & development activities on insulating materials and conductive materials.

In the current consolidated fiscal year, we spent a total of ¥3,089 million on research & development—¥146 million less than in the previous year.

In this section, we describe the focal areas of research and the outcomes.

(1) Solder resists

Solder resists, a mainstay of the group, are used extensively in rigid boards (PWBs with a rigid insulated substrate) and package substrates (PWBs used as an interposer when mounting dies). The performance requirements for these products grow tougher each year. Accordingly, in developing our solder resists, we emphasize communicating with clients effectively and streamlining the development process so as to accommodate market demand in a timely manner.

Rigid boards

In developing solder resists for rigid boards, we focus on:

- High-density interconnection (HDI) substrates used in smartphones
- Vehicle installation substrates

Solder resist for HDI substrates

Manufacturers have recently adopted a modified semi-additive process as a method for manufacturing

HDI substrates. This development has sparked an unprecedented level of demand for positioning accuracy, making direct imaging exposure systems (which use digital exposure) mainstream. Moreover, many manufacturers have shifted from green to black as their preferred color for solder resists used in HDI substrates. In response, we made an early start in developing a high-sensitivity solder resist in a color of black that is compatible with direct imaging exposure systems. We also took steps to secure intellectual property rights. As a result, the solder resist is now in wide use among customers. Looking ahead, we anticipate that manufacturers will shift their preference from liquid to dry film solder resists in an attempt to produce thinner materials. We have therefore started developing a dry film solder resist.

Solder resist for vehicle installation substrates

Across the globe, we see a rapid shift from conventional vehicles to hybrid and electric vehicles. Amid this shift, solder resists for vehicle installation substrates are expected to perform an increasingly diverse array of functions. They must withstand harsh conditions, and their thermal cycling—the ability to cycle through two temperature extremes—is particularly important. By altering the raw materials, we succeeded in producing a solder resist with the desired characteristics. We are now working to get this next-generation solder resist approved by the end customer.

Package substrates

Our solder resists for package substrates are widely used in:

- Chip size packages
- Solid-state drives
- Memory and application processors for smartphones
- Vehicle installation substrates

A key requirement of solder resists for package substrates is that they achieve a reliable connection between the semiconductor chips and the package substrates. Because of this requirement, demand for dry film—which offers superior smoothness—is growing each year.

The following are examples of our ongoing product development:

- We established a technique for creating a matte finish on the solder resist’s surface—a feat considered very difficult for dry film. Efforts are underway to gain customer approval.
- We are developing a solder resist suitable for vehicle installation package substrates and various sensor systems.
- We are developing a solder resist that can effectively dissipate the heat from the components where it is mounted. Efforts are underway to gain customer approval toward this heat-dissipation technology.
- We are developing a new solder resist suitable for high-speed telecommunications substrates, which require fast and accurate signal transmission. At the same time, we are seeking to develop the market for this product.

(2) Interlayer insulating materials

The following are examples of ongoing product development:

- We developed a dry film interlayer insulating material for package substrates.
- Looking toward a new market, we are piloting materials for passive components. Customers have started using the product.
- We are developing new interlayer insulating materials that are suitable for high-speed telecommunications substrates. Customer pilot trials are ongoing.
- We are developing a copper foil-based film, as well as dry film, as interlayer insulating material. This additional material will help us develop products that accommodate new customer needs.

(3) Photoimageable coverlay

As smartphones and tablets become lighter and thinner, the internal space where circuit boards are installed is shrinking. This trend has prompted demand to shift from traditional rigid substrates to more soft and foldable substrates.

We have developed a photoimageable coverlay that meets the need for fine processing as well as the need for mechanical properties such as heat resistance and flexibility. Having won orders from customers, we commenced mass production. Looking ahead, we will aim to expand the applications for the new material by working on technical solutions in a wide range of fields.

(4) Conductive adhesives

We developed anisotropic conductive adhesives (adhesives that can be cured quickly at low temperatures) for bonding substrates used in smartphones, tablets, and similar devices. The use of soldering powder as conductive particles provides better bonding reliability, while altering the solder powder's particle diameter enables the adhesive to manage the shift to fine pitch. We are aggressively working customer evaluation by differentiating the product from the anisotropic conductive films on the market.

(5) Materials for wearable devices

Wearable devices have attracted attention for their remarkable growth in the field of new electronics. Many wearable devices are near-body accessories, such as smart watches and smart glasses. Other devices contact the external surface of the body. Examples of such on-body devices are sports activity trackers and electronic textiles. There are also in-body devices such as skin patchable devices, which are used for medical purposes such as biosensing. Because wearable devices operate in contact with the body, their components usually need to be flexible and stretchable.

Leveraging our expertise in PWB materials, we developed stretchable conductive materials so as to gain a presence in promising wearable technology markets. As a result of our efforts, our materials are in use among customers.

(6) Inkjet solder resist

We have developed a solder resist compatible with inkjet coating machines, and we are piloting it among inkjet coating machine manufacturers and other customers. Using inkjet coaters to coat solder resists is an environmentally friendly way to manufacture substrates. It cuts out the drying, exposure, and developing processes, and enables you to selectively coat the necessary areas in a limited space.

We are also working on additional applications using the same inkjet solder resist materials. For example, we are developing the materials as plating and etching resist materials, insulating materials for quad flat packages, and flexible materials.

III. Our Facilities

1. Capital investment overview

In the current fiscal year, we invested a total of ¥1,321 million in property, plant and equipment. The investments were primarily for renewing or developing production and research facilities.

The following table shows the breakdown of the capital investments.

Segment	Amount of investment in current fiscal year [million yen]
Electronics materials	753
Medical and pharmaceuticals	9
Other	195
Trans-segment (primarily Taiyo Holdings Co., Ltd.—i.e., the holding and filing company)	363
Total	1,321

2. Key facilities

(1) Filing company (Taiyo Holdings Co., Ltd.)

As of March 31, 2018

Facility (address)	Segment *Note 2	Facility description	Carrying amount [million yen]					Employees
			Buildings and structures	Machinery, equipment, and vehicles	Land	Other *Note 4	Total	
Ranzan-Kitayama Facility (Ranzan-machi, Hiki-gun, Saitama) *Note 3	—	Office, factory	2,984	—	2,025 (33,410 m^2)	3	5,013	23
Ranzan Facility (Ranzan-machi, Hiki-gun, Saitama)	—	R&D facility	1,407	9	290 (12,528 m^2)	237	1,943	29
Head Office (Toshima-ku, Tokyo)	—	Office	60	—	—	3	63	29
Marunouchi Kitaguchi Building (Chiyoda-ku, Tokyo) *Note 3	—	Office	71	—	—	11	83	—
Former Head Office (Nerima-ku, Tokyo)	—	Office	174	—	370 (801 m^2)	1	546	—
Other	—	Property	0	—	4 (1,322 m^2)	—	5	—

(Notes)
1. Carrying amount excludes construction in progress. The monetary amounts exclude consumption tax.
2. We do not include the filing company's assets in reportable segments.
3. Ranzan-Kitayama Facility and Marunouchi Kitaguchi Building serve primarily as offices for domestic subsidiaries. We rent them out to the subsidiaries.
4. "Other" in the carrying amount indicates tools, furniture, and fixtures.

(2) Domestic subsidiaries

As of March 31, 2018

Company name	Facility (address)	Segment	Facility description	Carrying amount (million yen)					Employees
				Buildings and structures	Machinery, equipment, and vehicles	Land	Other *Note 2	Total	
TAIYO INK MFG CO., LTD.	Head Office (Ranzan-machi, Hiki-gun, Saitama)	Elec.	Office, factory, R&D facility	365	359	—	265	990	234
	Kitakyushu Plant (Kitakyushu-shi, Fukuoka)	Elec.	Factory	2,131	401	—	104	2,637	27
	Ranzan Facility (Ranzan-machi, Hiki-gun, Saitama)	Elec.	R&D facility	—	8	—	34	43	17
CHUGAI KASEI CO., LTD.	Head Office (Nihonmatsu-shi, Fukushima)	Other	Office, factory, R&D facility	529	99	306 (62,260 m^2)	13	949	38
	Urawa Plant (Saitama-shi, Saitama)	Other	Factory	51	43	50 (797 m^2)	5	150	8
	Tokyo Sales Office (Chiyoda-ku, Tokyo)	Other	Office	—	—	—	1	1	6
TAIYO GREEN ENERGY CO., LTD.	Head Office (Ranzan-machi, Hiki-gun, Saitama)	Other	Power generation facility	5	520	—	1	527	9
TAIYO Pharma Co., Ltd.	Head Office (Chiyoda-ku, Tokyo)	Med / pharm	Office	—	—	—	9	9	20

(Notes) 1. Carrying amount excludes construction in progress. The monetary amounts exclude consumption tax.
2. “Other” in the carrying amount indicates tools, furniture, and fixtures.

(3) Overseas subsidiaries

As of March 31, 2018

Company name	Facility (address)	Segment	Facility description	Carrying amount (million yen)					Employees
				Buildings and structures	Machinery, equipment, and vehicles	Land	Other *Note 2	Total	
TAIYO INK (Suzhou) CO., LTD.	Suzhou, Jiangsu Province, China	Elec.	Office, factory, R&D facility	602	968	—	111	1,682	224
TAIWAN TAIYO INK CO., LTD.	Guanyin District, Taoyuan City, Taiwan	Elec.	Office, factory, R&D facility	430	131	635 (11,846 m^2)	32	1,229	128
Onstatic Technology Co., Ltd.	Yingge District, New Taipei City, Taiwan	Elec.	Office, factory, R&D facility	12	19	34 (170 m^2)	18	85	120
TAIYO INK MFG. CO., (KOREA) LTD.	Ansan-si, Gyeonggi Province, South Korea	Elec.	Office, factory, R&D facility	1,060	68	150 (10,185 m^2)	84	1,364	100
TAIYO AMERICA, INC.	Carson City, Nevada, United States	Elec.	Office, factory, R&D facility	77	19	38 (17,038 m^2)	1	137	39

(Notes) 1. Carrying amount excludes construction in progress. The monetary amounts exclude consumption tax.
2. “Other” in the carrying amount indicates tools, furniture, and fixtures.

3. Capital investment plans

We and our consolidated subsidiaries indicate planned invest figures separately for each segment.

For the one-year period following the current consolidated fiscal year, we plan investments (building new facilities or developing existing ones) totaling ¥4,216 million. The following table shows the segment breakdown.

Segment	Planned investments (fiscal year ended March 31, 2018) [million yen]	Main purposes	Source of funds
Electronics materials	2,542	Construct facilities, renew existing facilities	Self-funded
Medical and pharmaceuticals	—	—	—
Other	1,351	Construct facilities, renew existing facilities	Self-funded
Trans-segment (primarily Taiyo Holdings Co., Ltd.—i.e., the holding and filing company)	322	Renovate facilities, renew existing facilities	Self-funded
Total	4,216		

IV. The Filing Company

1. Share information

(1) Number of shares

1) Total shares

Class	Total shares authorized to be issued
Common shares	50,000,000
Series I Class A shares	100,000
Series II Class A shares	100,000
Total	50,200,000

(Note) Article 6 of our Articles of Incorporation state the following:
We have a total of 50,200,000 shares authorized to be issued and two kinds of class shares. The breakdown is as follows. Common shares: 50,000,000, Series I Class A shares: 100,000, Series II Class A shares: 100,000).

2) Outstanding shares

Class of shares	Shares outstanding (as of March 31, 2018)	Shares outstanding as of filing date (June 25, 2018)	Stock exchanges where the shares are listed (or authorized financial instruments associations)	Description
Common shares	28,800,694	28,800,694	First Section of Tokyo Stock Exchange	Number of shares per unit: 100
Series I Class A shares	21,600	21,600	Unlisted	Number of shares per unit: 100 *Note
Series II Class A shares	42,900	42,900	Unlisted	Number of shares per unit: 100 *Note
Total	28,865,194	28,865,194	—	—

(Notes) 1. Series I Class A shares and Series II Class A shares are as follows.

(i) Transfer restriction
We only transfer Series I and II Class A shares with permission of the Board of Directors.

(ii) Exchanging for common shares
We transfer Series I and II Class A shares after the relevant period below has elapsed.
Series I Class A: Three years from the date the shares are issued
Series II Class A: Three years from the date the shares are issued
Recipients of the shares can exchange them for common shares. We award one common share for every Series I or II Class A share held.

(iii) Right to acquire common shares in exchange
Series I and II Class A shares grant the right to acquire common shares. Holders of these shares can transfer some or all of them to us, and we will deliver common shares in return. Each Series I or II Class A share is exchanged for one common share. Holders can exercise their put options attached to Series I and II Class A shares after the shares are issued, but only for those shares that they have started inheriting.

(iv) Provision in Article 322-2 of the Companies Act (kaisha hō)
This article stipulates as follows:
A company with class shares may provide in the articles of incorporation that, as a feature of a certain class of shares, a resolution of the class meeting…shall not be required.
Our Articles of Incorporation contains no such provision.

2. The Board of Directors resolved (at a meeting on June 23, 2018) that Series I Class A shares may be acquired (as per Article 12-2 of our Articles of Incorporation) on condition that we cancel our shares pertaining to these class shares pursuant to Article 178 of the Companies Act.

Article 178

(1) A stock company may cancel its treasury shares. In such cases, the stock company shall determine the number of the treasury shares it intends to cancel (or, for a company with class shares, the classes of the shares and the number of treasury shares for each class).

(2) For a company with board of directors, the determination under the provisions of the second sentence of the preceding paragraph shall be made by resolution of a board of directors meeting.

(2) Stock options

1) System of stock options

Nothing to disclose.

2) Shareholder rights plan

Nothing to disclose.

3) Other stock options-related information

Nothing to disclose.

(3) Convertible bonds with equity-purchase warrants

Nothing to disclose.

(4) Outstanding shares and capital stock

Date	Increase (decrease) in total outstanding shares [shares]	Balance of outstanding shares [shares]	Increase (decrease) in capital stock [million yen]	Balance of capital stock [million yen]	Increase (decrease) in capital surplus [million yen]	Balance of capital surplus [million yen]
Jun 26, 2015 *Note 1	21,600	27,485,600	53	6,188	53	7,155
Jun 27, 2016 *Note 2	42,900	27,528,500	76	6,265	76	7,232
Feb 10, 2017 *Note 3	1,312,600	28,841,100	2,906	9,171	2,906	10,138
Jul 14, 2017 *Note 4	24,094	28,865,194	60	9,232	60	10,199

(Notes) 1. Capital stock and capital surplus both increased by ¥53 million after we issued Series I Class A shares in a third-party allotment.

Third-party allotment with consideration (Series I Class A shares)
Issue price: ¥4,935
Paid-in capital: ¥2,468
Recipient (title): Eiji Sato (President and CEO), Seiki Kashima *, Masahisa Kakinuma *, Takayuki Morita (Director), Eiji Takehara (Director)
* No longer in office as of June 21, 2016

2. Capital stock and capital surplus both increased by ¥76 million after we issued Series II Class A shares in a third-party allotment.

Third-party allotment with consideration (Series II Class A shares)
Issue price: ¥3,585
Paid-in capital: ¥1,792.5
Recipient (title): Eiji Sato (President and CEO), Seiki Kashima *, Takayuki Morita (Director), Eiji Takehara (Director), Masahisa Kakinuma *
* No longer in office as of June 21, 2016

3. Capital stock and capital surplus both increased by ¥2,906 million after we issued common shares in a third-party allotment.

Third-party allotment with consideration (common shares)
Issue price: ¥4,428

Paid-in capital: ¥2,214
Recipient: DIC Corporation

4. Capital stock and capital surplus both increased by ¥60 million after we offered additional shares as part of specified transfer-restricted share compensation.
   Specified transfer-restricted share compensation
   Issue price: ¥5,060
   Paid-in capital: ¥2,530
   Recipient (title): Eiji Sato (President and CEO), Takayuki Morita (Director), Eiji Takehara (Director), Hitoshi Saito (Director), Takao Miwa (Director)

(5) Share ownership

1) Common shares

As of March 31, 2018

	Number of shareholders (100-share units)								Fractional shares Total
	National or local public organizations	Financial institutions	Financial instruments operators	Other organizations	Overseas		Individuals, other	Total	
					Organizations	Individuals			
Number of shareholders	―	42	38	79	169	4	6,105	6,437	―
Total share units held	―	63,454	2,433	115,129	50,684	20	55,989	287,709	29,794
Ownership ratio (%)	―	22.05	0.85	40.02	17.61	0.01	19.46	100	―

(Note) 1 Of the 155 treasury shares, 1 share unit is under “individuals, other,” and 55 shares are under “fractional shares.”
2. The total share units held by “other organizations” includes units held in the name of Japan Securities Depository Center, Inc.

2) Series I Class A shares

As of March 31, 2018

	Number of shareholders (100-share units)								Fractional shares Total
	National or local public organizations	Financial institutions	Financial instruments operators	Other organizations	Overseas		Individuals, other	Total	
					Organizations	Individuals			
Number of shareholders	―	―	―	―	―	―	5	5	―
Total share units held	―	―	―	―	―	―	216	216	―
Ownership ratio (%)	―	―	―	―	―	―	100	100	―

3) Series II Class A shares

As of March 31, 2018

	Number of shareholders (100-share units)								Fractional shares Total
	National or local public organizations	Financial institutions	Financial instruments operators	Other organizations	Overseas		Individuals, other	Total	
					Organizations	Individuals			
Number of shareholders	―	―	―	―	―	―	5	5	―
Total share units held	―	―	―	―	―	―	429	429	―
Ownership ratio (%)	―	―	―	―	―	―	100	100	―

(6) Major shareholders

As of March 31, 2018

Name of individual or organization	Address	Shares held	% of outstanding shares (excluding treasury shares)
DIC Corporation	35-38 Sakashita 3-chome, Itabashi-ku, Tokyo, Japan	5,617,000	19.46
Kowa Co., Ltd.	4-8 Nakamura-kita 3-chome, Nerima-ku, Tokyo, Japan	3,936,000	13.64
Japan Trustee Services Bank, Ltd. (manages our trust account)	8-11 Harumi 1-chome, Chuo-ku, Tokyo, Japan	1,596,000	5.53
SMBC Trust Bank Ltd. (shares entrusted to Sumitomo Mitsui Banking Corporation retirement benefit trust account)	3-1 Nishi-Shimbashi 1-chome, Minato-ku, Tokyo, Japan	1,116,000	3.87
Misaki Engagement Master Fund HSBC (proxy)	Ogier Fiduciary Services (Cayman) Ltd. 89 Nexus Way, Camana Bay, Grand Cayman KY1-9007, Cayman Islands HSBC Building, 11-1, Nihonbashi 3-chome, Chuo-ku, Tokyo, Japan	1,073,000	3.72
The Master Trust Bank of Japan, Ltd. (manages our trust account)	MTBJ Building, 2-11-3 Hamamatsucho, Minato-ku, Tokyo, Japan	1,072,000	3.71
SHIKOKU CHEMICALS CORPORATION	8-537-1 Doki-cho-higashi, Marugame-shi, Kagawa, Japan	745,000	2.58
Toshin Yushi Co., Ltd.	5-14-11 Umeda, Adachi-ku, Tokyo, Japan	538,000	1.87
Mitsuo Kawahara	Nerima-ku, Tokyo, Japan	500,000	1.73
Takato Kawahara	Nerima-ku, Tokyo, Japan	487,000	1.69
Total		16,682,000	57.79

(Note) 1. Of the 1,596,000 held by Japan Trustee Services Bank, Ltd., 1,588,000 pertain to the trust account we keep with this bank.

2. Of the 1,072,000 held by The Master Trust Bank of Japan, Ltd., 929,000 pertain to the trust account we keep with this bank.

(7) Voting rights

1) Outstanding shares

As of March 31, 2018

Class of shares	Number		Voting rights	Description
Non-voting shares	―		―	―
Voting shares: treasury	―		―	―
Voting shares: other	―		―	―
Full-voting shares: treasury	Common shares	39,700	396	*Note 1
Full-voting shares: other	Common shares	28,731,200	287,312	*Note 2
	Series I Class A shares	21,600	216	*Note 3
	Series II Class A shares	42,900	429	
Fractional shares	Common shares	29,794	―	*Note 4
Total outstanding shares		28,865,194	―	―
Total voting rights	―		288,353	―

(Note)
1. We hold 100 of these shares directly. The remaining 39,600 are held by The Master Trust Bank of Japan, Ltd. (in the ESOP trust).
2. Of the 28,731,200 shares, 100 are held in the name of Japan Securities Depository Center, Inc. The center holds 1 of the 287,312 voting rights.
3. See page 29 (“Outstanding shares”) for more information on the Series I and II Class A shares.
4. Of the 29,794 shares, we hold 55 and The Master Trust Bank of Japan, Ltd. holds 60 (in the ESOP trust).

