

Annual Securities Report

For the 77th business term (April 1, 2022 to March 31, 2023)

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.

This document has been extracted and translated from the Japanese original report (Yukashoken-Hokokusho) issued on June 19, 2023 for reference purposes only. In the event of any discrepancy between this translated document and Japanese original, the original shall prevail.

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Filing Notes

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Part I About Taiyo Holdings and the Taiyo Group

I. Overview of Taiyo Holdings and the Taiyo Group

1. Key financial data

(1) Consolidated financial data

Business term		73rd	74th	75th	76th	77th
Year ended		Mar. 2019	Mar. 2020	Mar. 2021	Mar. 2022	Mar. 2023
Net sales	million yen	59,389	70,627	80,991	97,966	97,338
Ordinary income	"	8,014	8,898	13,819	18,062	15,462
Profit attributable to owners of parent	"	4,396	3,749	9,529	11,803	11,405
Comprehensive income	"	3,869	2,499	12,012	15,611	12,494
Net assets	"	70,520	69,523	76,497	85,466	92,739
Total assets	"	105,666	142,192	179,001	189,273	187,263
Net assets per share	yen	1,238.62	1,217.11	1,348.42	1,522.11	1,663.25
Basic earnings per share	"	76.42	66.01	167.49	209.13	203.71
Diluted earnings per share	"	—	—	—	—	—
Equity ratio	%	66.4	48.7	42.5	45.2	49.5
Return on equity	"	6.2	5.4	13.1	14.6	12.8
Price earnings ratio	times	23.9	30.8	18.0	15.5	12.3
Cash flows from operating activities	million yen	5,907	13,739	16,312	18,308	22,736
Cash flows from investing activities	"	(5,487)	(45,912)	(11,603)	(11,258)	(13,160)
Cash flows from financing activities	"	(12,001)	31,593	19,755	(11,279)	(13,942)
Cash and cash equivalents at end of period	"	30,101	29,115	54,309	51,152	47,088
Number of employees (not including average number of non-fulltime)	employees	1,614	1,988	2,067	2,137	2,120
[Average number of non-fulltime (excluded)]		[—]	[—]	[—]	[—]	[—]

Notes:

1. Series I Class A Shares and Series II Class A Shares possess the same rights as common shares in regard to the right to receive dividends of surplus and the right to receive distribution of residual assets. 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. However, the provisions on Series I Class A Shares and Series II Class A Shares were abolished after the Articles of Incorporation were revised on June 19, 2021.
2. A 2-for-1 stock split was executed on October 1, 2021. The net assets per share and basic earnings per share have been calculated based on the assumption that the stock split was executed at the start of the 73rd business term (fiscal year ended March 31, 2019).
3. We have not shown diluted earnings per share because there were no dilutive shares.
4. We have omitted the average number of non-fulltime or temporary employees because such employees accounted for less than 10% of total employees.
5. We have applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and related guidance from the start of the 76th business term (fiscal year ended March 31, 2022). Accordingly, the results for the main management indicators are in accordance with the standard from fiscal year ended March 31, 2022 onward.

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

Business term		73rd	74th	75th	76th	77th
Year ended		Mar. 2019	Mar. 2020	Mar. 2021	Mar. 2022	Mar. 2023
Operating revenue	million yen	12,403	12,899	7,830	11,747	14,016
Ordinary income	"	8,318	8,261	2,510	5,002	6,551
Profit	"	6,771	4,935	4,116	5,468	6,362
Share capital	"	9,331	9,428	9,499	9,612	9,761
Total issued shares	Shares	57,777,972	57,939,294	57,997,004	58,083,128	58,185,501
Net assets	million yen	52,115	53,545	52,853	52,715	53,967
Total assets	"	73,080	110,546	134,874	128,674	116,604
Net assets per share	yen	919.76	941.48	936.04	938.85	967.91
Dividend per share	"	65.10	65.10	80.10	69.55	89.00
(Interim dividend per share)	(")	(32.55)	(32.55)	(32.55)	(32.55)	(37.00)
Basic earnings per share	"	117.70	86.87	72.34	96.89	113.64
Diluted earnings per share	"	—	—	—	—	—
Equity ratio	%	71.3	48.4	39.2	41.0	46.3
Return on equity	"	13.0	9.3	7.7	10.4	11.9
Price earnings ratio	times	15.5	23.4	41.7	33.5	22.0
Dividend payout ratio	%	55.4	75.0	110.7	71.8	78.3
Number of employees (not including average number of non-fulltime)	employees	107	112	133	154	143
[Average number of non-fulltime (excluded)]		[—]	[—]	[—]	[—]	[—]
Total shareholder return	%	82.6	94.8	141.2	154.5	125.6
(Relative to dividend included TOPIX data)	%	(95.0)	(85.9)	(122.1)	(124.6)	(131.8)
Highest share price	yen	4,925	5,220	6,690	3,600 (6,300)	3,315
Lowest share price	yen	2,847	3,015	3,690	2,613 (4,820)	2,178