2) Treasury shares

As of March 31, 2018

Name of person or organization	Address	Shares held in own name	Shares held in trust	Total shares held	% of outstanding shares
Taiyo Holdings Co., Ltd.	388 Ohkura, Ranzan-machi, Hiki-gun, Saitama, Japan	100	39,600	39,700	0.13
Total	―	100	39,600	39,700	0.13

(Note)
1. The above amounts exclude 115 factional shares (60 of which are treasury shares that we have entrusted to The Master Trust Bank of Japan, Ltd. for the ESOP trust)
2. We entrusted the 39,600 treasury shares as part of our ESOP. The trustee is The Master Trust Bank of Japan, Ltd. (address: MTBJ Building, 2-11-3 Hamamatsucho, Minato-ku, Tokyo, Japan).

(8) Employee stock ownership

1) Overview of employee stock ownership plan

Since we want our employees to dedicate themselves to improving our mid-to-long term corporate value, we have introduced an ESOP and a trust to administer it.

ESOPs are common forms of employee ownership in the US. By adopting the ESOP model, a company can offer a greater amount of stock compensation to its employees.

The Company will establish a trust into which it will contribute funds for the acquisition of the Company's stock, of which the beneficiaries will be employees of the Company who meet certain criteria. The trust will acquire stock of the Company in one lot from the Company in the number expected to be delivered to employees of the Company based on the regulations for the delivery of stock established in advance. Following this, the trust will deliver stock of the Company to employees, without contribution, in accordance with the regulations for the delivery of stock, based on the eligibility of the Company's employees during the trust period and other such criteria, during the period in service of such employees. As the full amount of the acquisition funds for the stock of the Company to be acquired through the trust will be contributed by the Company, there will be no contribution to be made by employees of the Company.

With an ESOP trust, our employees benefit financially when our stock price rises. Therefore, they will keep our stock price in mind as they go about their duties and work all the harder.

Another benefit of an ESOP trust is that the voting rights from the shares underlying the trust property are exercised in way that reflects the will of the recipient employees. In this way, the ESOP trust encourages the employees to participate in management and thus help boost the corporate value.

2) Total number of shares we expect employees to receive

104,500 shares

3) Beneficiaries of the ESOP trust and those who eligible for related benefits

Employees who meet the beneficiary requirements.

2. Treasury share purchases

[Classes of shares]

We purchase common shares as defined in Article 155-3 of the Companies Act, and common shares as defined in Article 155-7 of said Act.

(1) Purchases approved by General Shareholders' Meeting

Nothing to disclose

(2) Purchases approved by Board of Directors

	Shares purchased	Total purchase price (yen)
Purchase plan approved on Mar 23, 2018 Purchase period: Apr 2, 2018, to Mar 22, 2019	375,000	1,500,000,000
Treasury stock purchased before the current fiscal year	—	—
Treasury stock purchased during the current fiscal year	—	—
Outstanding approved purchases	375,000	1,500,000,000
Unexercised portion as of end of the current fiscal year	100%	100%
Treasury stock purchased during purchase period	—	—
Unexercised portion as of filing date	100%	100%

(3) Purchases approved by neither of the above

	Shares purchased	Total purchase price (yen)
Treasury shares purchased during the current fiscal year	120	615,100
Treasury shares purchased during purchase period	—	—

(Note) 1. Treasury purchased during purchase period excludes factional share purchases occurring between June 1, 2018, and the date we filed this annual securities report.

2. The amount of treasury shares purchased excludes treasury shares that the ESOP trust acquired.

(4) Treasury shares disposed, treasury shares held

	Current fiscal year		Purchase period	
	Shares	Total disposition value (yen)	Shares	Total disposition value (yen)
Treasury stock for which we solicited subscriptions	—	—	—	—
Treasury stock we disposed of	—	—	—	—
Treasury stock we transferred as part of a merger, stock swap, or split	—	—	—	
Other: Treasury stock we purchased for ESOP trust	18,820	57,363,360	270	882,960
Other: Treasury stock we transferred in third-party allotment	—	—	—	—
Other: Treasury stock we transferred following claim for fractional shares	—	—	—	—
Treasury shares we continue to hold *Note 1	39,815	—	270	—

(Note) 1. "Treasury shares we continue to hold" includes shares in our ESOP trust, which we purchased as follows:
Current fiscal year: 39,660 Purchase period: 39,390
The amount of treasury shares held in the ESOP trust during the current fiscal year excludes those shares that we transferred from the trust to employees between June 1, 2018, and the date we filed this annual securities report.

2. The treasury shares we continued to hold during the fiscal year does not reflect any purchases or transfers of fractional shares occurring between June 1, 2018, and the date we filed this annual securities report.

3. Shareholder returns

Returning profits to shareholders is a top priority for us. We deliver high returns to shareholders consistently and sustainably. Our benchmark for shareholder returns is dividend on equity ratio. We aim for a dividend on consolidated equity ratio of 5% or more over the mid-to-long term.

Guided by this policy, we have set the dividends for the current fiscal year as follows:
Mid-term (end of second quarter) dividend: ¥65.10 per share
End-of-term dividend: ¥95.10 per share (¥65.10 regular dividend + ¥30.00 commemorative dividend)
Accordingly, the dividend for the current fiscal year amounts to ¥160.20 per share.

The dividend for the next fiscal year will be ¥130.20 per share (¥65.10 mid-term + ¥65.10 end-of-term). The dividend payout ratio will be 56.0%.

The following table shows the dividends of surplus for the current fiscal year:

Date resolved	Total dividend (million yen)	Dividend per share (yen)
October 31, 2017 (resolved by Board of Directors)	1,879	65.10
June 23, 2018 (resolved at Ordinary General Meeting of Shareholders)	2,745	95.10

4. Share price trends

(1) Highest and lowest prices during past five years

Fiscal year	68th	69th	70th	71st	72nd
Year-end	Mar 31, 2014	Mar 31, 2015	Mar 31, 2016	Mar 31, 2017	Mar 31, 2018
Highest (yen)	3,770	4,445	5,360	5,200	5,790
Lowest (yen)	2,478	2,870	3,380	2,951	4,315

(Note) The above amounts are the prices quoted on the first section of the Tokyo Stock Exchange

(2) Highest and lowest prices during past six months

Month	Oct 2017	Nov 2017	Dec 2017	Jan 2018	Feb 2018	Mar 2018
Highest (yen)	5,490	5,790	5,160	5,520	5,460	4,830
Lowest (yen)	5,150	5,110	4,965	5,050	4,705	4,315

(Note) The above amounts are the prices quoted on the first section of the Tokyo Stock Exchange

5. Corporate officers

In this section, we disclose information on our corporate officers (members of the Board of Directors and members of the Board of Corporate Auditors).

We have 11 male and 2 female corporate officers (female executive recruitment rate: 15.4%).

Position in Taiyo Holdings Co., Ltd.	Other title	Name	Date of birth	Career history (Bold font indicates ongoing positions)	Term of office	Shares held (thousand)
President	Group CEO	Eiji Sato (male)	May 3, 1969	1992 April Tohmatsu & Co. (now Deloitte Touche Tohmatsu LLC) (Joined) 1995 July Eiji Sato Certified Public Accountancy (Founded) 1999 October es Networks Co., Ltd. (Founded) CEO 2001 May TAIWAN TAIYO INK CO., LTD. Auditor 2008 June Taiyo Holdings Co., Ltd. Director 2009 October Taiyo Ink Mfg. Co., Ltd. (now Taiyo Holdings Co., Ltd.) Executive Officer Group CEO 2010 April Taiyo Ink Mfg. Co., Ltd. (now Taiyo Holdings Co., Ltd.) Executive Vice President 2010 May TAIYO INK CO., (KOREA) LTD. Director 2010 July TAIYO INK INTERNATIONAL (HK) LIMITED Director TAIYO INK INTERNATIONAL (SINGAPORE)PTE LTD **Director** 2010 October TAIYO INK MFG. CO., LTD. Director 2011 March es Holdings Co., Ltd. (now es Networks Co., Ltd.) **Director** 2011 April Taiyo Holdings Co., Ltd. **President Group CEO** Officer in charge of R&D Div. 2011 June TAIYO INK TRADING (SHENZHEN) CO., LTD. Director 2012 April TAIYO INK (SUZHOU) CO., LTD. **Director** 2012 June Taiyo Holdings Co., Ltd. **Officer in charge of risk management** 2012 December Onstatic Technology Co., Ltd. **Director** 2014 April TAIYO INK MFG. CO., LTD. President and Representative Director 2017 August TAIYO Pharma Co., Ltd. **Chairman of the Board Representative Director** 2018 June TAIYO INK MFG. CO., LTD. **Director**	Two years from the close of the 72nd Ordinary General Shareholders' Meeting (June 23, 2018)	(Common) 54 (Series I Class A) 12 (Series II Class A) 27
Director		Takayuki Morita (male)	January 23, 1963	1985 April Taiyo Ink Mfg. Co., Ltd. (now Taiyo Holdings Co., Ltd.) (Joined) 2001 May TAIWAN TAIYO INK CO., LTD. Director 2008 August Taiyo Ink Mfg. Co., Ltd. (now Taiyo Holdings Co., Ltd.) General Manager of Sales and Marketing Dept. 2011 April Taiyo Holdings Co., Ltd. Executive Officer 2011 April TAIYO INK (SUZHOU) CO., LTD. **Chairman of the Board General Manager** 2012 June Taiyo Holdings Co., Ltd. **Director Senior Executive Officer** Officer in charge of: TAIYO INK INTERNATIONAL (HK) LIMITED TAIYO INK TRADING (SHENZHEN) CO., LTD. TAIYO INK TRADING (SHENZHEN) CO., LTD. Director TAIYO INK INTERNATIONAL (HK) LIMITED Director 2013 April TAIYO INK INTERNATIONAL (HK) LIMITED **Managing Director** 2013 April TAIYO INK TRADING (SHENZHEN) CO., LTD. **Chair of the Board General Manager**	Two years from the close of the 72nd Ordinary General Shareholders' Meeting (June 23, 2018)	(Common) 8 (Series I Class A) 2 (Series II Class A) 4

Position in Taiyo Holdings Co., Ltd.	Other title	Name	Date of birth	Career history (Bold font indicates ongoing positions)				Term of office	Shares held (thousand)
Director		Eiji Takehara (male)	September 7, 1963	1986	April	Taiyo Ink Mfg. Co., Ltd. (now Taiyo Holdings Co., Ltd.)	(Joined)	Two years from the close of the 72nd Ordinary General Shareholders' Meeting (June 23, 2018)	(Common) 11 (Series I Class A) 1 (Series II Class A) 3
				1999	May	TAIYO INK MFG. CO., (KOREA) LTD.	Director		
				2001	November	Taiyo Ink Mfg. Co., Ltd. (now Taiyo Holdings Co., Ltd.)	General Manager of Development Department 1		
				2006	July	TAIWAN TAIYO INK CO., LTD.	Director		
				2008	September	Taiyo Ink Mfg. Co., Ltd. (now Taiyo Holdings Co., Ltd.)	General Manager of Development Department 2		
				2010	October	TAIYO INK MFG. CO., LTD.	Director		
				2012	June	TAIYO INK MFG. CO., LTD.	Executive Vice President		
				2013	April	Taiyo Holdings Co., Ltd.	Executive Managing Officer		
				2014	June	Taiyo Holdings Co., Ltd.	**Director** **Compliance Officer**		
				2014	July	Taiyo Holdings Co., Ltd.	**Senior Executive Officer**		
				2016	May	Onstatic Technology Co., Ltd.	**Director**		
				2016	June	TAIYO INK MFG. CO., LTD.	**Director**		
						TAIWAN TAIYO INK CO., LTD.	Chairman of the Board		
						TAIYO GREEN ENERGY CO., LTD.	President and Representative Director		
				2017	April	TAIYO GREEN ENERGY CO., LTD.	**Director**		
				2017	May	Onstatic Technology Co., Ltd.	**Director**		
				2018	April	TAIWAN TAIYO INK CO., LTD.	**Chair of the Board** **General Manager**		
Director		Hitoshi Saito (male)	April 21, 1965	1995	November	Win System Inc. (Win System Europe)	Marketing Manager	Two years from the close of the 72nd Ordinary General Shareholders' Meeting (June 23, 2018)	(Common) 5
				1996	September	Taiyo Ink Mfg. Co., Ltd. (now Taiyo Holdings Co., Ltd.)	(Joined)		
				2001	June	TAIYO INK INTERNATIONAL (SINGAPORE) PTE LTD	Managing Director		
				2010	July	Taiyo Ink Mfg. Co., Ltd. (now Taiyo Holdings Co., Ltd.)	General Manager of International Business Department		
				2012	June	TAIYO INK MFG. CO., LTD.	**Director**		
				2015	April	TAIYO INK PRODUCTS CO., LTD.	**President and CEO**		
				2016	May	TAIYO INK MFG. CO., (KOREA) LTD.	**President and CEO**		
				2016	June	Taiyo Holdings Co., Ltd.	**Director**		
				2016	July	Taiyo Holdings Co., Ltd.	**Senior Executive Officer**		
Director		Takao Miwa (male)	July 27, 1957	1982	April	Hitachi Ltd.	(Joined)	Two years from the close of the 72nd Ordinary General Shareholders' Meeting (June 23, 2018)	(Common) 5
				2001	April	Hitachi Ltd.	General Manager of Electronic Materials Research Department		
				2006	April	Hitachi Cable Ltd.	Head of Research		
				2007	April	Hitachi Cable Ltd.	Head of Technical Planning Center Head of Platform Technology Center		
				2012	April	Taiyo Holdings Co., Ltd.	(Joined)		
				2013	April	Taiyo Holdings Co., Ltd.	General Manager of R&D Division		
				2014	April	Taiyo Holdings Co., Ltd.	Executive Managing Officer		
				2015	June	CHUGAI KASEI CO., LTD.	**Chairman of the Board** **Representative Director**		
				2016	June	Taiyo Holdings Co., Ltd.	**Director** **Officer in charge of R&D Division**		
				2016	July	Taiyo Holdings Co., Ltd.	**Senior Executive Officer**		

Position in Taiyo Holdings Co., Ltd.	Other title	Name	Date of birth	Career history (Bold font indicates ongoing positions)				Term of office	Shares held (thousand)
Director		Toshifumi Tamaki (male)	January 30, 1956	1980	April	Dainippon Ink and Chemicals, Incorporated (now DIC Corporation)	(Joined)	Two years from the close of the 72nd Ordinary General Shareholders' Meeting (June 23, 2018)	–
				2010	October	DIC Corporation	General Manager of Polymer Technical Division 2		
				2012	April	DIC Corporation	Executive Officer General Manager of R&D Management Unit, Color Science Laboratories, and Central Research Laboratories		
				2016	January	DIC Corporation	Managing Executive Officer Officer in charge of Technical Segment General Manager of Technical Management Unit		
				2018	January	DIC Corporation	Managing Executive Officer Head of Corporate Strategy Unit Officer in charge of Kawamura Memorial DIC Museum of Art		
				2018	March	DIC Corporation	**Director** **Managing Executive Officer** **Head of Corporate Strategy Unit** **Officer in charge of Kawamura Memorial DIC Museum of Art**		
				2018	June	Taiyo Holdings Co., Ltd.	**Director**		
Director (outside)		Masayuki Hizume (male)	March 2, 1963	1988	October	Tohmatsu Awoki & Sanwa (now Deloitte Touche Tohmatsu LLC)	(Joined)	Two years from the close of the 72nd Ordinary General Shareholders' Meeting (June 23, 2018)	(Common) 0
				1994	January	Hizume Certified Public Accounting Office	(Joined)		
				1994	June	Taiyo Ink Mfg. Co., Ltd. (now Taiyo Holdings Co., Ltd.)	Audit & Supervisory Board Member		
				2001	January	Masayuki Hizume Certified Public Accounting Office	**Head**		
				2003	January	TAIYO INK MFG. CO., (KOREA) LTD.	Auditor		
				2012	June	Taiyo Holdings Co., Ltd.	**Outside Director**		
				2012	July	TAIYO INK MFG. CO., (KOREA) LTD.	Director		
Director (outside)		Keiko Tsuchiya (female)	May 13, 1960	1981	April	Dentsu Inc.	(Joined)	Two years from the close of the 72nd Ordinary General Shareholders' Meeting (June 23, 2018)	–
				1989	April	Ferag Japan Co., Ltd.	Executive Secretary		
				1991	April	Australian Trade Commission, Tokyo	Executive Secretary		
				1994	January	Becton Dickinson Co., Ltd.	HR Planning & Organizational Effectiveness Director		
				2004	July	Human Value Co., Ltd.	Chief Researcher & Producer		
				2005	October	GE Toshiba Silicones Co., Ltd. (now Momentive Performance Materials Japan LLC)	General Manager of Human Resources for Pacific Region		
				2009	January	Cisco Systems LLC	Senior HR Manager		
				2011	February	Johnson & Johnson Medical Company	Director Vice President (Human Resources)		
				2015	August	Adecco Ltd.	Director General Manager of Human Resources, Japan		
				2016	January	Adecco Ltd.	**General Manager of People Value, Japan**		
				2017	June	Taiyo Holdings Co., Ltd.	**Outside Director**		

Position in Taiyo Holdings Co., Ltd.	Other title	Name	Date of birth	Career history (Bold font indicates ongoing positions)				Term of office	Shares held (thousand)
Director (outside)		Jinichiro Yamada (male)	December 13, 1970	1997	April	Young Scientists of Japan Society of the Promotion of Science (Hokkaido University)	Research Fellow	Two years from the close of the 72nd Ordinary General Shareholders' Meeting (June 23, 2018)	–
				2001	April	Faculty of Economics, Kagawa University	Assistant Professor		
				2006	September	Bordeaux Management School (BEM), France	Affiliate Professor		
				2011	April	Graduate School of Business, Osaka City University	Associate Professor		
				2012	April	National Institute of Science and Technology Policy, Ministry of Education, Culture, Sports, Science and Technology	**Visiting Research Officer**		
				2015	April	Graduate School of Business, Osaka City University	Professor		
				2018	June	Taiyo Holdings Co., Ltd.	**Outside Director**		
Full-time Audit & Supervisory Board Member (outside)		Akihito Sakai (male)	January 2, 1953	1975	April	Tokio Marine Insurance Co., Ltd (now Tokio Marine & Nichido Fire Insurance Co., Ltd.)	(Joined)	Four years from the close of the 69th Ordinary General Shareholders' Meeting (June 19, 2015)	–
				2003	July	Tokio Marine Anshin Life Insurance Co., Ltd. (now Tokio Marine & Nichido Anshin Life Insurance Co., Ltd.)	(Seconded to)		
				2007	July	Tokio Marine Anshin Life Insurance Co., Ltd. (now Tokio Marine & Nichido Anshin Life Insurance Co., Ltd.)	J-SOX Officer (Human Resources and General Affairs Department)		
				2008	July	Tokio Marine Anshin Life Insurance Co., Ltd. (now Tokio Marine & Nichido Anshin Life Insurance Co., Ltd.)	J-SOX Officer (Legal Compliance Department)		
				2011	January	Taiyo Holdings Co., Ltd.	Management Consultant		
				2011	June	Taiyo Holdings Co., Ltd.	**Full-time Audit & Supervisory Board Member**		
				2012	May	TAIYO INK MFG. CO., (KOREA) LTD.	Auditor		
Full-time Audit & Supervisory Board Member (outside)		Hidenori Sugiura (male)	March 20, 1961	1984	April	The Long-Term Credit Bank of Japan, Ltd.	(Joined)	Four years from the close of the 72nd Ordinary General Shareholders' Meeting (June 23, 2018)	–
				1998	July	UBS Trust & Banking (Japan) Ltd.	(Joined)		
				2000	July	IBJ Securities Co., Ltd. (now Mizuho Securities Co., Ltd.)	(Joined)		
				2003	October	Mizuho Securities Co., Ltd.	General Manager of Investment Banking Division No. 4 (Investment Banking Group)		
				2004	April	Mizuho Securities Co., Ltd.	General Manager of Corporate Finance Division No. 1 (Capital Markets Group)		
				2005	April	Mizuho Securities Co., Ltd.	Senior Fellow of Strategic Research Department (now Markets Strategic Intelligence Department) (Management Planning Group)		
				2006	April	Graduate School of Management, Kyoto University	Associate Professor		
				2007	October	Graduate School of Commerce and Management, Hitotsubashi University	Part-time Lecturer		
				2008	April	Graduate School of Management, Kyoto University	Distinguished Professor		
				2018	June	Taiyo Holdings Co., Ltd.	**Full-time Audit & Supervisory Board Member**		

Position in Taiyo Holdings Co., Ltd.	Other title	Name	Date of birth	Career history (Bold font indicates ongoing positions)				Term of office	Shares held (thousand)
Audit & Supervisory Board Member (internal)		Masaru Oki (male)	February 18, 1958	1980	April	Sharp Corporation	(Joined)	Four years from the close of the 72nd Ordinary General Shareholders' Meeting (June 23, 2018)	(Common) 25
				1982	August	Taiyo Ink Mfg. Co., Ltd. (now Taiyo Holdings Co., Ltd.)	(Joined)		
				1998	April	Taiyo Ink Mfg. Co., Ltd. (now Taiyo Holdings Co., Ltd.)	Manager of Marketing Division		
				2010	April	Taiyo Ink Mfg. Co., Ltd. (now Taiyo Holdings Co., Ltd.)	General Manager of Corporate Planning Department		
				2011	April	Taiyo Holdings Co., Ltd.	General Manager of Accounting and Finance Department		
				2012	April	Taiyo Holdings Co., Ltd.	Executive Officer		
						TAIYO INK (THAILAND) CO., LTD.	Managing Director		
						TAIYO INK INTERNATIONAL (SINGAPORE) PTE LTD	Managing Director		
				2018	June	Taiyo Holdings Co., Ltd.	**Audit & Supervisory Board Member**		
Audit & Supervisory Board Member (outside)		Asako Aoyama (female)	March 14, 1972	1994	April	Tohmatsu & Co. (now Deloitte Touche Tohmatsu LLC)	(Joined)	Four years from the close of the 72nd Ordinary General Shareholders' Meeting (June 23, 2018)	—
				2001	September	Merrill Lynch Japan Securities Co., Ltd.	(Joined)		
				2004	October	Coca-Cola (Japan) Company, Limited	(Joined)		
				2008	August	Coca-Cola (Japan) Company, Limited	General Manager of Business Strategy Promotion		
				2010	October	Coca-Cola (Japan) Company, Limited	Manager of Commercial Finance CCL & Franchise Finance, Finance Headquarters		
				2011	March	Tokyo Coca-Cola Bottling Co., Ltd.	Director Chief Financial Officer		
				2013	July	Coca-Cola East Japan Co., Ltd.	Executive Officer Finance and Accounting General Manager		
				2016	January	Coca-Cola East Japan Co., Ltd.	Executive Officer Commercial Finance General Manager		
				2017	May	Coca-Cola Bottlers Japan Inc.	**Executive Officer Transformation Project Leader**		
				2018	June	Taiyo Holdings Co., Ltd.	**Audit & Supervisory Board Member**		
Total of shares held									(Common) 111 (Series I Class A) 15 (Series II Class A) 35

(Notes)

1. Masayuki Hizume, Keiko Tsuchiya, and Jinichiro Yamda are outside directors.
2. Akihito Sakai, Asako Aoyama, and Hidenori Sugiura are outside members of the Audit & Supervisory Board.
3. We introduced an executive officer system to energize the Board of Directors and streamline work processes. The executive officers are as follows. Four of the executive officers are directors mentioned above.

Directors	Takayuki Morita	Senior Executive Officer	Chairman of the Board, General Manager, Taiyo Ink (Suzhou) Co., Ltd
Directors	Eiji Takehara	Senior Executive Officer	Chairman of the Directors Board and General Manager, Taiwan Taiyo Ink Co., Ltd.
Directors	Hitoshi Saito	Senior Executive Officer	President and CEO, Taiyo Ink Co., (Korea) Ltd.
Directors	Takao Miwa	Senior Executive Officer	Officer in charge of R&D Division, Taiyo Holdings Co., Ltd.
	Kazuhiro Hashimoto	Senior Executive Officer	President and Representative Director, Taiyo Ink Mfg Co., Ltd.
	Masao Arima	Managing Executive Officer	President and Representative Director, Taiyo Pharma Co., Ltd.
	Taiyen Tsai	Managing Executive Officer	General Manager, Onstatic Technology Co., Ltd. Director, General Manager, Taiyo Ink Trading (Shenzhen) Co., Ltd.
	Tadahiko Hanada	Executive Officer	President and Representative Director, Taiyo America, Inc.
	Shuichi Omi	Executive Officer	General Manager, Administration Division, Taiyo Holdings, Co., Ltd.
	Fumihiko Kojin	Executive Officer	President and Representative Director, Taiyo Green Energy Co., Ltd.
	Akira Kasagi	Executive Officer	Managing Director, Taiyo Ink International (Singapore) Pte Ltd

6. Corporate governance and remuneration for audit services

(1) Corporate governance

Our basic approach to corporate governance

- Our core values and basic management policies (see p. 13) describe the kind of group we strive to be, and they underlie everything we do as a group.
- These texts clarify our mission, which is to make people's lives easier and happier by delivering dream products across the globe. They also clarify our basic approach to achieving this mission, which is to continually refine every technology of the group so that we can deliver innovative products as well as existing/established ones.
- Our basic management policies state the following:
  In pursuing our corporate values, we will also fulfill our corporate social responsibility—this includes complying with the law, protecting the environment, developing a thorough quality management system, and contributing to society. In other words, we make corporate social responsibility, as well as making a profit, a core part of our corporate values.
- A listed company will only achieve sustained growth if it enjoys the trust and support of its stakeholders. We understand that we can only realize our core values and basic management policies if we make our business processes transparent, clearly delineate responsibilities, and disclose information forthrightly.

a. Corporate governance 1/10: Overview

- Boards

  Our Board of Directors and our Board of Corporate Auditors lie at the core of our corporate governance system. The members of each board are elected by shareholders.

  The Board of Directors serves two key roles:

  - Deliberates on and resolve business matters
  - Supervises the CEO's performance

  Executive officers

  We adopted an executive officer system to energize the Board of Directors and streamline the decision-making process. Executive officers, by exercising discretionary power over a wide range of business matters, help us adapt swiftly to changes in the business climate.

  Advisory committees

  We have voluntarily established two advisory committees:

  Compensation Advisory Committee

  Advises the Board of Directors on how much compensation to award directors and executive officers

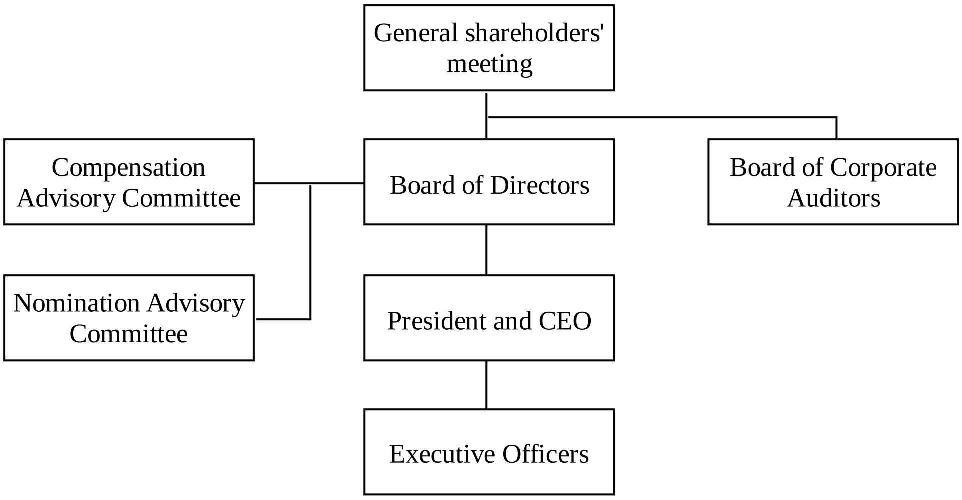
  Nomination Advisory Committee

  Advises the Board of Directors on whom to nominate as director and Audit & Supervisory Board member candidates

  In both committees, the chairman and the majority of the members are from outside Taiyo Group.

  By fulfilling their roles, the two committees help us ensure that our compensation and nomination processes are fair and transparent.

  The following shows the relationships between the above bodies.



- Why we have this system

  We aim for a modern, advanced form of corporate governance, and we always look for ways to improve our system. Many Japanese companies have become “companies with an audit & supervisory committee” (*kansa-tō i'inkai secchi kaisha*). At this point in time, we feel that the traditional Japanese *kansayaku* system suits us better, but we will keep open the possibility of adopting this corporate structure in the future.

- Internal controls and risk management

  The Companies Act and the Ordinance for Enforcement of the Companies Act specify certain compliance matters for which companies should develop structures and measures. Described below are the structures and measures that we have developed for each compliance matter.

[Rules and measures for ensuring that directors and employees perform their duties in compliance with laws and the articles of incorporation]

1) We have established the CSR Philosophy and Code of Conduct, and we make sure that our directors and employees fully understand the contents.
2) We designate one of our directors as compliance officer. An ethics committee (consisting of directors, Audit & Supervisory Board members, and employees) reviews important matters involving ethical and legal compliance. We also elect ethics officers from among employees.
3) We provide a whistleblowing system. Employees can discuss grievances with an internal officer and report suspected malpractice to an external attorney.
4) The compliance officer regularly reports to the Board of Directors about the state of ethical and legal compliance.
5) We have established the Office of Internal Audits, which is independent of executive influence. The office reports the results of its audits to the Board of Directors, the Board of Corporate Auditors, and, if necessary, to our accounting auditors.

[Rules and measures for protecting and managing records of the duties directors perform]

In accordance with our record-keeping rules, we keep physical and digital records of the duties our directors perform. Directors and Audit & Supervisory Board members can access these records at any time.

[Rules and measures for managing the risk of loss]

1) We designate one of our directors as a risk manager.
2) The business division responsible for managing this risk assesses the risks related to day to day business operations and then draws up countermeasures. We also have the Risk Management Committee, which manages risks across the group.

[Rules and measures for ensuring that directors perform effectively]

1) The Board of Directors holds regular monthly meetings (some meetings are merged into a meeting of an adjacent month) and irregular meetings as necessary. Directors engage in these meetings actively, stating their opinions on important business matters.
2) To delineate directorial responsibilities and executive processes, we have established organizational regulations, segregation of duties, and rules on official duties.
3) We hold directors accountable for achieving our medium-term and annual business plans as well our organization-specific missions and medium-short term goals.

[Rules and measures for ensuring appropriate work processes throughout the company and its subsidiaries]

1) We assign a director to each of our major subsidiaries to provide management guidance.
2) We have the Executive Council, which consists of our executive officers and representatives of the subsidiaries. The council holds regular quarterly meetings in which it reviews group-wide matters.
3) While we allow our subsidiaries to manage themselves to some extent, we also maintain careful stewardship of them. We do this by exercising discretionary powers and requiring the subsidiaries to report to us (as per our rules on subsidiary management and common rules on official duties).
4) Our subsidiaries are audited as necessary by members of the Office of Internal Audits, Finance and Accounting Department, Audit & Supervisory Board, as well as by the accounting auditors during their audits.
5) We established the CSR Philosophy to ensure that the directors and employees of our subsidiaries perform their duties in compliance with laws and the Articles of Incorporation. This philosophy applies throughout the group, and it shapes the particular rules of each group company.

[Rules and measures concerning employees who assist the “Kansayaku-kai” (in our case, the Board of Corporate Auditors) if it requests such assistants Rules and measures for ensuring that such employees are independent of directors]

1) We designate employees to assist the Board of Corporate Auditors as the board requests. Such employees serve the board exclusively and act under its command.
2) We obtain the consent of the Board of Corporate Auditors toward any performance evaluations of these assistants.

[Rules and measures concerning reports that directors and employees provide to the Board of Corporate Auditors Other rules and measures concerning reports to the Board of Corporate Auditors]

1) Directors, in addition to their mandatory reporting, report to the Board of Corporate Auditors any breaches of a law or the Articles of Incorporation, or any material circumstances that impact our performance or that of a group company.
2) Employees can report directly to the Board of Corporate Auditors any breaches of a law or the Articles of Incorporation, or any material circumstances that threatens to damage us or a group company. We strictly uphold whistleblower anonymity, and we do not allow whistleblowers to be maltreated by reason of their reporting.

[Other rules and measures for ensuring that the Board of Corporate Auditors audits/supervises effectively]

1) Audit & Supervisory Board members attend meetings of the Board of Directors, the Executive Council, and other important bodies. They also access important records concerning work and business operations and question directors and employees as necessary.
2) Audit & Supervisory Board members liaise with our accounting auditors to discuss auditing plans, audit results, and other matters related to their duties.

3) The Office of Internal Audits (which is independent of executive influence) cooperates closely with the Audit & Supervisory Board members. For example, it reports the results of its internal audits to the members and discusses the results with the members.
4) We provide an annual reserve to cover expenses that Audit & Supervisory Board members incur in their duties. We also spend formidable amounts on emergency audit & supervisory expenses.

[Rules and measures for ensuring reliable financial reporting]

We have put in place internal controls to ensure that our internal control reports, which we are required to submit under the Financial Instruments and Exchange Act, are effective and apposite. We continually monitor whether these controls are working effectively and take corrective action as necessary.

[Basic policy on eschewing all dealings with "anti-social forces" (organized crime syndicates) Measures for achieving this policy]

Crime syndicates can threaten public order and bedevil business. We will never acquiesce to any unlawful or improper demands that crime syndicates or unsavory characters may bring. Instead, we will report them straight to the police.

- Agreements limiting personal liability for damages

  Under Article 423-1 of the Companies Act, corporate officers are personally liable for any damages resulting from breaches or non-performance of their fiduciary duties. As permitted by Article 427-1, we have signed agreements with our non-executive directors and Audit & Supervisory Board members limiting such liability to the extent permitted by law. These agreements exclude cases where the breach or non-performance constitutes willful misconduct or gross negligence.

b. Corporate governance 2/10: Duties of the Office of Internal Audits and Board of Corporate Auditors

- Board of Corporate Auditors

  Audit & Supervisory Board members perform their duties according to an audit plan they draw up (the Board of Corporate Auditor's Audit Plan). They audit and supervise our business operations and financial position and that of the group as a whole. One way they do this is by participating in meetings of Taiyo Holdings' key bodies, including the Board of Directors and the Executive Council. They also question our corporate officers and midlevel managers and inspect our Japan and overseas group companies.

- Tripartite audits

  Audit & Supervisory Board members work closely with the accounting auditors and the Office of Internal Audits to realize tripartite (three-party) audits. This approach makes accounting and operational audits more effective and efficient.

- Board meetings

  The Board of Corporate Auditors holds monthly meetings to discuss and resolve audit and supervisory matters and to share information about the group as a whole.

- Board members

  The Board of Corporate Auditors has four members, three of whom are from outside the company.
  Akihito Sakai (outside member)
  Akihito Sakai has extensive insight in finance, accounting, and legal affairs, which he gained from his experience in the business world.
  Hidenori Sugiura (outside member)
  Hidenori Sugiura has extensive insight in finance and accounting. He worked as a university

lecturer drawing on the financial expertise he gained in the business world.
Masaru Oki (internal member)
Masaru Oki has broad business knowledge and experience, which he developed during his service as an executive officer for Taiyo Holdings.
Asako Aoyama (outside member)
Asako Aoyama's executive experience has given her insight in finance, accounting, and M&A activities. As a certified public accountant, she is particularly competent in financial and accounting matters.

- Office of Internal Audits

The Office of Internal Audits has two members. The office audits Taiyo Holdings' divisions and group companies according to its audit plan (the Office of Internal Audits Plan). The Board of Directors may order the office to conduct special audits if necessary. The office will report the results of such audits to the Board of Directors and Board of Corporate Auditors.

c. Corporate governance 3/10: Outside board members

We have three outside directors and three Audit & Supervisory Board members.

Masayuki Hizume (outside director)
Heads Masayuki Hizume Certified Public Accounting Office
We have no special relationship with this public accountancy.
Serves as director of Taiyo Ink (Korea) Co., Ltd.
This company is our consolidated subsidiary.

Keiko Tsuchiya (outside director)
Serves as director of Adecco Ltd.
We have no special relationship with this company.

We have no codified standards or policies for determining whether outside directors and outside Audit & Supervisory Board members are independent. However, we do look for certain qualities in potential nominees. Examples include:

- Expert insights and extensive experience with which the person could supervise the management objectively and appositely
- The qualities necessary to perform their audit and supervisory role
- Absence of any potential conflict of interest with general shareholders.

The outside directors and outside Audit & Supervisory Board members liaise with our accounting auditors as necessary and actively exchange information and opinions. They also work closely with the Office of Internal Audits so as to perform their audit and supervisory duties effectively.

d. Corporate governance 4/10: Officer compensation

1) Compensation amounts (total and breakdown) for each officer status and the number of recipients in each officer status

Officer status	Total compensation [million yen]	Breakdown [million yen]					Number of recipients
		Basic salary	Performance-linked cash compensation	Performance-linked share compensation	Transfer-restricted share compensation	Retirement bonus *Note	
Director (excluding outside directors)	434	100	77	165	91	—	6
Audit & Supervisory Board members (excluding outside members)	15	15	—	—	—	—	1
Outside officer	38	38	—	—	—	—	5

(Notes) 1. At a meeting on April 22, 2010, the Board of Directors resolved to end the program of retirement benefits for outgoing corporate officers. At the 64th Ordinary General Shareholders Meeting on June 29, 2010, the shareholders approved the board's proposal to make final payment of these benefits.
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.
2. The figure for transfer-restricted share compensation indicates the amount we accrued in the current fiscal year.

2) Consolidated compensation amounts for officers earning more than ¥100 million on consolidated basis

Name	Officer status	Company	Consolidated breakdown [million yen]					Consolidated total [million yen]
			Basic salary *Note 1	Performance-linked cash compensation	Performance-linked share compensation	Transfer-restricted share compensation	Retirement bonus	
Eiji Sato	Director	Filing company (Taiyo Holdings Co., Ltd.)	33	30	117	33	–	223
	Director	TAIYO INK MFG. CO., LTD.	8	–	–	–	–	

(Notes) 1. The figures for basic salary indicate the amounts occurring after we adopted the selective retirement benefits system.
2. The figure for transfer-restricted share compensation indicates the amount we accrued in the current fiscal year.

3) Compensation amounts for corporate officers / policy for determining how to calculate these amounts and how these amounts were determined

At the 71st Ordinary General Shareholders Meeting on June 21, 2017, the shareholders approved our plan to provide a share compensation package to executive directors (meaning directors specified in Article 363-1 of the Companies Act) in addition to their base salary and performance-linked cash pay.
The approved share package consists of:
- Transfer-restricted share compensation
- Performance-linked share compensation

The purpose of the share compensation package is to further motivate executive directors to sustainably enhance Taiyo Group's corporate value. Another purpose is to increase their mutual interest with shareholders.

Non-executive directors and Audit & Supervisory Board members receive base salary only.

The Board of Directors determines, to the extent that shareholders permit, the following details concerning base salary for directors, performance-linked cash compensation, and transfer-restricted and performance-linked share compensation for executive directors:
- How to calculate the amount
- When to pay it
- How to divide it among the recipients
- Other relevant matters

When determining such matters, the Board of Directors seeks the advice of the Compensation Advisory Committee (see p. 41). When investigating these matters, the Compensation Advisory Committee objectively analyzes general compensation levels using data from external organizations. The members then decide which compensation policies and levels are most suitable and advise the board accordingly.

The Audit & Supervisory Board members determine among themselves their own compensation to the extent that shareholders permit.

Below, we describe the key aspects of our system of director compensation and provide a detailed outline.

[Key aspects of director compensation]

- The amounts of both performance-linked cash compensation and performance-linked share compensation vary according to profit attributable to owners of parent. We pay neither form of compensation if profit attributable to owners of parent is in negative territory. Therefore, when profit attributable to owners of parent is low or negative, executive directors' compensation will be low also.
- Because it delivers shares to executive directors, the share compensation package fosters share-consciousness, which could not be achieved with stock options.
- By providing short, mid, and long-term incentives, the share compensation package motivates executive directors to contribute to our mid-to-long term corporate value, and thus helps us recruit and retain top-level managers.

[Outline of director compensation]

(I) Base salary

The maximum amount of base salary is ¥300 million. The monthly amount we pay each director depends on their officer status.

(II) Performance-linked cash compensation (short-term incentive)

i) Overview

We determine the total amount based on profit attributable to owners of parent as of the fiscal year preceding that in which the payment date falls. We then determine the amounts for each recipient according to their officer status and pay these amounts in cash.

At a meeting on June 23, 2018, the Board of Directors resolved to calculate the compensation according to the four points below. The Audit & Supervisory Board has issued a written certificate confirming that the majority of its members support the method. These members agreed that basing the amount on profit attributable to owners of parent is objective and fair way in that it makes compensation reflect profit in the relevant fiscal year.

ii) Calculation method

The total amount is 1.6% of profit attributable to owners of parent. However, this amount will be capped (see the following point). Moreover, none of this compensation will be provided if profit attributable to owners of parent is in negative territory. The amount of profit attributable to owners of parent will be rounded down to the nearest million yen.

iii) Defined amount (cap)

Article 34-1-3-b (1) of the Corporation Tax Act requires us to limit the maximum amount of compensation to a "defined amount." Our defined amount is ¥214,400,000.

iv) Eligible officers

The compensation is only for executive directors (those defined as "executive officers" in Article 34-1-3 of the Corporation Tax Act). Non-executive directors and Audit & Supervisory Board members are excluded.

v) Dividing the compensation among eligible recipients

We assign points to each executive director according to their officer status. We then multiply the total performance-linked cash compensation by an amount equivalent to the point awarded for each director. We then divide this amount by the total points awarded for all directors. The table below describes how we award the points.

Officer status	Points
Chairman of the Board	101
President and CEO	169
Deputy President	108
Senior Managing Director	101
Managing Director	78
Director	66

For the 73rd business term (fiscal year ending March 31, 2019), we will prepare performance-linked cash compensation for the following executive directors incumbent as of June 23, 2018.

Officer status	Persons
President and CEO	1
Director	4

(Note) We also pay the compensation to any executive directors who left their office (i.e., resigned from the company or lost their executive director status) during the period they were eligible for the compensation (i.e., after the Ordinary General Shareholders' Meeting held in the year occurring two years prior to the year of payment, and before the Ordinary General Shareholders' Meeting held in the year preceding the year of payment). In such case, we will pay the ex-executive director according to the average monthly points he or she earned during the period from the month following the month in which he or she became an eligible recipient until the month in which he or she left office.

(III) Performance-linked share compensation (mid-term incentive)

i) Overview

We determine the total amount of performance-linked share compensation based on profit attributable to owners of parent as of the fiscal year preceding that in which the payment date falls. We then determine the amounts for each recipient according to their officer status and pay these amounts in two forms: (1) property to be exchanged for common shares, and (2) cash. We allot common shares for the eligible executive directors by issuing new shares or by disposing of treasury shares. We then deliver to each recipient an amount of the shares corresponding to the cash amount we paid them.

However, we exclude from the cash amount all portions corresponding to:

- Income tax, resident tax, and other taxes
- Social security premiums
- Payment handling fees
- Fractional portion (the rounded-off portion)

The executive directors have signed agreements confirming that they will use the cash we pay them under the performance-linked share compensation plan to purchase the allotted common shares (allotted by issuing new shares or disposing of treasury stock). The terms of these agreements are shown below.

However, it is possible that a law or judicial judgment might prevent us from allotting the common shares to the executive directors in this way. In such case, the recipients will receive the compensation in cash only (without exchanging this cash for common shares). We will also pay cash, as opposed to shares, for any portion of the compensation that exceeds the "annual allotment cap" or the "recipient cap" (both of which are described in the allotment terms on page 52).

Furthermore, if an executive director transfers their right to receive performance-linked share compensation to another person, this person will receive the compensation in cash only.

(Performance-linked Share Compensation Agreement)

a) *You must purchase the common shares we allot you pursuant to this agreement (the "Allotted Shares") within three years from the payment date (the Transfer Period). The Allotted Shares are subject to "Transfer Restrictions"—meaning that you cannot transfer, hypothecate, or otherwise dispose of them.*
b) *Notwithstanding the previous paragraph, we reserve the right to remove the Allotted Shares' Transfer Restrictions by resolution of the Board of Directors if during the Transfer Period:*
    - *the shareholders (or the Board of Directors if shareholder approval is unnecessary) approve any of the following:*
    - *a merger in which Taiyo Holdings becomes a non-surviving company,*

- *a share exchange agreement or a share transfer plan under which Taiyo Holdings becomes a wholly-owned subsidiary of another company, or*
- *a similar corporate reorganization event, or if*
- *Taiyo Holdings' controlling shareholders change.*

At a meeting on June 23, 2018, the Board of Directors resolved to calculate the compensation according to the four points below. The Board of Corporate Auditors has issued a written certificate confirming that the majority of its members support the method. These members agreed that basing the amount on profit attributable to owners of parent is objective and fair way in that it makes compensation reflect profit in the relevant fiscal year.

ii) Calculation method

The total amount is 3.4% of profit attributable to owners of parent. However, this amount will be capped (see the following point) and none of this compensation will be provided if profit attributable to owners of parent is in negative territory. The amount of profit attributable to owners of parent will be rounded down to the nearest million yen.

iii) Defined amount (cap)

Article 34-1-3-b (1) of the Corporation Tax Act requires us to limit the maximum amount of compensation to a "defined amount." Our defined amount is ¥455,600,000.

iv) Eligible officers

The compensation is only for executive directors (those defined as "executive officers" in Article 34-1-3 of the Corporation Tax Act). Non-executive directors and Audit & Supervisory Board members are excluded.

v) Allocating among the recipients

We assign points to each executive director according to their officer status. We multiply the total performance-linked share compensation by an amount equivalent to the points awarded to each director. We then divide this amount by the total points awarded to all directors. The table below describes how we award the points.

Officer status	Points
Chairman of the Board	36
President and CEO	120
Deputy President	48
Senior Managing Director	36
Managing Director	24
Director	12

For the 73rd business term (fiscal year ending March 31, 2019), we will prepare performance-linked share compensation for the following executive directors incumbent as of June 23, 2018.

Officer status	Persons
President and CEO	1
Director	4

(Note) We also pay the compensation to any executive directors who left their office (i.e., resigned from the company or lost their executive director status) during the period they were eligible for the compensation (i.e., after the Ordinary General Shareholders' Meeting held in the year occurring two years prior to the year of payment, and before the Ordinary General Shareholders' Meeting held in the year preceding the year of payment). In such case, we will pay the ex-executive director according to the average monthly points he or she earned during the period from the month following the month in which he or she became an eligible recipient until the month in which he or she left office.

(IV) Transfer-restricted share compensation (long-term incentive)

The maximum amount of the compensation is ¥300 million. We provide each executive director with monetary claims with which they purchase the transfer-restricted shares. The amount of the monetary claims is commensurate with the value of the recipient's executive role as represented by their officer status during the time they are eligible for the compensation (after the Ordinary General Shareholders' Meeting held in the year preceding the year of payment, and before the day before the Ordinary General Shareholders' Meeting held in the year of payment).

The executive directors have signed agreements confirming that they will exchange the entirety of the monetary claims they receive for the allotted common shares (allotted by issuing new shares or disposing of treasury stock). The terms of these agreements are shown below.

Executive directors can only receive the compensation if:

- They remained incumbent as executive directors immediately before the date they purchase the common stock
- There is an absence of any circumstances in which we cancel issuing new shares or disposing of treasury stock (such as an order to revoke or cease)

(Transfer-restricted Share Compensation Agreement)

a) *The common shares we allot you pursuant to this agreement (the "Allotted Shares") are subject to "Transfer Restrictions"—meaning that you cannot transfer, hypothecate, or otherwise dispose of them for 10 years following the date you purchased them (the "Transfer-restricted Period").*
b) *We will lift the Transfer Restrictions on the entirety of your Allotted Shares after the Transfer-restricted Period, provided that you remained incumbent as an executive director throughout the Transfer-restricted Period (if you die during this period, we will adjust the period accordingly). However, if you leave office (leave the company or lose your status as executive officer) during the Transfer-restricted Period, we will acquire a portion of your Allotted Shares. In such case, we will define the number of your Allotted Shares whose Transfer Restrictions would be lifted in the future. This number will be based on the days you remained in office following the date you first became eligible for the compensation. We will then acquire the remaining Allotted Shares as a matter of course and for no consideration immediately after you leave office.*
c) *Notwithstanding the previous paragraph, we reserve the right to remove the Allotted Shares' Transfer Restrictions by resolution of the Board of Directors if during the Transfer Period:*
    - *the shareholders (or the Board of Directors if shareholder approval is unnecessary) approve any of the following:*
    - *a merger in which Taiyo Holdings becomes a non-surviving company,*
    - *a share exchange agreement or a share transfer plan under which Taiyo Holdings becomes a wholly-owned subsidiary of another company, or*
    - *a similar corporate reorganization event, or*
    - *Taiyo Holdings' controlling shareholders change.*

    If any of the above events occur, we will acquire a portion of your Allotted Shares. In such case, we will define the number of your Allotted Shares whose Transfer Restrictions would be lifted in the future. This number will be based on the number of days between the date you first became eligible for the compensation and the date of the event (the date the corporate reorganization was approved or the date that Taiyo Holdings' controlling shareholders changed). We will then acquire the remaining Allotted Shares as a matter of course and for no consideration.

Allotment terms for transfer-restricted and performance-linked share compensation

We have adopted the following four allotment terms for both transfer-restricted and performance-linked share compensation. However, please note the following differences between the two plans:

Transfer-restricted share compensation

Allotment method:	Allot shares with specified transfer restrictions
Those eligible:	Executive directors incumbent as of the date we allocated common shares under the plan

Performance-linked share compensation

Allotment method:	Third-party allotment
Those eligible:	Executive directors who remained in office throughout the period beginning on the date of the Ordinary General Shareholders' Meeting held in the year occurring two years prior to the year of payment, and ending in the date of the Ordinary General Shareholders' Meeting held in the year preceding the year of payment

(Allotment terms)

a) Annual allotment cap
For each shareholder plan, we cap the annual allotment (the total common shares we allot in a given calendar year under the plan) at 0.5% of the "reference share number" (rounding off fractions)
The reference share number is:
The number of outstanding shares as of the day preceding the "resolution date"
(the date the Board of Directors resolved terms of the allotment for the fiscal year)
minus
The number of treasury shares ten days prior to the resolution date
(if the allotment would clearly alter this number, we will use the altered number instead)

b) Recipient cap
For each annual allotment, we cap the number of shares we allot to each eligible director at 5% of the reference share number (rounding off fractions), which we determine after aggregating the common shares and Series I and II Class A shares as of the day preceding the resolution date.
We plan to acquire all Series I Class A shares on June 26, 2018, in exchange for common shares. At a meeting on June 23, 2018, the Board of Directors resolved to cancel all Series I Class A shares on June 26, 2018, on the premise that we acquire the entirety of the Series I Class A shares.

c) Order of priority in determining the allocation amount
We determine the amount of common shares to allocate for transfer-restricted share compensation plan before we determine the amount for performance-linked share compensation.

d) Pay-in contribution per share
We determine the amount that executive directors pay in for each common share allotted to them. Generally, the amount is the closing price of our common shares on the Tokyo Stock Exchange as of the business day preceding the resolution date (or if no trading is reported on that day, the day preceding such). The amount will always remain within a range that gives no significant advantage to the executive directors receiving the common shares.

In the financial results we released on May 2, 2018, we projected ¥670 million in profit attributable to owners of parent for the 73rd business term (year ending March 31, 2019). The following table shows amounts we would provide in performance-linked cash compensation and performance-linked share compensation for the 73rd business term under five hypothetical scenarios.

Profit attributable to owners of parent [million yen]		¥0	¥3,350 million	¥6,700 million	¥10,050 million	¥13,400 million
Performance-linked cash compensation	President and CEO	—	20	41	62	83
	Director (4)	—	32	65	98	130
	Total	—	53	107	160	214
Performance-linked share compensation	President and CEO	—	81	162	244	325
	Director (4)	—	32	65	97	130
	Total	—	113	227	341	455

e. Corporate governance 5/10: Shareholdings

The following table concerns our held-to-maturity and held-for-trading equity instruments. It shows the total carrying value for the instruments in the previous. For the current fiscal year, it shows the total carrying value, total dividend income, gain/loss on sale, and appraisal gain/loss of the instruments.

	Previous fiscal year [million yen]	Current fiscal year [million yen]			
	Total carrying value	Total carrying value	Total dividend income	Gain (loss) on sale	Appraisal gain (loss)
Unlisted shares	2	102	—	—	—
Other shares	437	1,451	15	—	467

f. Corporate governance 6/10: Accounting auditors

We have two accounting auditors: Tatsuaki Kitachi and Hiroshi Waseda. Both are members of Deloitte Touche Tohmatsu LLC. As of the current consolidated fiscal year, the accounting auditors have nine assistants, four of whom are certified public accountants.

g. Corporate governance 7/10: Number of directors

Our Articles of Incorporation stipulates the number of directors must be no more than ten.

h. Corporate governance 8/10: Stipulations on electing directors

Our Articles of Incorporation stipulates that shareholders elect director candidates through a majority vote with at least one third of the shareholder electorate in attendance. The Articles of Incorporation prohibit cumulative voting.

i. Corporate governance 9/10: Acquiring treasury shares

As permitted by Article 165-2 of the Companies Act, we have included a stipulation in the Articles of Incorporation to the effect that we can acquire treasury shares with a resolution of the Board of Directors. We included this stipulation because acquiring treasury shares through a market transaction allows us to pursue capital policies flexibly according to business conditions.

j. Corporate governance 10/10: Mid-term dividend

As permitted by Article 454-5 of the Companies Act, we have included a stipulation in the Articles of Incorporation to the effect that we can provide a mid-term dividend to shareholders and registered pledgees of shareholders with a resolution of Board of Directors. The Articles of Incorporation further stipulates that the reference date for the mid-term dividend is September 30.

(2) Remuneration for audit services

1) Breakdown of remuneration paid for audit services rendered by accounting auditors

	Previous fiscal year [million yen]		Current fiscal year [million yen]	
	Remuneration for certified audits	Remuneration for non-audit services	Remuneration for certified audits	Remuneration for non-audit services
Filing company (Taiyo Holdings)	30	—	49	—
Consolidated subsidiaries	25	—	—	—
Total	55	—	49	—

2) Other important remuneration information

(Previous fiscal year)

As per their audit agreements, five of our consolidated subsidiaries—Taiyo Ink (Suzhou), Taiwan Taiyo Ink, Taiyo Ink (KOREA), Taiyo International (HK), and Taiyo Ink Products—paid Deloitte Touche Tohmatsu ¥54 million for certified audit services and ¥16 million for non-audit services. Deloitte Touche Tohmatsu is the network to which our accounting auditors belong.

(Current fiscal year)

As per their audit agreements, the same five consolidated subsidiaries paid Deloitte Touche Tohmatsu ¥65 million for certified audit services and ¥6 million for non-audit services.

3) Information on the non-audit services that public certified accountants render to us (the filing company)

Nothing to disclose.

4) Criteria for determining remuneration for audit services

We have no particular criteria as such, but we consider the size of the company in question, the nature of the services, and the number of days the audit takes.

V. Financial Information

1. How we prepare consolidated and non-consolidated financial statements

(1) Consolidated financial statements

We prepare our consolidated financial statements according to the Ordinance on Terminology, Forms, and Preparation Methods for Consolidated Financial Statements (Ordinance of the Ministry of Finance No. 28 of October 30, 1976).

However, for the current consolidated fiscal year (April 1, 2017, to March 31, 2018), we followed the amended version of this ordinance pursuant to the provision in Article 3-1 of the Cabinet Office Ordinance Amending the Ordinance on Terminology, Forms, and Preparation Methods for Financial Statements (Cabinet Office Ordinance No. 7, March 23, 2018). Comparative financial data from past years is presented according to the pre-amendment ordinance in accordance with Supplementary Provisions 3-2 of Cabinet Office Ordinance No. 7.

(2) Non-consolidated financial statements

We prepare our non-consolidated financial statements according to the Ordinance on Terminology, Forms, and Preparation Methods for Non-Consolidated Financial Statements (Ordinance of the Ministry of Finance No. 59 of October 30, 1963).

However, for the current fiscal year, we followed the amended version of this ordinance pursuant to the provision in Article 2-1 of Cabinet Office Ordinance No. 7. Comparative financial data from past years is presented according to the pre-amendment ordinance in accordance with Supplementary Provisions 2-2 of Cabinet Office Ordinance No. 7.

2. Audit certificate

Under Article 193-2(1) of the Financial Instruments and Exchange Act, our financial statements require an audit certificate. Deloitte Touche Tohmatsu has certified our consolidated financial statements for the current consolidated fiscal year (April 1, 2017, to March 31, 2018) and our non-consolidated financial statements for the current fiscal year (April 1, 2017 to March 31, 2018).

3. Special measures for ensuring that our consolidated financial statements are accurate and fair

We are members of the Financial Accounting Standards Foundation. This membership helps us keep abreast of accounting standards and thus enables us to develop the necessary structures for ensuring that our consolidated financial statements are accurate and fair.

We also participate in the Financial Accounting Standards Foundation’s training programs.

1. Consolidated financial statements and other consolidated financial information

(1) Consolidated financial statements

1) Consolidated balance sheet

(Millions of yen)

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

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	6,170	7,769
Short-term loans payable	1,274	2,145
Current portion of long-term loans payable	500	6,116
Accounts payable - other	1,210	1,853
Income taxes payable	884	1,448
Provision for bonuses	436	510
Other	877	648
Total current liabilities	11,355	20,491
Non-current liabilities		
Deferred tax liabilities	1,387	1,458
Long-term loans payable	7,169	15,923
Net defined benefit liability	127	116
Asset retirement obligations	352	397
Other	147	79
Total non-current liabilities	9,184	17,975
Total liabilities	20,540	38,467
Net assets		
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	*2 26,220	*2 27,304
Gross profit	21,645	24,937
Selling, general and administrative expenses	*1, *2 12,424	*1, *2 13,599
Operating income	9,221	11,337
Non-operating income		
Interest income	57	78
Dividend income	39	18
Foreign exchange gains	14	–
Subsidy income	20	45
Other	102	71
Total non-operating income	234	214
Non-operating expenses		
Interest expenses	86	127
Commission fee	101	–
Share issuance cost	27	–
Foreign exchange losses	–	208
Loss on investments in partnership	5	–
Other	32	17
Total non-operating expenses	253	352
Ordinary profit	9,202	11,199
Extraordinary income		
Subsidy income	546	24
Gain on sales of investment securities	–	16
Other	29	–
Total extraordinary income	575	40
Extraordinary losses		
Amortization of goodwill	–	*4 3,278
Impairment loss	*3 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
Change 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
Change 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
Cash flows from operating activities		
Profit before income taxes	8,756	7,941
Depreciation	2,485	2,284
Impairment loss	1,019	–
Amortization of goodwill	241	3,535
Commission fee	101	–
Share issuance cost	27	–
Loss (gain) on investments in partnership	5	–
Loss (gain) on sales of short-term and long-term investment securities	–	(16)
Subsidy income	(546)	(24)
Decrease (increase) in net defined benefit asset	50	15
Increase (decrease) in net defined benefit liability	9	(10)
Increase (decrease) in allowance for doubtful accounts	(80)	14
Increase (decrease) in provision for bonuses	36	72
Interest and dividend income	(97)	(97)
Interest expenses	86	127
Decrease (increase) in consumption taxes refund receivable	–	(1,759)
Decrease (increase) in notes and accounts receivable - trade	(925)	(2,030)
Decrease (increase) in inventories	(420)	(1,508)
Increase (decrease) in notes and accounts payable - trade	567	1,653
Other, net	(56)	(171)
Subtotal	11,259	10,025
Interest and dividend income received	97	92
Interest expenses paid	(80)	(123)
Proceeds from subsidy income	546	24
Income taxes paid	(2,779)	(1,918)
Net cash provided by (used in) operating activities	9,042	8,100
Cash flows from investing activities		
Payments into time deposits	(2,247)	(4,379)
Proceeds from withdrawal of time deposits	3,082	3,846
Purchase of property, plant and equipment	(1,584)	(1,381)
Proceeds from sales of property, plant and equipment	35	–
Purchase of intangible assets	(76)	(21,192)
Purchase of investment securities	(271)	(1,021)
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	–	(10)
Other, net	0	(22)
Net cash provided by (used in) investing activities	(1,063)	(24,161)

(Millions of yen)

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

[Notes on consolidated financial statements]

(Basic factors underlying our consolidated financial statement)

1. Scope of consolidation

(1) Major consolidated subsidiaries

We have 16 consolidated subsidiaries.

The names of these subsidiaries are shown on page 9 (“our affiliates”). We incorporated Taiyo Pharma Co., Ltd. into the scope of consolidation after newly founding the company in this consolidated fiscal year.

(2) Major non-consolidated subsidiaries

We have one non-consolidated subsidiary.

The sole non-consolidated subsidiary is Taiyo Ink (Thailand) Co., Ltd.

We exclude this non-consolidated subsidiary from the scope of consolidation because:

- It is small in scale.
- Its total assets, net sales, current net profit (as corresponds to equity), and retained earnings (as corresponds to equity) do not significantly impact our consolidated financial statements.

2. Consolidated subsidiaries

Two of our consolidated subsidiaries—Taiyo Ink (Suzhou) Co., Ltd. and Taiyo Ink Trading (Shenzhen) Co., Ltd.—have December 31 as their settlement date. In our consolidated financial statements, the financial information for these subsidiaries is based on a provisional settlement as of the consolidated settlement date.

Four more of our consolidated subsidiaries—Onstatic Technology Co., Ltd. and three others—have December 31 as their settlement date. While this date differs from our consolidated settlement date, we use the subsidiaries’ financial information in our consolidated financial statements because the dates are no more than three months apart. However, we adjust this information if the subsidiary experiences any significant event between its settlement date and our consolidated settlement date (i.e., between January 1, 2017, and March 31, 2018).

No other consolidated subsidiary has a fiscal year-end that differs from the consolidated fiscal year-end.

3. Applying the equity method

We do not apply the equity method to our non-consolidated subsidiary because the subsidiary only has minimal impact on current net profit (as corresponds to equity), and retained earnings (as corresponds to equity).

4. Accounting policies

(1) How we state major assets, and how we determine the stated value

1) Securities

Shares of non-consolidated subsidiaries to which we do not apply the equity method

We state at cost, as determined by the moving average method

Other securities

Securities with determinable fair value:

We state at fair value, as determined by the market price on the last day of the consolidated fiscal period (we process valuation discrepancies by the total direct capitalization method, and determine cost of sales by the moving average method)

Securities with no determinable fair value:

We state at cost, as determined by the moving average method

For our contributions to investment partnerships (only those defined as securities under Article 2-2 of the Financial Instruments and Exchange Act), we state the net value of our equity interest (as gleaned from available financial statements) according to the partnership’s settlement date.

2) Derivatives

We state at fair value.

3) Inventories

Generally, we state at cost, as determined by the moving average method (we reduce the carrying value when the contribution to profits declines).

(2) How we depreciate major depreciable assets

1) Property, plant and equipment

Buildings	Generally, we use the straight-line method.
Other	Generally, we use the declining-balance method.

The useful life of these assets is generally as follows.

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

2) Intangible assets

Software (for internal use)	We use the straight-line method based on the period for which we expect to use the software (namely, five years).
Other	We use the straight-line method.

The useful life of these assets is generally as follows.

Sales rights:	10–15 years

(3) How we account for major reserves

1) Allowance for doubtful accounts

We provide a bad debt reserve to cover the bad debt we expect to arise from our accounts receivable as a whole. We estimate the amount based on the doubtful accounts rate. If we have concerns with particular debtors, we will consider how much we are likely to recover from the debtor in question and then add the unrecoverable portion to the bad debt reserve.

2) Provision for bonuses

We and some of our consolidated subsidiaries provide a reserve to cover the bonuses we expect to pay in the relevant consolidated fiscal year.

(4) How we account for retirement benefits

1) Attributing projected retirement benefits to periods of service

We use a benefit formula to estimate the amount of retirement benefit obligations we will pay until the end of the consolidated fiscal year. We then attribute this projected amount to the consolidated fiscal year in question.

2) Amortizing actuarial gains/losses and prior service cost

To recognize prior service costs, we amortize the amount using the straight-line method. The amortization period will always be shorter than the employees’ average remaining service period (it is usually five years).

We amortize actuarial gains/losses using the straight-line method and starting from the fiscal year following that in which we recognized the gain/loss. The amortization period will always be shorter than the employees’ average remaining service period (it is usually five years).

For unrecognized actuarial gains/losses and unrecognized prior service cost, we adjust for tax effects and then report them as “remeasurements of defined benefit plans” under the “accumulated other comprehensive income” entry in the net assets section.

3) Simplified accounting procedures for smaller companies

Some of our consolidated subsidiaries use a simplified method for calculating net-defined benefit liability and retirement benefits. Under this method, the amount of retirement benefits paid for voluntary resignations is included in retirement benefit obligations.

(5) How we redenominate major foreign assets/liabilities

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 overseas consolidated 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 non-controlling interests in the section of net assets.

(6) How we account for major hedges

1) Hedge accounting

Interest rate swaps qualify for special accounting treatment, so we treat them accordingly.

2) Hedging instruments and hedged items

Hedging instrument	Hedged item
Interest rate swaps	Long-term loans payable (including current portion of long-term loans payable)

3) Hedging policy

We use hedging instruments to hedge against adverse interest rate movements to the extent appropriate for the hedged item.

4) Evaluating hedge performance

We do not evaluate the performance of interest rate swaps because they are subject to special accounting treatments.

(7) Method and period for amortizing goodwill

Goodwill is amortized by the straight-line method over 5 years or 20 years.

(8) 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.

(9) Other key matters that determine how we prepare our consolidated financial statements

1) Consumption taxes

We account for consumption taxes using the tax excluded method.

2) Applying the consolidated tax system.

We apply this system.

(Accounting standards not yet applied)

- Accounting standard for revenue recognition (Statement No. 29, Accounting Standards Board of Japan, March 30, 2018)
- Guidance on implementing accounting standard for revenue recognition (Statement No. 30, Accounting Standards Board of Japan, March 30, 2018)

(1) Outline

In May 2014, after working together on converged accounting standards for recognizing revenue, the International Accounting Standards Board (IASB) and the US Financial Accounting Standards Board (FASB) issued converged accounting standards for recognizing revenue from contracts with customers. The IFRS standard is IFRS 15, and the FASB standard is Topic 606. IFRS 15 applies to financial statements for business periods beginning on or after January 1, 2018. Topic 606 applies to financial statements for business periods beginning after December 15, 2017. In line with this development, the Accounting Standards Board of Japan (ASBJ) has developed its own converged accounting standard for revenue recognition, and it issued this standard together with guidance on how to apply it.

An advantage of converged accounting standards is that they make it easier to compare financial statements from different countries. To promote such international comparability, the ASJB decided to incorporate all the key provisions of IFRS 15 into its own standard. However, it also decided to provide companies that report under Japanese generally accepted practices with alternative treatments for certain items, but only to the extent that these alternatives do not undermine international comparability.

(2) Effective date

The standard will apply to our financial statements starting in the fiscal year ending in March 31, 2022.

(3) Impact

We are currently investigating how the standard will affect our consolidated financial statements.

(Changes in presentation methods)

(Changes resulting from early application of the Amendments to Accounting Standard for Tax-Effect Accounting)

On February 16, 2018, the ASBJ issued the Amendments to Accounting Standard for Tax-Effect Accounting (No. 28). The amended standard is applicable to consolidated financial statements from the current consolidated fiscal year onward, so we adopted the amended standard in the current consolidated fiscal year. Specifically, we now classify deferred tax assets as “investments and other assets,” and deferred tax liabilities as “non-current liabilities.” We have also changed the way we annotate our tax-effect accounting.

Accordingly, the ¥230 million of deferred tax assets we have presented under “investments and other assets” includes the ¥81 million of deferred tax assets that we presented under “current assets” in the previous consolidated fiscal year’s consolidated balance sheet. Likewise, the ¥1,387 million of deferred tax liabilities we have presented under “non-current liabilities” includes the ¥252 million of deferred tax liabilities that we presented under “current liabilities” in the previous consolidated fiscal year’s consolidated balance sheet.

We now annotate our tax-effect accounting according to the tax-effect accounting provisions in Paragraphs 3 through 5 of the amended standard—specifically, the provisions in Note 8 (other than the provision on accounting for valuation reserves) and Note 9. However, in accordance with the transitionary measures in Paragraph 7, we omitted to include the annotations concerning the previous consolidated fiscal year.

(Additional information)

(Delivering treasury shares to employs through a trust)

The Company has applied the “Practical Solution on Transactions of Delivering the Company’s Own Stock to Employees etc. through Trusts” (ASBJ PITF No. 30, March 26, 2015).

(1) Overview of transactions

On May 2, 2014, the Board of Directors resolved to introduce an ESOP trust with the aim of (1) fostering feelings of “belongingness” or solidarity and a willingness to participate in management, (2) raising employees’ morale and motivating them to contribute to our long-term performance and stock price, and (3) encouraging employees to contribute to our long-term corporate value. For details of our ESOP, see page 33. We record the ESOP trust’s assets/liabilities on the balance sheet as our own assets/liabilities, and we record its income on statements of income as our own income (using the aggregate method).

(2) Remaining shares in the trust

Own stock of the Company remaining in trusts are recorded as treasury shares in the portion of net assets according to the carrying amount at the trust (excluding amounts of ancillary cost). As of the current consolidated fiscal year, 39,660 treasury shares remain the trust, and the carrying amount is ¥120 million.

(Consolidated balance sheets)

*1 Trade notes maturing on the closing date of the consolidated fiscal year

We treat such trade notes on the basis that they are settled on the clearing date.

Since the closing date of the current consolidated fiscal year fell on a bank holiday, we included the following trade notes (maturing on the closing date of the consolidated fiscal year) in the current consolidated balance sheet.

	Previous consolidated balance sheet (March 31, 2017)	Current consolidated balance sheet (March 31, 2018)
Notes receivable – trade	¥4 million	¥86 million

*2 Reduction entries

We subtracted the following reduction entry amounts from the purchase prices of assets that we purchased using government subsidies.

	Previous consolidated balance sheet (March 31, 2017)	Current consolidated balance sheet (March 31, 2018)
Buildings and structures	¥5 million	¥4 million
Tools, furniture, and fixtures	¥0	¥0

*3 Accumulated amortization

The accumulated amortization for property, plant and equipment is as follows.

	Previous consolidated balance sheet (March 31, 2017)	Current consolidated balance sheet (March 31, 2018)
Accumulated amortization for property, plant and equipment	¥27,568 million	¥29,050 million

*4 Export bill discounts

The discounts for export bills are as follows.

	Previous consolidated balance sheet (March 31, 2017)	Current consolidated balance sheet (March 31, 2018)
Export bill discounts	¥30 million	¥0

*5 Overdraft facility

We concluded an overdraft agreement with a bank to help ensure efficient cash flow management. The unused portion of the overdraft as of the closing date was as follows.

	Previous consolidated balance sheet (March 31, 2017)	Current consolidated balance sheet (March 31, 2018)
Used portion of overdraft	¥6,500 million	¥7,500 million
Unused portion of overdraft	—	—
Balance due	¥6,500 million	¥7,500 million

(Consolidated statement of income)

*1 Selling, general / administrative expenses

The key entries and amounts under this category are as follows.

	Previous consolidated fiscal year (April 1, 2016, to March 31, 2017)	Current consolidated fiscal year (April 1, 2017, to March 31, 2018)
Salary	¥2,028 million	¥2,028 million
Provision for bonuses	¥206 million	¥225 million
Commissions paid	¥973 million	¥966 million
Depreciation	¥1,197 million	¥770 million
Exploratory R&D	¥2,407 million	¥3,010 million
Retirement allowance obligations	¥198 million	¥164 million

*2 R&D expenses

The portion of general / administrative expenses and current total manufacturing expenses pertaining to R&D expenses is as follows.

	Previous consolidated fiscal year (April 1, 2016, to March 31, 2017)	Current consolidated fiscal year April 1, 2017, to March 31, 2018)
	¥3,235 million	¥3,089 million

*3 Impairment loss

Previous fiscal year (April 1, 2016, to March 31, 2017)

We recorded impairment loss in the following asset group.

Location	Purpose	Asset group	Impairment loss
Head Office (Nerima-ku, Tokyo)	Administration	Land and buildings	¥1,019 million

We generally categorize business assets under each business divisions, and make separate categories for each retired asset.

We have been consolidating and transferring administrative functions in an effort to reorganize our business bases, and we expect to retire the Head Office’s land and buildings assets in the future. Accordingly, we reduced the carrying amount of these assets to the recoverable value.

The recoverable value represents the net realized value, and we determined the value reasonably and fairly (by adopting a real-estate appraiser’s estimate).

Current fiscal year (April 1, 2017, to March 31, 2018)

Nothing to disclose

*4 Amortization of goodwill

Current fiscal year (April 1, 2017, to March 31, 2018)

We amortized goodwill on a one-off basis according to Paragraph 32 of the *Practical Guidelines on Accounting Standards for Capital Consolidation Procedures in Preparing Consolidated Financial Statements* (the Japanese Institute of Certified Public Accountants [JICPA] Accounting Practice Committee Report No. 7, November 28, 2014)

(Consolidated statement of comprehensive income)

* Reclassification adjustments and tax effects of other comprehensive income

	Previous consolidated fiscal year (April 1, 2016, to March 31, 2017)	Current consolidated fiscal year (April 1, 2017, to March 31, 2018)
Valuation difference on available-for-sale securities:		
Occurring in current period	¥144 million	¥197 million
Reclassification adjustment	¥0 million	(¥16 million)
Before tax effect	¥144 million	¥180 million
Tax effect	(¥44 million)	(¥54 million)
Valuation difference on available-for-sale securities	¥99 million	¥125 million
Foreign currency translation adjustment:		
Occurring in current period	(¥519 million)	(¥45 million)
Remeasurements of defined benefit plans, net of tax		
Occurring in current period	(¥8 million)	¥9 million
Reclassification adjustment	¥25 million	¥2 million
Before tax effect	¥17 million	¥11 million
Tax effect	(¥4 million)	(¥2 million)
Remeasurements of defined benefit plans, net of tax	¥13 million	¥8 million
Total other comprehensive income	(¥406 million)	¥89 million

(Consolidated statement of changes in equity)

Previous consolidated fiscal year (April 1, 2016, to March 31, 2017)

1. Outstanding shares and treasury shares (classes and amounts)

Class	Amount			
	Beginning of fiscal year	Increase	Decrease	End of fiscal year
Outstanding shares				
Common shares *Note 1	27,464,000	1,312,600	―	28,776,600
Series I Class A shares	21,600	―	―	21,600
Series II Class A shares *Note 2	―	42,900	―	42,900
Treasury shares				
Common shares *Notes 3, 4, 5	4,379,037	88	4,320,610	58,515

(Notes) 1. Common shares increased by 1,312,600 after we issued new shares in a third-party allotment.
2. Series II Class A shares increased by 42,900 after we issued new shares in a third-party allotment.
3. The amounts for common treasury shares include the portion that we have entrusted to The Master Trust Bank of Japan, Ltd. for our ESOP (there were 74,390 such shares at the beginning of the fiscal year and 58,480 at the end).
4. Common treasury shares increased by 88 after we acquired fractional shares.
5. Common treasury shares decreased by 4,320,610 after we disposed of 4,304,700 of our treasury shares, delivered 15,400 shares from the ESOP trust, and disposed of 510 of the ESOP trust shares.

2. Dividends

(1) Amounts paid in dividend

Resolution	Class of shares	Total dividend [million yen]	Dividend per share [yen]	Reference date	Effective date
Ordinary General Shareholders' Meeting June 21, 2016	Common shares	1,273	55	Mar 31, 2016	Jun 22, 2016
	Series I Class A shares	1	55	Mar 31, 2016	Jun 22, 2016
Meeting of Board of Directors October 31, 2016	Common shares	1,273	55	Sep 30, 2016	Dec 1, 2016
	Series I Class A shares	1	55	Sep 30, 2016	Dec 1, 2016
	Series II Class A shares	2	55	Sep 30, 2016	Dec 1, 2016

(Notes) Of the total dividend resolved at the Ordinary General Shareholders' Meeting on June 21, 2016, ¥4 million pertains to shares that we have entrusted to The Master Trust Bank of Japan, Ltd. for the ESOP. Of the total dividend resolved at the meeting of the Board of Directors on October 31, 2016, ¥3 million pertains to such shares.

(2) Dividends with a reference date in the current consolidated fiscal year and an effective date in the next

Resolution	Class of shares	Total dividend [million yen]	Source of dividend	Dividend per share [yen]	Reference date	Effective date
Ordinary General Shareholders' Meeting June 21, 2017	Common shares	1,873	Retained earnings	65.1	Mar 31, 2017	Jun 22, 2017
	Series I Class A shares	1	Retained earnings	65.1	Mar 31, 2017	Jun 22, 2017
	Series II Class A shares	2	Retained earnings	65.1	Mar 31, 2017	Jun 22, 2017

(Note) Of the total dividend resolved at the Ordinary General Shareholders' Meeting on June 21, 2017, ¥3 million pertains to shares that we have entrusted to The Master Trust Bank of Japan, Ltd. for the ESOP.

Current consolidated fiscal year (April 1, 2017, to March 31, 2018)

1. Outstanding shares and treasury shares (classes and amounts)

Class	Amount			
	Beginning of fiscal year	Increase	Decrease	End of fiscal year
Outstanding shares				
Common shares *Note 1	28,776,600	24,094	—	28,800,694
Series I Class A shares	21,600	—	—	21,600
Series II Class A shares	42,900	—	—	42,900
Treasury shares				
Common shares *Notes 2, 3, 4	58,515	120	18,820	39,815

(Notes) 1. Common shares increased by 24,094 after we issued new shares in a third-party allotment.
2. The amounts for common treasury shares include the portion that we have entrusted to The Master Trust Bank of Japan, Ltd. for our ESOP (there were 58,480 such shares at the beginning of the fiscal year and 39,660 at the end).
3. Common treasury shares increased by 120 after we acquired fractional shares.
4. Common treasury shares decreased by 18,820 after we delivered 18,000 shares from the ESOP trust and disposed of 820 of the ESOP trust shares.

2. Dividends

(1) Amounts paid in dividend

Resolution	Class of shares	Total dividend [million yen]	Dividend per share [yen]	Reference date	Effective date
Ordinary General Shareholders' Meeting June 21, 2017	Common shares	1,873	65.1	Mar 31, 2017	Jun 22, 2017
	Series I Class A shares	1	65.1	Mar 31, 2017	Jun 22, 2017
	Series II Class A shares	2	65.1	Mar 31, 2017	Jun 22, 2017
Meeting of Board of Directors October 31, 2017	Common shares	1,874	65.1	Sep 30, 2017	Dec 1, 2017
	Series I Class A shares	1	65.1	Sep 30, 2017	Dec 1, 2017
	Series II Class A shares	2	65.1	Sep 30, 2017	Dec 1, 2017

(Note) Of the total dividend resolved at the Ordinary General Shareholders' Meeting on June 21, 2017, ¥3 million pertains to shares that we have entrusted to The Master Trust Bank of Japan, Ltd. for the ESOP. Of the total dividend resolved at the meeting of the Board of Directors on October 31, 2017, ¥2 million pertains to such shares.

(2) Dividends with a reference date in the current consolidated fiscal year and an effective date in the next

Resolution	Class of shares	Total dividend [million yen]	Source of dividend	Dividend per share [yen]	Reference date	Effective date
Ordinary General Shareholders' Meeting June 23, 2018	Common shares	2,738	Retained earnings	95.1	Mar 31, 2018	Jun 25, 2018
	Series I Class A shares	2	Retained earnings	95.1	Mar 31, 2018	Jun 25, 2018
	Series II Class A shares	4	Retained earnings	95.1	Mar 31, 2018	Jun 25, 2018

(Note) Of the total dividend resolved at the Ordinary General Shareholders' Meeting on June 23, 2018, ¥5 million pertains to shares that we have entrusted to The Master Trust Bank of Japan, Ltd. for the ESOP.

(Consolidated statement of cash flows)

*1 Ending balance of cash and cash equivalents, and the consolidated balance sheet entries from which this balance is derived

	Previous fiscal year (April 1, 2016, to March 31, 2017)	Current fiscal year (April 1, 2017, to March 31, 2018)
Cash and deposits	¥48,800 million	¥44,588 million
Time deposits exceeding 3 months	(¥2,139 million)	(¥2,771 million)
Cash and cash equivalents	¥46,661 million	¥41,816 million

*2 Key assets/liabilities of companies that ceased to be consolidated subsidiaries following the sale of shares

Previous consolidated fiscal year (April 1, 2016, to March 31, 2017)

Nothing to disclose

Current consolidated fiscal year (April 1, 2017, to March 31, 2018)

We have omitted to disclose the assets/liabilities because they are not significant enough to warrant disclosure.

(Lease transactions)

1. Finance lease transactions

We have omitted to disclose these transactions because they are not significant enough to warrant disclosure.

2. Operating lease transactions

The following table shows the future payments for non-cancellable unexpired leases.

[million yen]

	Previous fiscal year (March 31, 2017)	Current fiscal year (March 31, 2018)
Due within one year	15	15
Due after one year	414	398
Total	429	414

(Financial instruments)

1. Overview

(1) Our policy on financial instruments

We generally try to self-fund our operations. However, if a project requires a large sum of capital, we will fund it through a bank loan or other means after considering market conditions.

When procuring temporary surplus funds, we will only use financial instruments that are sufficiently stable.

For derivatives, we minimize the associated risks (we discuss these risks in the following section) by refraining from speculative transactions.

(2) Our financial instruments and the risks they entail

Trade receivables: “notes and accounts receivable – trade” entails customer credit risk. Foreign currency-denominated trade receivables (which occur in relation to our overseas business operations) entail exchange risk.

Investment securities: Most of our investment securities pertain to our business associates. As such, they are vulnerable to fluctuations in market prices.

Trade payables: Most of our “notes and accounts payable – trade” are due within four months. Those that are denominated in a foreign currency entail exchange risk.

Derivatives: We use forward foreign exchange contracts to hedge the exchange risk associated with our foreign currency-denominated trade receivables. Please refer back to page 66 (“How we account for major hedges”) to see our accounting policies on hedging instruments and hedged items, our hedging policy, and how we evaluate hedge performance.

(3) Our rules and measures for managing these risks

1) Managing credit risk (the risk that our trading partners will fail to perform their contractual obligations to us)

Trade receivables: Under our credit control rules, we regularly monitor the financial position of our trading partners and manage their payment dates and balances accordingly. In this way, we try to identify as quickly as possible cases where a trading partner will struggle to repay due to financial difficulties, and provide repayment relief as necessary. Our consolidated subsidiaries follow the same policy.

Derivatives: We acquire all our derivatives from financial institutions, which have stable credit. Therefore, we believe that credit risk associated with our derivatives is negligible.

2) Managing market fluctuation risk (exchange and interest risks)

Foreign currency-denominated trade and long-term loan payables: We and some of our consolidated subsidiaries manage the foreign exchange risk associated with these receivables/payables by analyzing them in relation to the monthly trends of each currency concerned.

Investment securities: We regularly monitor the fair value and the financial position of the issuer (who is usually a business associate). As regards shares, we continually revise our share ownership in consideration of market conditions and our relationships with our trading partners.

Enacting and managing derivative transactions: We have established rules defining who has authority to sanction derivative transactions and the maximum amounts of the derivatives to be traded. Under these rules, a business division must obtain sanction from a designated officer before enacting a derivative transaction. The Board of Directors is regularly updated on the derivative transactions enacted.

3) Managing funding liquidity risk (the risk that we cannot settle obligations in bank money by the payment date)

All companies in the Taiyo Group prepare cash-flow plans as necessary to ensure that they can settle obligations in a timely manner.

(4) Additional note on fair value

We determine the fair value of our financial instruments by referring to their market value, or if they lack a readily determinable fair value, by using fair and reasonable calculation methods. In determining fair value, we consider variables that change over time. Therefore, the resulting fair value will reflect the particular assumptions we adopted at the time of calculation.

2. Fair value, consolidated carrying value, valuation difference

The following tables show the fair value, consolidated carrying value, and the difference between them for our financial instruments as of the previous and current consolidated fiscal years. We have omitted financial instruments whose fair value we could not determine (see Note 2).

Previous consolidated fiscal year (ended March 31, 2017)

	Consolidated carrying value (*Note 3) [million yen]	Fair value (*Note 3) [million yen]	Difference [million yen]
(1) Cash and deposits	48,800	48,800	–
(2) Notes and accounts receivable - trade	13,346		
Allowance for doubtful accounts (*Note 1)	(99)		
	13,247	13,247	–
(3) Investment securities			
Other securities	596	596	–
(4) Notes and accounts payable - trade	(6,170)	(6,170)	–
(5) Accounts payable - other	(1,210)	(1,210)	–
(6) Income taxes payable	(884)	(884)	–
(7) Short-term loans payable	(1,274)	(1,274)	–
(8) Long-term loans payable (including current portion of long-term loans payable)	(7,670)	(7,692)	(22)
Derivative transactions			
Transactions that do not qualify for hedge accounting	7	7	–
Transactions that qualify for hedge accounting	–	–	–
Total derivative transactions (*Note 2)	7	7	–

*1 We have omitted the portion of "notes and accounts receivable – trade" that pertains to allowance for doubtful accounts.

*2 We show the receivables/payables arising from derivative transactions on a net basis.

*3 Parenthesized figures indicate liabilities.

Current consolidated fiscal year (ended March 31, 2018)

	Consolidated carrying value (*Note 3) [million yen]	Fair value (*Note 3) [million yen]	Difference [million yen]
(1) Cash and deposits	44,588	44,588	–
(2) Notes and accounts receivable - trade	15,509		
Allowance for doubtful accounts (*Note 1)	(127)		
	15,382	15,382	–
(3) Investment securities			
Other securities	1,529	1,529	–
(4) Notes and accounts payable - trade	(7,769)	(7,769)	–
(5) Accounts payable - other	(1,853)	(1,853)	–
(6) Income taxes payable	(1,448)	(1,448)	–
(7) Short-term loans payable	(2,145)	(2,145)	–
(8) Long-term loans payable (including current portion of long-term loans payable)	(22,039)	(22,049)	(9)
Derivative transactions			
Transactions that do not qualify for hedge accounting	0	0	–
Transactions that qualify for hedge accounting	–	–	–
Total derivative transactions (*Note 2)	0	0	–

*1 We have omitted the portion of "notes and accounts receivable – trade" that pertains to allowance for doubtful accounts.

*2 We show the receivables/payables arising from derivative transactions on a net basis.

*3 Parenthesized figures indicate liabilities.

Additional notes:

1. Method for calculating the fair value of financial instruments, and securities and derivative transactions

Assets

(1) Cash and deposits, (2) Notes and accounts receivable - trade

We state at the carrying amount. Reason: Since these instruments are settled quickly, their fair value is similar to their carrying value.

(3) Investment securities

Shares: We state the price quoted on the relevant exchange. Bonds: We state the price quoted on the relevant exchange or the price indicated by the relevant financial institution.

Liabilities

(4) Notes and accounts payable – trade, (5) Accounts payable – other, (6) Income taxes payable, (7) Short-term loans payable

We state at the carrying amount. Reason: Since these instruments are settled quickly, their fair value is similar to their carrying value.

(8) Long-term loans payable (including current portion of long-term loans payable)

Long-term loans payable with variable interest rates: We state at the carrying amount. Reason: Since they reflect short-term market interest rate trends, and since our credit rating has not markedly changed after we took them on, their fair value is similar to their carrying value. Long-term loans payable associated with interest rate swaps qualifying for special accounting treatment: After calculating the sum of the principal and interest together with the cash flows from the swap, we discount this sum at what would be reasonable a yield for a similar loan.

Derivatives

See the section on derivative transactions on page 99.

2. Financial instruments whose fair value we could not determine

(Million yen)

	Previous consolidated fiscal year (ended March 31, 2017)	Current consolidated fiscal year (ended March 31, 2018)
Unlisted shares	2	102
Affiliate shares	19	19
Contributions to investment partnerships	458	579

The above financial instruments lack a readily determinable fair value because they have no market price. Hence, we have not included them in (3) investment securities.

3. Redemption schedule for monetary claims and securities-with-maturities due after the consolidated closing date

Previous consolidated fiscal year (ended March 31, 2017)

	Due within one year [million yen]	Due between one and five years [million yen]
Cash and deposits	48,800	–
Notes and accounts receivable - trade	13,346	–

Current consolidated fiscal year (ended March 31, 2018)

	Due within one year [million yen]	Due between one and five years [million yen]
Cash and deposits	44,588	–
Notes and accounts receivable - trade	15,509	–

4. Repayment schedule for short-term and long-term loans payable due after the consolidated closing date

Previous consolidated fiscal year (ended March 31, 2017)

	Due within one year [million yen]	Due between one and two years [million yen]	Due between two and three years [million yen]	Due between three and four years [million yen]	Due between four and five years [million yen]	Due after five years [million yen]
Short-term loans payable	1,274	–	–	–	–	–
Long-term loans payable	500	4,819	2,200	117	33	–
Total	1,774	4,819	2,200	117	33	–

Current consolidated fiscal year (ended March 31, 2018)

	Due within one year [million yen]	Due between one and two years [million yen]	Due between two and three years [million yen]	Due between three and four years [million yen]	Due between four and five years [million yen]	Due after five years [million yen]
Short-term loans payable	2,145	–	–	–	–	–
Long-term loans payable	6,116	3,725	1,640	3,357	7,200	–
Total	8,261	3,725	1,640	3,357	7,200	–

(Securities)

1. Other securities

Previous consolidated fiscal year (ended March 31, 2017)

	Type of security	Consolidated carrying value [million yen]	Acquisition price [million yen]	Valuation difference [million yen]
Securities whose consolidated carrying value exceeds their acquisition price	(1) Shares	554	283	270
	(2) Other	–	–	–
	Subtotal	554	283	270
Securities whose consolidated carrying value does not exceed their acquisition price	(1) Shares	42	53	(11)
	(2) Other	–	–	–
	Subtotal	42	53	(11)
Total		596	337	259

Note: The above data excludes the unlisted shares (consolidated carrying value: ¥2 million) and contributions to investment partnerships (consolidated carrying value: ¥458 million). These financial instruments lack a readily determinable fair value because they have no market price.

Current consolidated fiscal year (ended March 31, 2018)

	Type of security	Consolidated carrying value [million yen]	Acquisition price [million yen]	Valuation difference [million yen]
Securities whose consolidated carrying value exceeds their acquisition price	(1) Shares	1,452	984	468
	(2) Other	–	–	–
	Subtotal	1,452	984	468
Securities whose consolidated carrying value does not exceed their acquisition price	(1) Shares	95	130	(35)
	(2) Other	–	–	–
	Subtotal	95	130	(35)
Total		1,548	1,115	433

Note: The above data excludes the unlisted shares (consolidated carrying value: ¥102 million) and contributions to investment partnerships (consolidated carrying value: ¥579 million). These financial instruments lack a readily determinable fair value because they have no market price.

2. Other securities that we have sold

Previous consolidated fiscal year (April 1, 2016, to March 31, 2017)

We have omitted to disclose the assets/liabilities because they are not significant enough to warrant disclosure.

Current consolidated fiscal year (April 1, 2017, to March 31, 2018)

Type of security	Sale price (Million yen)	Total gain on sale (Million yen)	Total loss on sale (Million yen)
(1) Shares	60	16	–
(2) Other	–	–	–
Total	60	16	–

(Derivatives)

1. Transactions that do not qualify for hedge accounting

(1) Currency-related

Previous consolidated fiscal year (ended March 31, 2017)

Type of transaction	Transaction	Contract value (Million yen)	Contract value for contracts exceeding one year (Million yen)	Fair value (Million yen)	Valuation difference (Million yen)
Off-market transactions	Foreign exchange transactions				
	USD denominated sales	480	–	9	9
	JPY denominated purchases	71	–	(1)	(1)

Note: How we determine the fair value:
We base fair value on the market price that the relevant financial institution quotes.

Current consolidated fiscal year (ended March 31, 2018)

Type of transaction	Transaction	Contract value (Million yen)	Contract value for contracts exceeding one year (Million yen)	Fair value (Million yen)	Valuation difference (Million yen)
Off-market transactions	Foreign exchange transactions				
	USD denominated sales	539	–	0	0
	JPY denominated purchases	80	–	(0)	(0)

Note: How we determine the fair value:
We base fair value on the market price that the relevant financial institution quotes.

(2) Interest-related

Nothing to disclose

2. Transactions that qualify for hedge accounting

Previous consolidated fiscal year (ended March 31, 2017)

Method of hedge accounting	Type of hedge transaction	Main hedged item	Contract value (Million yen)	Contract value for contracts exceeding one year (Million yen)	Fair value (Million yen)
Special accounting treatment for interest rate swaps	Receive-floating pay-fixed interest rate swaps	Long-term loans payable	2,720	2,380	(Note)

Note: Under the special accounting treatment for interest rate swaps, we process the swap together with the hedged long-term loan payable to which it pertains. Accordingly, we have included the fair value of the swaps in the fair value of the relevant long-term loans payable.

Current consolidated fiscal year (ended March 31, 2018)

Methods of hedge accounting	Type of hedge transaction	Main hedged item	Contract value (Million yen)	Contract value for contracts exceeding one year (Million yen)	Fair value (Million yen)
Special accounting treatment for interest rate swaps	Receive-floating pay-fixed interest rate swaps	Long-term loans payable	2,380	2,040	(Note)

Note: Under the special accounting treatment for interest rate swaps, we process the swaps together with the hedged long-term loans payable to which they pertain. Accordingly, we have included the fair value of the swaps in the fair value of the relevant long-term loans payable.

(Retirement benefits)

1. Our system of retirement benefits

We provide a points-based retirement allowance system that accords with the defined-benefit corporation pension system and a defined contribution plan.
Some of our consolidated subsidiaries use a defined contribution plan in addition to a defined-benefit corporate pension plan.

Some of our consolidated subsidiaries use a simplified method for calculating net-defined benefit liability and retirement benefit costs. Under this method, the amount of retirement benefits paid for voluntary resignations at the fiscal year end is included in retirement benefit obligations.

2. Defined-benefit systems (other than those that use the simplified accounting method)

(1) Opening/closing balance of retirement benefit obligations and adjusting entries

	Previous consolidated fiscal year (April 1, 2016, to March 31, 2017)	Current consolidated fiscal year (April 1, 2017, to March 31, 2018)
Opening balance of retirement benefit obligations	1,945 million yen	2,051 million yen
Service cost	159	161
Interest cost	13	14
Actuarial differences	29	(10)
Retirement benefit payments	(106)	(125)
Exchange differences	9	(2)
Closing balance of retirement benefit obligations	2,051	2,089

(2) Opening/closing balance of pension assets and adjusting entries

	Previous consolidated fiscal year (April 1, 2016, to March 31, 2017)	Current consolidated fiscal year (April 1, 2017, to March 31, 2018)
Opening balance of pension assets	2,278 million yen	2,355 million yen
Expected rate of return	22	28
Actuarial differences	14	(7)
Employer’s contribution	138	139
Retirement benefit payments	(106)	(125)
Exchange differences	8	(2)
Closing balance of pension assets	2,355	2,386

(3) Closing balance of retirement benefit obligations and pension assets, and adjusting entries for net-defined benefit asset/liability reported on the consolidated balance sheet

	Previous consolidated fiscal year (April 1, 2016, to March 31, 2017)	Current consolidated fiscal year (April 1, 2017, to March 31, 2018)
Funded retirement benefit obligations	2,051 million yen	2,089 million yen
Pension assets	(2,355)	(2,386)
Asset (liability) reported on the consolidated balance sheet	(303)	(296)
Net-defined benefit liability	29	29
Net-defined benefit asset	(332)	(326)
Asset (liability) reported on the consolidated balance sheet	(303)	(296)

(4) Breakdown of retirement benefit costs

	Previous consolidated fiscal year (April 1, 2016, to March 31, 2017)	Current consolidated fiscal year (April 1, 2017, to March 31, 2018)
Service cost	159 million yen	161 million yen
Interest cost	13	14
Expected rate of return	(22)	(28)
Adjustment for actuarial differences	7	(11)
Adjustment for past service cost	10	10
Retirement benefit cost for defined-benefit systems	168	146

(5) Remeasurements of defined benefit plans, net of tax

The following table shows the breakdown of "remeasurements of defined benefit plans, net of tax" (before tax effects).

	Previous consolidated fiscal year (April 1, 2016, to March 31, 2017)	Current consolidated fiscal year (April 1, 2017, to March 31, 2018)
Past service cost	10 million yen	10 million yen
Actuarial differences	7	1
Total	17	11

(6) Cumulative remeasurements of defined benefit plans

The following table shows the cumulative effects of the adjusting entries for retirement benefits (before tax effects).

	Previous consolidated fiscal year (ended March 31, 2017)	Current consolidated fiscal year (ended March 31, 2018)
Unrecognized past service cost	(20) million yen	(10) million yen
Unrecognized actuarial gain or loss	21	23
Total	1	12

(7) Notes on pension assets

1) Key pension assets

The following table shows the main constituent asset of total pension assets.

	Previous consolidated fiscal year (ended March 31, 2017)	Current consolidated fiscal year (ended March 31, 2018)
General accounts assets	100 %	100 %
Total	100	100

2) How we determine the expected long-term rate of return for pension assets

We consider how we currently distribute the pension assets and how we expect to do so in the future. We also consider the present and expected long-term rate of return for each constituent asset.

(8) Criteria for determining actuarial gains/losses

The following table shows the main criteria we use to determine actuarial gains/losses (the figures indicate weighted averages).

	Previous consolidated fiscal year (ended March 31, 2017)	Current consolidated fiscal year (ended March 31, 2018)
Discount rate	0.645 %	0.645 %
Expected long-term rate of return	1.0	1.0
Expected salary increase rate	14.12	14.12

3. Defined-benefit systems that use the simplified accounting method

(1) Opening/closing balance of net defined benefit liability subject to the simplified accounting method and adjusting entries

	Previous consolidated fiscal year (April 1, 2016, to March 31, 2017)	Current consolidated fiscal year (April 1, 2017, to March 31, 2018)
Opening balance of net defined benefit liability	93 million yen	98 million yen
Retirement benefit costs	4	6
Retirement benefit payments	–	(17)
Closing balance of net defined benefit liability	98	87

(2) Closing balance of retirement benefit obligations and pension assets, and adjustment entries for net-defined benefit asset/liability reported on the consolidated balance sheet

	Previous consolidated fiscal year (April 1, 2016, to March 31, 2017)	Current consolidated fiscal year (April 1, 2017, to March 31, 2018)
Non-funded retirement benefit obligations	98 million yen	87 million yen
Asset (liability) reported on the consolidated balance sheet	98	87
Net defined benefit liability	98	87
Asset (liability) reported on the consolidated balance sheet	98	87

(3) Retirement benefit costs

Retirement benefit costs determined using simplified accounting method

Previous consolidated fiscal year: ¥4 million

Current consolidated fiscal year: ¥6 million

4. Defined contribution plans

The contribution that we and some of our consolidated subsidiaries has made amounted to ¥166 million in the previous consolidated fiscal year, and ¥165 million in the current consolidated fiscal year.

(Stock options)

Nothing to disclose.

(Tax effect accounting)

1. Breakdown of the main factors that generate deferred tax assets and deferred tax liabilities

	Previous consolidated fiscal year (ended March 31, 2017)	Current consolidated fiscal year (ended March 31, 2018)
Deferred tax assets		
Net defined benefit liability	38 million yen	35 million yen
Deferred tax assets for unrealized gains	176	144
Denial of accrued employees' bonuses	112	117
Denial of accrued enterprise tax	56	63
Loss carried forward (Note) 3.	18	38
Over-depreciation	95	93
Asset retirement obligations	110	321
Impairment loss	329	124
Other	177	244
Deferred tax assets subtotal	1,116	1,183
Valuation allowance for tax loss carried forward (Note) 3.	–	(38)
Valuation allowance for total future tax consequences of temporary differences	–	(505)
Valuation allowance subtotal (Note) 2.	(514)	(543)
Deferred tax assets total	602	639
Deferred tax liabilities		
Deferred tax liabilities for subsidiaries' retained earnings	1,395	1,423
Valuation difference on available-for-sale securities	104	158
Assets related to retirement benefit payments	101	98
Other	157	152
Deferred tax liabilities total	1,759	1,833
Net deferred tax liabilities (Note) 1.	1,157	1,193

(Note) 1. The net deferred tax assets (liabilities) for the current and previous consolidated fiscal year are included in the following consolidated balance sheet entries.

	Previous consolidated fiscal year (ended March 31, 2017)	Current consolidated fiscal year (ended March 31, 2018)
Current assets－Deferred tax assets	81 million yen	– million yen
Non-current assets－Deferred tax assets	149	264
Current liabilities－Deferred tax liabilities	252	–
Non-current liabilities－Deferred tax liabilities	1,135	1,458

(Note) 2. Valuation allowance has not changed significantly.

(Note) 3. Tax loss carried forward and deferred tax assets by carry-forward period

Current consolidated fiscal year (ended March 31, 2018)

	Within 3 years (million yen)	Between 3 and 4 years (million yen)	Between 4 and 5 years (million yen)	Between 5 and 6 years (million yen)	Between 6 and 7 years (million yen)	Between 7 and 8 years (million yen)	Between 8 and 9 years (million yen)	Total (million yen)
Tax loss carried forward (*1)	0	4	5	–	1	8	18	38
Valuation allowance	(0)	(4)	(5)	–	(1)	(8)	(18)	(38)
Deferred tax assets	–	–	–	–	–	–	–	(*2) –

(Note) 1. Tax loss carried forward is multiplied by the legally effective tax rate.

(Note) 2. We judged that the tax loss carried forward is unrecoverable.

2. Breakdown of the main factors underlying any differences between the legally effective tax rate and the actual effective tax rate after applying tax effect accounting

	Previous consolidated fiscal year (ended March 31, 2017)	Current consolidated fiscal year (ended March 31, 2018)
Legally effective tax rate	30.75%	30.75%
(Adjusting entries)		
Tax rate differences with overseas subsidiaries	(11.65)	(13.48)
Tax rate differences associated with offset of dividend income	1.00	1.34
Tax adjustments for overseas subsidiaries' retained earnings	(0.10)	1.55
Tax rate differences associated with permanent differences such as social expenses	0.19	0.52
Differences on withholding tax on dividends not included in expenses	5.50	7.24
Tax adjustments for amortization of goodwill	0.85	(8.03)
Tax deductions for testing and research expenses	(3.76)	(2.91)
Valuation allowance	3.79	22.11
Other	(1.45)	(1.10)
Actual effective tax rate after applying tax effect accounting	25.12	37.98

3. Revisions to deferred tax assets/liabilities following changes in tax rates

US tax reform was signed into law on December 22, 2017, reducing the corporate tax rate in consolidated fiscal years commencing after January 1, 2018. Accordingly, the corporate tax burden of our US consolidated subsidiary has been reduced from 35% to 21%.

Taiwan's income tax law was revised on January 18, 2018, increasing the corporate tax rate in consolidated fiscal years commencing after January 1, 2018. Accordingly, the corporate tax burden of our Taiwanese consolidated subsidiary has risen from 17% to 20%.

The impact of these tax reforms is negligible.

(Asset retirement obligations)

Closing date of previous consolidated fiscal year (March 31, 2017)

We have omitted to disclose the obligations because they are not significant enough to warrant disclosure.

Closing date of current consolidated fiscal year (March 31, 2018)

We have omitted to disclose the obligations because they are not significant enough to warrant disclosure.

(Rentals and other real-estate assets)

Previous consolidated fiscal year (April 1, 2016 to March 31, 2017)

We have omitted to disclose the assets because they are not significant enough to warrant disclosure.

Current consolidated fiscal year (April 1, 2017 to March 31, 2018)

We have omitted to disclose the assets because they are not significant enough to warrant disclosure.

(Segment information and related information)

[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.

In the past, we segmented our businesses around our manufacturing and sales structures and used four reportable segments, each representing a geographic location: Japan, China, Taiwan, and Korea. Starting from this consolidated fiscal year, we now use two reportable segments, each representing a line of business: 1. electronics materials and 2. medical and pharmaceuticals business. We decided that this change from location-based to business-based segmentation was appropriate in view of the increased quantitative materiality of our medical and pharmaceuticals business. This business increased in its quantitative materiality after January 2018, when Taiyo Pharma (founded in August 2017) acquired manufacturing and marketing rights/authorizations for 13 long-listed pharmaceutical products.

Please note that we have disclosed segment information for the previous consolidated fiscal year according to our current segmentation.

2. How we calculate net sales, profit or loss, assets and liabilities, and other items for each reportable segment

Accounting method applied to data in the reportable segment is mostly the same as the method stated in the "Basic factors underlying our consolidated financial statements."

Profit by reportable segment represents operating income.

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

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

Previous consolidated fiscal year (April 1, 2016 to March 31, 2017)

(Millions of yen)

	Reportable segment			Other (Note) 1	Total
	Electronics materials	Medical and pharmaceuticals business	Total		
Net sales					
External sales	46,450	–	46,450	1,415	47,866
Inter-segment sales or transfers	–	–	–	–	–
Total	46,450	–	46,450	1,415	47,866
Segment income	9,801	–	9,801	7	9,808
Segment assets	44,829	–	44,829	2,704	47,533
Other items					
Depreciation (Note) 2	1,794	–	1,794	211	2,006
Increase in property, plant and equipment and intangible assets	732	–	732	234	966

Notes: 1. "Other" indicates business segments that we do not include among the reportable segments. Examples include our business of manufacturing dyes, pigments, and other chemical products, and our business of generating renewable energy.

2. Depreciation does not include amortization of goodwill.

Current consolidated fiscal year (April 1, 2017, to March 31, 2018)

(Millions of yen)

	Reportable segment			Other (Note) 1	Total
	Electronics materials	Medical and pharmaceuticals business	Total		
Net sales					
External sales	49,854	819	50,673	1,567	52,241
Inter-segment sales or transfers	–	–	–	3	3
Total	49,854	819	50,673	1,570	52,244
Segment income	12,114	8	12,123	97	12,220
Segment assets	52,411	26,580	78,992	2,819	81,811
Other items					
Depreciation (Note) 2	1,331	353	1,684	145	1,830
Increase in property, plant and equipment and intangible assets	993	20,948	21,942	195	22,137

Notes: 1. "Other" indicates business segments that we do not include among the reportable segments. Examples include our business of manufacturing dyes, pigments, and other chemical products, and our business of generating renewable energy.

2. Depreciation does not include amortization of goodwill.

4. Differences between reportable segment totals and amounts reported on consolidated financial statements, and the breakdown of the main factors underlying these differences (notes on adjusting for differences)

(Millions of yen)

Net sales	Previous consolidated fiscal year	Current consolidated fiscal year
Reportable segment total	46,450	50,673
"Other" net sales	1,415	1,570
Inter-segment eliminations	–	(3)
Net sales reported in consolidated statement of income	47,866	52,241

(Millions of yen)

Profit	Previous consolidated fiscal year	Current consolidated fiscal year
Reportable segment total	9,801	12,123
"Other" profit	7	97
Inter-segment eliminations	–	–
Amortization of goodwill	(241)	(257)
Profit/loss not allocated to business segments (Note)	(348)	(626)
Other adjustments	3	–
Operating income reported in consolidated statement of income	9,221	11,337

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

(Millions of yen)

Assets	Previous consolidated fiscal year	Current consolidated fiscal year
Reportable segment total	44,829	78,992
"Other" assets	2,704	2,819
Inter-segment eliminations	–	(4)
Assets not allocated to business segment (Note)	44,870	29,735
Tax effect conversion	(17)	(52)
Total assets reported in consolidated balance sheet	92,386	111,490

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)		Consolidated carrying amount	
	Previous consolidated fiscal year	Current consolidated fiscal year	Previous consolidated fiscal year	Current consolidated fiscal year	Previous consolidated fiscal year	Current consolidated fiscal year	Previous consolidated fiscal year	Current consolidated fiscal year
Depreciation	1,794	1,684	211	145	479	454	2,485	2,284
Increase in property, plant and equipment, and intangible assets	732	21,942	234	195	756	375	1,722	22,513

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

[Related information]

I Previous consolidated fiscal year (April 1, 2016 to March 31, 2017)

1. Products and services

We have omitted this information because external sales in single products/services segments accounted for more than 90% of net sales in the consolidated statement of income.

2. Regional breakdowns

(1) Net sales

(Millions of yen)

Japan	China	Taiwan	Korea	Other	Total
7,033	22,054	5,802	8,331	4,643	47,866

Note: Net sales are based on the location of the relevant customers and segmented by country/region.

(2) Property, plant and equipment

(Millions of yen)

Japan	China	Taiwan	Korea	Other	Total
13,651	1,771	1,379	1,433	153	18,389

3. Major customers

We have omitted this information because, of our external sales, no customer accounts for 10% or more of the net sales in the consolidated statement of income.

II Current consolidated fiscal year (April 1, 2017 to March 31, 2018)

1. Products and services

We have omitted this information because external sales in single products/services segments accounted for more than 90% of net sales in the consolidated statement of income.

2. Regional breakdowns

(1) Net sales

(Millions of yen)

Japan	China	Taiwan	Korea	Other	Total
8,187	23,179	6,662	9,405	4,806	52,241

Note: Net sales are based on the location of the relevant customers and segmented by country/region.

(2) Property, plant and equipment

(Millions of yen)

Japan	China	Taiwan	Korea	Other	Total
13,174	1,835	1,365	1,408	139	17,923

3. Major customers

We have omitted this information because, of our external sales, no customer accounts for 10% or more of the net sales in the consolidated statement of income.

[Impairment loss of non-current assets in each reportable segment]

Previous consolidated fiscal year (April 1, 2016 to March 31, 2017)

(Millions of yen)

	Japan	China	Taiwan	Korea	Other	Corporate and elimination	Total
Impairment loss	–	–	–	–	–	1,019	1,019

Note: “Corporate and elimination” indicates impairment loss for organization-wide assets that do not belong to any segment.

Current consolidated fiscal year (April 1, 2017 to March 31, 2018)

Nothing to disclose.

[Amortization of goodwill and unamortized balance in each reportable segment]

Previous consolidated fiscal year (April 1, 2016 to March 31, 2017)

We do not assign these items to any reportable segment. Amortization of goodwill amounted to ¥241 million, and the unamortized balance was ¥4,104 million.

Current consolidated fiscal year (April 1, 2017 to March 31, 2018)

We do not assign these items to any reportable segment. Amortization of goodwill amounted to ¥ 3,535 million, and the unamortized balance was ¥674 million.

Note: Amortization of goodwill includes the ¥3,278 million of amortization of goodwill recorded under extraordinary losses.

[Gains on negative goodwill in each reportable segment]

Previous consolidated fiscal year (April 1, 2016 to March 31, 2017)

Nothing to disclose.

Current consolidated fiscal year (April 1, 2017 to March 31, 2018)

Nothing to disclose.

(Business combinations)

Transactions under common control

(Acquisition of additional shares in subsidiary)

1. Overview of transaction

(1) Name of combined entity and description of its business

Name of combined entity TAIWAN TAIYO INK CO., LTD.

Business description Manufacturing and marketing of solder resist for PWBs

(2) Date of business combination

December 31, 2017 (deemed acquisition date)

(3) Legal form of business combination

Acquisition of shares from non-controlling interests

(4) Name of entity after combination

Same as before.

(5) Other information about the transaction

The additional acquisition represents 0.23% of voting shares.

We acquired the shares from non-controlling interests to pool our corporate resources and make them more effective.

2. Accounting treatments

We treat the transaction as a transaction under common control in accordance with the Accounting Standard for Business Combinations (ASBJ Statement No. 21, September 13, 2013) and the Guidelines on Accounting Standards for Business Combinations and Business Divestitures (Guidelines on Implementing Accounting Standards No. 10, September 13, 2013).

3. Items to disclose when acquiring additional shares in a subsidiary

Cost of acquiring the company concerned and the breakdown thereof

Consideration for acquisition	Cash	19 Million yen
Acquisition price		19

4. Changes in our equity following transaction with non-controlling interests

(1) Main changes in capital surplus

Acquisition of additional shares in subsidiary

(2) Decrease in capital surplus following transaction with non-controlling interests

¥4 million

(Acquisition of additional shares in subsidiary)

1. Overview of transaction

(1) Name of combined entity and description of its business

Name of combined entity Onstatic Technology Co., Ltd.

Business description Manufacturing and marketing of ink specialized for precision instruments

(2) Date of business combination

Deemed acquisition dates

September 30, 2017

December 31, 2017

(3) Legal form of business combination

Acquisition of shares from non-controlling interests

(4) Name of entity after combination

Same as before.

(5) Other information about the transaction

The additional acquisition represents 7.53% of voting shares.

We acquired the shares from non-controlling interests to pool our corporate resources and make them more effective.

2. Accounting treatments

We treat the transaction as a transaction under common control in accordance with the Accounting Standard for Business Combinations (ASBJ Statement No. 21, September 13, 2013) and the Guidelines on Accounting Standards for Business Combinations and Business Divestitures (Guidelines on Implementing Accounting Standards No. 10, September 13, 2013).

3. Items to disclose when acquiring additional shares in a subsidiary

Cost of acquiring the company concerned and the breakdown thereof

Consideration for acquisition	Cash	519 Million yen
Acquisition price		519

4. Changes in our equity following transaction with non-controlling interests

(1) Main changes in capital surplus
Acquisition of additional shares in subsidiary

(2) Decrease in capital surplus following transaction with non-controlling interests
¥162 million

[Related parties]

Transactions with related parties

Transactions between us (the filer of the consolidated financial statements) and related parties

(1) Transactions with parent and major shareholders (corporate shareholders only)
Nothing to disclose.

(2) Transactions with non-consolidated subsidiaries and affiliates
Nothing to disclose.

(3) Transactions with corporate officers and major shareholders (individual shareholders only)
Previous consolidated fiscal year (April 1, 2016 to March 31, 2017)

Party	Name	Address	Capital stock or contribution (million yen)	Business description / job title	Holding/held ratio (%)	Our relationship with the party	Transaction	Transaction amount (million yen)	Entry	Closing balance (million yen)
Corporate officer	Eiji Sato	–	–	President and CEO (Taiyo Holdings Co., Ltd.)	(Directly held by the party) 0.29	We issued shares to the party in a third-party allotment	We issued shares to the party in a third-party allotment	99	–	–
	Seiki Kashima	–	–	Managing Director (Taiyo Holdings Co., Ltd.)	(Directly held by the party) 0.04	We issued shares to the party in a third-party allotment	We issued shares to the party in a third-party allotment	25	–	–
	Takayuki Morita	–	–	Director (Taiyo Holdings Co., Ltd.)	(Directly held by the party) 0.03	We issued shares to the party in a third-party allotment	We issued shares to the party in a third-party allotment	17	–	–
	Eiji Takehara	–	–	Director (Taiyo Holdings Co., Ltd.)	(Directly held by the party) 0.04	We issued shares to the party in a third-party allotment	We issued shares to the party in a third-party allotment	10	–	–

Notes: 1. Information about the transactions and how we determined them:
The transactions concerned Series II Class A shares that we issued as part of the performance-linked share compensation for the 70th fiscal period. We determined the transactions based on the common share price.

2. We calculated the ratios held by the parties after subtracting treasury shares.

Current consolidated fiscal year (April 1, 2017 to March 31, 2018)

Party	Name	Address	Capital stock or contribution (Millions of yen)	Business description / job title	Holding/held ratio (%)	Our relationship with the party	Transaction	Transaction amount (million yen)	Entry	Closing balance (million yen)
Corporate officer	Eiji Sato	–	–	President and CEO (Taiyo Holdings Co., Ltd.)	(Directly held by the party) 0.32	We issued shares to the party in a third-party allotment	We issued shares to the party in a third-party allotment	44	–	–
	Takayuki Morita	–	–	Director (Taiyo Holdings Co., Ltd.)	(Directly held by the party) 0.03	We issued shares to the party in a third-party allotment	We issued shares to the party in a third-party allotment	19	–	–
	Eiji Takehara	–	–	Director (Taiyo Holdings Co., Ltd.)	(Directly held by the party) 0.05	We issued shares to the party in a third-party allotment	We issued shares to the party in a third-party allotment	19	–	–
	Hitoshi Saito	–	–	Director (Taiyo Holdings Co., Ltd.)	(Directly held by the party) 0.01	We issued shares to the party in a third-party allotment	We issued shares to the party in a third-party allotment	19	–	–
	Takao Miwa	–	–	Director (Taiyo Holdings Co., Ltd.)	(Directly held by the party) 0.00	We issued shares to the party in a third-party allotment	We issued shares to the party in a third-party allotment	19	–	–

Notes: 1. Information about the transactions and how we determined them:
The transactions concerned common shares that we issued as part of the performance-linked share compensation for the 71st fiscal period. We determined the transactions based on the common share price.
2. We calculated the ratios held by the parties after subtracting treasury shares.

(Per share information)

	Previous consolidated fiscal year (April 1, 2016 to March 31, 2017)	Current consolidated fiscal year (April 1, 2017 to March 31, 2018)
Net assets per share	¥2,468.99	¥2,520.68
Basic earnings per share	¥266.46	¥168.55

Notes: 1. The above table does not include basic earnings per share after adjusting for potentially dilutive shares. This is because there were no potentially dilutive shares.
2. In calculating net assets per share, we subtracted treasury shares. The treasury shares we subtracted include shares held in the ESOP trust (there were 58,480 such shares in the previous and 39,660 in the current consolidated fiscal year).
3. Basis for calculating basic earnings per share is shown below.

	Previous consolidated fiscal year (April 1, 2016 to March 31, 2017)	Current consolidated fiscal year (April 1, 2017 to March 31, 2018)
Profit attributable to owners of parent (million yen)	6,398	4,856
Amount not attributable to common shareholders (or the equivalent thereof) (million yen)	–	–
Profit attributable to owners of parent pertaining to common shareholders (or the equivalent thereof) (million yen)	6,398	4,856
Average number of common shares (or the equivalent thereof) outstanding during term (Common shares) (Series I Class A shares) (Series II Class A shares)	24,014,559 (23,959,959) (21,600) (33,000)	28,812,060 (28,747,560) (21,600) (42,900)

Notes: 1. In calculating the average number of common shares outstanding during term, we subtracted treasury shares. The treasury shares we subtracted include shares held in the ESOP trust (there were 63,565 such shares in the previous and 45,635 in the current consolidated fiscal year).
2. In calculating per share information, we included Series I and II Class A shares with common shares. We did so because these 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.

(Material events that occurred after issuing the shares)

Nothing to disclose.

5) [Consolidated supplementary schedules]

[Schedule of bonds payable]

Nothing to disclose.

[Schedule of loans payable]

Debt of loan	Balance at beginning of current period (million yen)	Balance at end of current period (million yen)	Average interest rate (%)	Repayment period
Short-term loans payable	1,274	2,145	2.15	–
Long-term loans payable we expect to repay within one year	500	6,116	1.34	–
Long-term loans payable other than those we expect to repay within one year	7,169	15,923	0.35	2019–2023
Total	8,944	24,184	–	–

Notes: 1. Average interest rate indicates the weighted average interest rate for the closing balance.

2. For some of the long-term loans payable that we expect to repay within one year, we receive interest subsidies.

3. The following table shows the scheduled repayments for long-term loans payable that we do not expect to repay within one year. The repayments are scheduled for the five years following the consolidated settlement date.

	Year 2 (end of year 1 to end of year 2) (million yen)	Year 3 (million yen)	Year 4 (million yen)	Year 5 (million yen)
Long-term loans payable	3,725	1,640	3,357	7,200

[Schedule of asset retirement obligations]

As of the beginning and end of the current consolidated fiscal year, our asset retirement obligations were less than one-hundredth of the balance of our liabilities and net assets. Accordingly, we have omitted these obligations as permitted under Article 92-2 of the Ordinance on Terminology, Forms, and Preparation Methods for Consolidated Financial Statements.

(2) [Other consolidated financial information]

Quarterly consolidated information for the current consolidated fiscal year

Cumulative period	Q1	Cumulative Q2	Cumulative Q3	Current consolidated fiscal year
Net sales (million yen)	12,425	25,784	39,022	52,241
Profit before income taxes (million yen)	2,664	5,671	8,657	7,941
Profit attributable to owners of parent (million yen)	1,844	3,998	6,160	4,856
Basic earnings per share (yen)	64.10	138.83	213.85	168.55

(Accounting period)	Q1	Q2	Q3	Q4
Basic earnings per share (yen)	64.10	74.74	75.01	(45.25)

2 [Financial statements, other]

(1) [financial statements]

1) [balance sheet]

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Assets		
Current assets		
Cash and deposits	29,724	20,297
Accounts receivable - trade	*1 525	*1 537
Short-term loans receivable from subsidiaries and associates	3,902	5,117
Income taxes receivable	149	–
Other	*1 665	*1 1,026
Total current assets	34,966	26,979
Non-current assets		
Property, plant and equipment		
Buildings	4,415	4,429
Land	2,692	2,690
Other	629	536
Total property, plant and equipment	7,737	7,656
Intangible assets		
Software	11	18
Other	19	11
Total intangible assets	31	30
Investments and other assets		
Investment securities	899	2,133
Shares of subsidiaries and associates	17,728	13,580
Investments in capital of subsidiaries and associates	2,482	2,482
Prepaid pension cost	331	313
Long-term loans receivable from subsidiaries and associates, net	–	23,900
Deferred tax assets	45	–
Other	192	182
Allowance for doubtful accounts	(0)	–
Total investments and other assets	21,680	42,592
Total non-current assets	29,448	50,278
Total assets	64,415	77,258

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Liabilities		
Current liabilities		
Short-term loans payable	1,121	2,125
Current portion of long-term loans payable	340	5,934
Accounts payable - other	*1 440	*1 649
Income taxes payable	106	540
Provision for bonuses	79	77
Other	391	120
Total current liabilities	2,479	9,447
Non-current liabilities		
Long-term loans payable	6,699	15,536
Asset retirement obligations	57	96
Deferred tax liabilities	140	186
Other	51	53
Total non-current liabilities	6,948	15,871
Total liabilities	9,428	25,319
Net assets		
Shareholders' equity		
Capital stock	9,171	9,232
Capital surplus		
Legal capital surplus	10,138	10,199
Other capital surplus	5,294	5,294
Total capital surpluses	15,433	15,494
Retained earnings		
Legal retained earnings	620	620
Other retained earnings		
General reserve	12,700	12,700
Retained earnings brought forward	17,153	13,667
Total retained earnings	30,474	26,988
Treasury shares	(178)	(121)
Total shareholders' equity	54,900	51,593
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	197	344
Deferred gains or losses on hedges	(111)	–
Total valuation and translation adjustments	86	344
Total net assets	54,987	51,938
Total liabilities and net assets	64,415	77,258

2) [Statement of income]

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Operating revenue		
Dividends from subsidiaries and associates	7,772	5,500
Royalty income	2,043	2,173
Rent income of real estate	434	434
Total operating revenue	*1 10,251	*1 8,108
Operating expenses	*1,*2 2,937	*1,*2 3,273
Operating income	7,314	4,835
Non-operating income		
Interest income	49	89
Dividend income	6	15
Commission fee	81	67
Subsidy income	20	17
Gain on investments in partnership	–	4
Other	27	30
Total non-operating income	185	224
Non-operating expenses		
Interest expenses	77	119
Commission fee	101	–
Share issuance cost	27	–
Loss on investments in partnership	5	–
Foreign exchange losses	26	101
Other	14	6
Total non-operating expenses	251	227
Ordinary profit	7,247	4,832
Extraordinary losses		
Loss on valuation of shares of subsidiaries and associates	–	4,174
Impairment loss	1,019	–
Total extraordinary losses	1,019	4,174
Profit before income taxes	6,228	657
Income taxes - current	437	403
Income taxes - deferred	(35)	(9)
Total income taxes	401	394
Profit	5,827	262

3) 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
		Legal capital surplus	Other capital surplus	Total capital surpluses	Legal retained earnings	Other retained earnings		Total retained earnings		
						General reserve	Retained earnings brought forward			
Balance at beginning of current period	6,188	7,155	149	7,304	620	12,700	13,871	27,192	(14,141)	26,543
Changes of items during period										
Dividends of surplus							(2,544)	(2,544)		(2,544)
Profit							5,827	5,827		5,827
Issuance of new shares	2,982	2,982		2,982						5,965
Purchase of treasury shares									(0)	(0)
Disposal of treasury shares			5,145	5,145					13,963	19,109
Net changes of items other than shareholders' equity										
Total changes of items during period	2,982	2,982	5,145	8,128	–	–	3,282	3,282	13,963	28,357
Balance at end of current period	9,171	10,138	5,294	15,433	620	12,700	17,153	30,474	(178)	54,900

	Valuation and translation adjustments			Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at beginning of current period	111	(115)	(3)	26,539
Changes of items during period				
Dividends of surplus				(2,544)
Profit				5,827
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	85	4	90	90
Total changes of items during period	85	4	90	28,448
Balance at end of current period	197	(111)	86	54,987

Fiscal year ended March 31, 2018

(Millions of yen)

	Shareholders' equity									
	Capital stock	Capital surplus			Retained earnings				Treasury shares	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surpluses	Legal retained earnings	Other retained earnings		Total retained earnings		
						General reserve	Retained earnings brought forward			
Balance at beginning of current period	9,171	10,138	5,294	15,433	620	12,700	17,153	30,474	(178)	54,900
Changes of items during period										
Dividends of surplus							(3,748)	(3,748)		(3,748)
Profit							262	262		262
Issuance of new shares	60	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	60	–	60	–	–	(3,485)	(3,485)	56	(3,307)
Balance at end of current period	9,232	10,199	5,294	15,494	620	12,700	13,667	26,988	(121)	51,593

	Valuation and translation adjustments			Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at beginning of current period	197	(111)	86	54,987
Changes of items during period				
Dividends of surplus				(3,748)
Profit				262
Issuance of new shares				121
Purchase of treasury shares				(0)
Disposal of treasury shares				57
Net changes of items other than shareholders' equity	146	111	258	258
Total changes of items during period	146	111	258	(3,048)
Balance at end of current period	344	–	344	51,938

[Notes]

(Main accounting policies)

1. How we state major assets, and how we determine the stated value

   (1) Securities

   1) Shares in subsidiaries

   We state at cost, as determined by the moving average method

   2) Other securities

   Securities with fair market value

   We state at fair value, as determined by the market price on the last day of the fiscal period (we process valuation discrepancies by the total direct capitalization method, and determine cost of sales by the moving average method)

   Securities with no fair market value

   We state at cost, as determined by the moving average method

   For our contributions to investment partnerships (only those defined as securities under Article 2-2 of the Financial Instruments and Exchange Act), we state the net value of our equity interest (as gleaned from available financial statements) according to the partnership’s settlement date.

   (2) Derivatives

   We state at fair value

   (3) Inventories

   Supplies

   We state at cost, as determined by the last purchase price method (we reduce the carrying value when the contribution to profits declines).

2. How we depreciate non-current assets

   (1) Property, plant and equipment

   We use the declining-balance method. However, we use the straight-line method for buildings (excluding accompanying facilities) that we acquired after April 1, 1998, and for accompanying facilities and structures that we acquired after April 1, 2016.

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

   Buildings 15–50 years

   (2) Intangible assets

   We use the straight-line method. For software (for internal use), we use this method based on the period for which we expect to use the software (namely, five years).

3. How we account for reserves

   (1) Allowance for doubtful accounts

   We provide a bad debt reserve to cover the bad debt we expect to arise from our accounts receivable as a whole. We estimate the amount based on the doubtful accounts rate. If we have concerns with particular debtors, we will consider how much we are likely to recover from the debtor in question and then add the unrecoverable portion to the bad debt reserve.

   (2) Provision for bonuses

   We provide a reserve to cover bonuses by accruing an amount that we expect to pay in the relevant consolidated fiscal year.

   (3) Provision for retirement benefits and prepaid pension cost

   We provide for retirement benefits and prepaid pension cost based on the estimated amount of retirement benefit obligations and pension assets as of the end of the fiscal year.

   1) Method of attributing the projected retirement benefits to periods of service）

   In calculating our retirement benefit obligations, we record the amount we expect to pay until the end of the consolidated fiscal year based on the estimated amount of retirement benefit obligations and pension assets as of the end of the fiscal year.

2) Method of amortization of actuarial gains or losses and prior service cost

To recognize prior service costs, we amortize the amount using the straight-line method. The amortization period will always be shorter than the employees' average remaining service period (which is five years).

We amortize actuarial gains/losses starting from the fiscal year following that in which we recognized the gain/loss. The amortization period will always be shorter than the employees' average remaining service period (which is five years).

4. Other key matters underlying our financial statements

(1) Accounting treatments for retirement benefits

When processing unsettled amounts for retirement benefit-related unrecognized actuarial gain or loss and unrecognized prior service cost, we use a method that differs from that which we use for the consolidated financial statements.

(2) Treatment of consumption taxes

We account for consumption taxes using the tax excluded method.

(3) Application of consolidated tax system

We apply this system.

(4) How we redenominate major foreign assets/liabilities

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

(5) Important methods of hedge accounting

1) Methods of hedge accounting

Interest rate swaps qualify for special accounting treatment, so we treat them accordingly.

2) Hedging instruments and hedged items

Hedging instrument	Hedged item
Interest rate swaps	Long-term loans payable (including current portion of long-term loans payable)

3) Hedging policy

We use hedging instruments to hedge against adverse interest rate movements for loans payable to the extent appropriate for the hedged item.

4) Methods to evaluate hedging effectiveness

We do not evaluate the performance of interest rate swaps because they are subject to special accounting treatments.

(Changes in presentation methods)

On February 16, 2018, the ASBJ issued the Amendments to Accounting Standard for Tax-Effect Accounting (No. 28). The amended standard is applicable to financial statements from the current fiscal year onward, so we adopted the amended standard in the current fiscal year. Specifically, we now classify deferred tax assets as "investments and other assets," and deferred tax liabilities as "non-current liabilities."

Accordingly, the ¥45 million of deferred tax assets we have presented under "investments and other assets" includes the ¥45 million of deferred tax assets that we presented under "current assets" in the previous fiscal year's balance sheet.

We now annotate our tax-effect accounting according to the tax-effect accounting provisions in Paragraphs 3 through 5 of the amended standard—specifically, the provisions in Note 8 (other than the provision on accounting for valuation reserves) and Note 9.

(Additional information)

(Delivering treasury shares to employs through a trust)

For details, see the “additional information” section on page 68.

(Balance sheets)

*1 Monetary claims and obligations with affiliates

	Previous fiscal year (ended March 31, 2017)	Current fiscal year (ended March 31, 2018)
Short-term monetary claims	¥5,137 million	¥6,572 million
Long-term monetary claims	–	¥23,900 million
Short-term monetary obligations	¥331 million	¥28 million

2 Overdraft facility

We concluded an overdraft agreement with a bank to help ensure efficient cash flow management. The unused portion of the overdraft as of the closing date was as follows.

	Previous fiscal year (ended March 31, 2017)	Current fiscal year (ended March 31, 2018)
Used portion of overdraft	¥6,500 million	¥7,500 million
Unused portion of overdraft	–	–
Balance due	¥6,500 million	¥7,500 million

(Statements of income)

*1 The following table shows our transactions with affiliates.

	Previous fiscal year (April 1, 2016 to March 31, 2017)	Current fiscal year (April 1, 2017 to March 31, 2018)
Volume of operating transactions		
Operating revenue	¥10,243 million	¥8,108 million
Operating expenses	¥185 million	¥191 million
Volume of non-operating transactions		
Non-operating revenue	¥129 million	¥154 million

*2 The following table shows the main operating expense items and the amounts.

	Previous fiscal year (April 1, 2016 to March 31, 2017)	Current fiscal year (April 1, 2017 to March 31, 2018)
Lease costs	¥254 million	¥262 million
Wages	¥342 million	¥266 million
Officer compensation	¥209 million	¥488 million
Accrued employees’ bonuses	¥62 million	¥45 million
Commission fee	¥419 million	¥381 million
Depreciation	¥175 million	¥27 million
Testing and research expenses	¥407 million	¥884 million

(Securities)

Previous fiscal year (ended March 31, 2017)

We have omitted our shares in subsidiaries (carrying value: ¥17,728 million). This item lacks a readily determinable fair value because it has no market price.

Current fiscal year (ended March 31, 2018)

We have omitted our shares in subsidiaries (carrying value: ¥13,580 million). This item lacks a readily determinable fair value because it has no market price.

(Tax effect accounting)

1. Breakdown of the main factors that generate deferred tax assets and deferred tax liabilities

	Previous fiscal year (ended March 31, 2017)	Current fiscal year (ended March 31, 2018)
Deferred tax assets		
Denial of accrued employees' bonuses	24 million yen	23 million yen
Asset retirement obligations	17	29
Loss on valuation of shares of subsidiaries and associates	–	1,712
Impairment loss	310	305
Loss carried forward	18	34
Deemed distribution	112	112
Deferred gains (losses) on hedges	45	–
Other	104	124
Deferred tax assets subtotal	632	2,341
Valuation allowance for tax loss carried forward	–	(34)
Valuation allowance for total future tax consequences of temporary differences	–	(2,230)
Valuation allowance	(534)	(2,265)
Deferred tax assets total	97	76
Deferred tax liabilities		
Valuation difference on available-for-sale securities	86	151
Prepaid pension cost	101	95
Other	4	15
Deferred tax liabilities total	192	262
Net deferred tax liabilities	94	(186)

2. Breakdown of the main factors underlying any differences between the legally effective tax rate and the actual effective tax rate after applying tax effect accounting

	Previous fiscal year (ended March 31, 2017)	Current fiscal year (ended March 31, 2018)
Legally effective tax rate	30.75%	30.75%
(Adjusting entries)		
Items such as withholding tax on dividends that are permanently excluded from deductible expenses	7.76	88.00
Items such as dividend income that are permanently excluded from earnings	(36.84)	(308.49)
Inhabitant tax on per capita basis	0.08	0.78
Tax deductions for testing and research expenses	(0.60)	(9.88)
Valuation allowance	5.80	267.09
Other	(0.52)	(8.24)
Actual effective tax rate after applying tax effect accounting	6.44	60.00

(Business combinations)

(Transactions under common control)

We have disclosed this information on page 90 (in the special notes section on business combinations).

(Material events that occurred after the business combination)

Nothing to disclose.

4) [Supplementary schedules]

[Schedules of property, plant and equipment]

(Millions of yen)

	Type of asset	Balance at beginning of current period	Increase	Decrease	Amortization	Balance at end of current period	Accumulated amortization
Property, plant and equipment	Buildings	4,415	320	2	303	4,429	7,262
	Land	2,692	–	2	–	2,690	–
	Other	629	42	1	134	536	1,617
	Total	7,737	363	6	438	7,656	8,880
Intangible assets	Software	11	12	–	5	18	74
	Other	19	–	–	7	11	66
	Total	31	12	–	13	30	141

Note: The main increases for buildings were ¥143 million for renovating Ranzan-Kitayama Facility, ¥72 million for renovating the Marunouchi office, and ¥62 million for renovating the Ikebukuro head office.

[Schedule of provisions]

(Millions of yen)

	Balance at beginning of current period	Increase	Decrease	Balance at end of current period
Allowance for doubtful accounts	0	–	0	–
Provision for bonuses	79	77	79	77

(2) [Main assets and liabilities]

We have omitted this information because we prepare consolidated financial statements.

(3) [Other]

Nothing to disclose.

VI. [How Taiyo Holdings' (the filing company's) stocks are administered]

Fiscal year	April 1 to March 31
Ordinary General Shareholders' Meeting	June
Record date	March 31
Record date for dividends of surplus	Last day of fiscal year (March 31) September 30
Number of shares constituting one unit	100
Purchase and sale of fractional shares	
Transfer agent	(Special account) Stock Transfer Agency Department, Mitsubishi UFJ Trust and Banking Corporation 4-5, Marunouchi 1-Chome, Chiyoda-ku, Tokyo
Shareholder registrar	(Special account) Mitsubishi UFJ Trust and Banking Corporation 4-5, Marunouchi 1-Chome, Chiyoda-ku, Tokyo
Purchasing and selling fee	None
Method of public notice	We issue public notices electronically. However, if we are unable to use this method due to an accident or other unavoidable reason, we will issue public notice through Nihon Keizai Shimbun instead. URL for public notices: http://www.taiyo-hd.co.jp
Special privileges for shareholders	Not applicable

Note: Our Articles of Incorporation provide that shareholders' rights regarding fractional shares are limited to: (1) the rights listed in Article 189-2 of the Companies Act, (2) the right to exercise any put option pursuant to Article 166-1 of said Act, (3) the right to be allotted shares for subscription and share options for subscription commensurate with the number of shares they hold, and (4) the right to exercise any call option attached to the fractional shares.

VII. [Referential information about Taiyo Holdings (the filing company)]

1. [Parent company]

We have no parent company as defined in Article 24-7(1) of the Financial Instruments and Exchange Act.

2. [Other referential information]

We filed the following disclosure documents between the start of the current fiscal year and the date we filed the present report.

(1) Annual securities report with accompanying documents and certificate

The 71st business term (April 1, 2016 to March 31, 2017): Filed with the director-general of the Kanto Local Finance Bureau on June 22, 2017

(2) Internal control report with accompanying documents

Filed with the director-general of the Kanto Local Finance Bureau on June 22, 2017

(3) Quarterly report with certificate

The 1st quarter of the 72nd business term (April 1, 2017 to June 30, 2017): Filed with the director-general of the Kanto Local Finance Bureau on August 1, 2017

The 2nd quarter of the 72nd business term (July 1, 2017, to September 30, 2017): Filed with the director-general of the Kanto Local Finance Bureau on October 31, 2017

The 3rd quarter of the 72nd business term (October 1, 2017, to December 31, 2017): Filed with the director-general of the Kanto Local Finance Bureau on February 2, 2018

(4) Extraordinary report

Filed with the director-general of the Kanto Local Finance Bureau on June 22, 2017
Filed pursuant to Article 24-5(4) of the Financial Instruments and Exchange Act and Article 19-2(9)-2 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs.

Filed with the director-general of the Kanto Local Finance Bureau on November 15, 2017
Filed pursuant to Article 24-5(4) of the Financial Instruments and Exchange Act and Article 19-2(16) of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs.

Filed with the director-general of the Kanto Local Finance Bureau on May 8, 2018
Filed pursuant to Article 24-5(4) of the Financial Instruments and Exchange Act and Article 19-2(12) and (19) of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs.

(5) Share buyback report

Reporting period (March 1–31, 2018): Filed with the director-general of the Kanto Local Finance Bureau on April 10, 2018
Reporting period (April 1–30, 2018): Filed with the director-general of the Kanto Local Finance Bureau on May 10, 2018
Reporting period (May 1–31, 2018): Filed with the director-general of the Kanto Local Finance Bureau on June 8, 2018

(6) Securities registration statement

Filed with the director-general of the Kanto Local Finance Bureau on June 29, 2017

(7) Amendment report

Filed with the director-general of the Kanto Local Finance Bureau on November 16, 2017
The report concerned amendments to the extraordinary report we filed on November 15, 2017.

Part 2 [Taiyo Holdings' (filing company's) guarantors]

Nothing to disclose.

Independent Auditor's Audit Report and Internal Control Audit Report

June 25, 2018

Taiyo Holdings Co., Ltd.

To the Board of Directors of Taiyo Holdings Co., Ltd.

Deloitte Touche Tohmatsu LLC

Designated Partner Engagement Partner	Certified Public Accountant	Tatsuaki Kitachi	[Seal]
Designated Partner Engagement Partner	Certified Public Accountant	Hiroshi Waseda	[Seal]

<Audit of financial statements>

To issue this audit certificate pursuant to Article 193-2(1) of the Financial Instruments and Exchange Act, we audited the consolidated financial statements of Taiyo Holdings Co., Ltd. for the consolidated fiscal year from April 1, 2017 to March 31, 2018, which are disclosed in Chapter 5: Financial Information. These statements consist of the consolidated balance sheet, consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows, basic factors underlying our consolidated financial statements, and other notes and consolidated supplementary schedules.

The management's responsibility for the consolidated financial statements

The management is responsible for the preparing and fairly disclosing these consolidated financial statements in accordance with accounting principles that are generally accepted in Japan as fair and valid. As part of this responsibility, the management must develop and operate such internal controls as it deems necessary for ensuring that the consolidated financial statements it prepares and discloses are free from material misstatements caused by fraud or error.

Auditor's responsibility

Our responsibility is to audit the consolidated financial statements and then state our independent/unprejudiced view based on the outcome of said audit. We audited the consolidated financial statements in accordance with audit principles that are generally accepted in Japan as fair and valid. These auditing principles require that we formulate an audit plan and then audit the consolidated financial statements accordingly so that we can be reasonably sure that the consolidated financial statements are free of material misstatements.

During our audits, we take steps to corroborate the numerical data and other data disclosed in the consolidated financial statements. We decide on the exact steps to take after assessing the level of risk that the consolidated financial statements contain misstatements due to fraud or error. As part of this risk assessment, we may examine the company's internal control procedures related to preparing and fairly disclosing consolidated financial statements. We do so not because we want to pass judgment on how effective the company's internal controls are per se, but because we want to ensure that our audit procedures are appropriate for the circumstances. Something else we do during these audits is form an all-round impression of how the company presents its consolidated financial statements. We form this impression based on the management's accounting policies, how it applies them, and how accurate its estimates are.

We believe that the evidence we have obtained provides a sufficient basis for the opinion we have stated below.

Audit opinion

In accordance with accounting principles generally accepted in Japan as fair and valid, the consolidated financial statements in this report present fairly, in all material respects, the financial position of Taiyo Holdings Co., Ltd. and its consolidated subsidiaries as of March 31, 2018, as well as the company and consolidated subsidiaries' consolidated performance and cash flows for the consolidated fiscal year ended March 31, 2018.

<Internal control audit>

To issue this internal control audit certificate pursuant to Article 193-2(2) of the Financial Instruments and Exchange Act, we audited Taiyo Holdings Co., Ltd.'s internal control report, which is accurate as of March 31, 2018.

The management's responsibility for the internal control report

The management is responsible for developing and operating internal controls related to financial reporting. It is also responsible for preparing and fairly disclosing a report concerning said internal controls in accordance with financial reporting-related internal control principles that are generally accepted in Japan as fair and valid.

It should be understood, however, that the financial reporting-related internal controls cannot absolutely guarantee success in preventing or detecting misstatements in financial reporting.

Auditor's responsibility

Our responsibility is to audit the internal controls and then state our independent/unprejudiced view based on the outcome of said audit. We audited the financial reporting-related internal controls in accordance with audit principles that are generally accepted in Japan as fair and valid. These auditing principles require that we formulate an audit plan and then audit the internal controls accordingly so that we can be reasonably sure that the internal control report is free of material misstatements.

During our internal control audits, we take steps to corroborate the internal control report's statements on financial reporting-related internal controls. We decide on the exact steps to take after assessing factors relevant to the integrity of the financial reporting. Something else we do during these audits is form an all-round impression of how the company presents its internal control report. We form this impression based on the management's statements about the scope, procedures, and outcomes of their evaluations of the relevant internal controls.

We believe that the evidence we have obtained provides a sufficient basis for the opinion we have stated below.

Audit opinion

In accordance with financial reporting-related internal control principles that are generally accepted in Japan as fair and valid, the management's internal control report—which states that Taiyo Holdings Co., Ltd. has effective financial reporting-related internal controls as of March 31, 2018—presents fairly, in all material respects, the management's evaluations of said internal controls.

Conflict of interest

Our firm and the engagement partners have no interest relationship with Taiyo Holdings Co., Ltd. that would warrant disclosure under the Certified Public Accountants Act.

Notes: 1. The above is a digital copy of the original auditor's report. We retain the original copy separately.
2. The audit does not cover eXtensible Business Reporting Language.

Independent Auditor’s Audit Report

June 25, 2018

Taiyo Holdings Co., Ltd.

To the Board of Directors of Taiyo Holdings Co., Ltd.

Deloitte Touche Tohmatsu LLC

Designated Partner Engagement Partner	Certified Public Accountant	Tatsuaki Kitachi	[Seal]
Designated Partner Engagement Partner	Certified Public Accountant	Hiroshi Waseda	[Seal]

To issue this audit certificate pursuant to Article 193-2(1) of the Financial Instruments and Exchange Act, we audited the financial statements of Taiyo Holdings Co., Ltd. for the 72nd business term (April 1, 2017 to March 31, 2018), which are disclosed in Chapter 5: Financial Information. These statements consist of the balance sheet, statement of income, statement of changes in equity, main accounting policies, and other notes and supplementary schedules.

The management’s responsibility for financial statements

The management is responsible for preparing and fairly disclosing these financial statements in accordance with accounting principles that are generally accepted in Japan as fair and valid. As part of this responsibility, the management must develop and operate such internal controls as it deems necessary for ensuring that the financial statements it prepares and discloses are free from material misstatements caused by fraud or error.

Auditor’s responsibility

Our responsibility is to audit the financial statements and then state our independent/unprejudiced view based on the outcome of said audit. We audited the financial statements in accordance with audit principles that are generally accepted in Japan as fair and valid. These auditing principles require that we formulate an audit plan and then audit the financial statements accordingly so that we can be reasonably sure that the financial statements are free of material misstatements.

During our audits, we take steps to corroborate the numerical data and other data disclosed in the financial statements. We decide on the exact steps to take after assessing the level of risk that the financial statements contain misstatements due to fraud or error. As part of this risk assessment, we may examine the company’s internal control procedures related to preparing and fairly disclosing financial statements. We do so not because we want to pass judgment on how effective the company’s internal controls are per se, but because we want to ensure that our audit procedures are appropriate for the circumstances. Something else we do during these audits is form an all-round impression of how the company presents its financial statements. We form this impression based on the management’s accounting policies, how it applies them, and how accurate its estimates are.

We believe that the evidence we have obtained provides a sufficient basis for the opinion we have stated below.

Audit opinion

In accordance with accounting principles generally accepted in Japan as fair and valid, the financial statements in this report present fairly, in all material respects, the financial position of Taiyo Holdings Co., Ltd. as of March 31, 2018, as well as the company’s performance for the fiscal year ended March 31, 2018.

Conflict of interest

Our firm and the engagement partners have no interest relationship with Taiyo Holdings Co., Ltd. that would warrant disclosure under the Certified Public Accountants Act.

Notes: 1. The above is a digital copy of the original auditor’s report. We retain the original copy separately.
2. The audit does not cover eXtensible Business Reporting Language.