Notes:

1. Series I Class A Shares and Series II Class A Shares possess the same rights as common shares in regard to the right to receive dividends of surplus and the right to receive distribution of residual assets. 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. However, the provisions on Series I Class A Shares and Series II Class A Shares were eliminated after the Articles of Incorporation were revised on June 19, 2021.
2. A 2-for-1 stock split was executed on October 1, 2021. The net assets per share and basic earnings per share have been calculated based on the assumption that the stock split was executed at the start of the 73rd business term (fiscal year ended March 31, 2019). The figures for dividend per share and interim dividend per share reflect the impact of the stock split.
3. We have not shown diluted earnings per share because there was no dilutive shares.
4. We have omitted the average number of non-fulltime or temporary 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 75th business term (fiscal year ended March 31, 2021) includes a 15-yen commemorative dividend (reflecting the impact of the stock split) to celebrate 20 years of being listed on the First Section of the Tokyo Stock Exchange (TSE).
7. The dividend per share for the 77th business term (fiscal year ended March 31, 2023) includes a 15-yen commemorative dividend to celebrate our 70th anniversary.
8. Total shareholder return indicates the dividend per share reflecting the impact of the stock split.
9. The figures for highest share price and lowest share price are the highest and lowest prices on the first Section of the TSE up to April 3, 2022 and on the TSE Prime Market from April 4, 2022 onward.
10. A 2-for-1 stock split was conducted on October 1, 2021. For the 76th business term (fiscal year ended March 31, 2022), highest share price and lowest share price indicate the price after the loss of rights resulting from the stock split. The highest/lowest share prices before loss of rights are shown in parentheses.
11. We have applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and related guidance effective from the start of the 76th business term (fiscal year ended March 31, 2022). Accordingly, the results for the main management indicators are in accordance with the standard from fiscal year ended March 31, 2022 onward.

2. Our 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 circuit board materials
May 1973	Developed and launched sales of an epoxy resin-based and thermally curable single-component solder resist ink
March 1982	Established Ranzan Plant (now Ranzan Facility) in Ranzan-machi, Hiki-gun, Saitama
June 1984	Developed and launched sales of a liquid photoimageable solder resist ink
September 1988	Established Taiyo Ink Mfg. Co., (Korea) Ltd., as a manufacturing and sales company for printed circuit board materials in South Korea.
September 1990	Launched initial public offering in over-the-counter market
December 1990	Established Taiyo America, Inc., a sales company in the U.S., to sell printed circuit board materials and other materials (made a manufacturing and sales company in February 1995)
March 1992	Relocated head office to Nerima-ku, Tokyo
November 1993	Registered basic patent for a liquid photoimageable solder resist ink in Japan
September 1996	Established Taiwan Taiyo Ink Co., Ltd., as a manufacturing and sales subsidiary for printed circuit board materials in Taiwan
January 1999	Established Taiyo Ink International (Singapore) Pte Ltd as a sales subsidiary for printed circuit board materials and other materials in Singapore.
	Established Taiyo Ink International (HK) Limited as a sales subsidiary for printed circuit board materials in China
August 1999	Established Taiyo Japan Co., Ltd. (now Taiyo Ink Mfg. Co., Ltd.) as a manufacturing and sales subsidiary for printed circuit board materials in Japan
January 2001	Listed on the First Section of Tokyo Stock Exchange (TSE)
April 2001	Opened production base, Ranzan-Kitayama Facility, in Ranzan-machi, Hiki-gun, Saitama
July 2001	Established Taiyo Ink (Thailand) Co., Ltd. as a sales subsidiary for printed circuit board materials in Thailand
December 2001	Established Taiyo Ink (Suzhou) Co., Ltd. as a manufacturing and sales subsidiary for printed circuit board materials in China
September 2010	Established Taiyo Ink Trading (Shenzhen) Co., Ltd. as a sales subsidiary for printed circuit boards in China
October 2010	Adopted holding company structure, changing the corporate name to Taiyo Holdings Co., Ltd.
	Transferred rights and responsibilities over domestic businesses to Taiyo Japan Co., Ltd., renaming the subsidiary Taiyo Ink Mfg. Co., Ltd.
May 2013	Acquired Taiwanese company Onstatic Technology Co., Ltd. as a consolidated manufacturing and sales subsidiary for printed circuit board materials in Taiwan
December 2014	Established Taiyo Green Energy Co., Ltd. as a subsidiary mainly for power generation using natural energy in Japan
April 2015	Taiyo Ink Mfg. Co., Ltd. established Taiyo Ink Products Co., Ltd., as a sales subsidiary in South Korea
June 2015	Acquired Japanese company Chugai Kasei Co., Ltd. (now Taiyo Fine Chemicals Co., Ltd.) as a consolidated manufacturing and sales subsidiary for dyes, pigments, pharmaceuticals and inks in Japan
October 2015	Taiyo Ink Mfg. Co., Ltd. opened the Kitakyushu Facility, a production base (its second) in Kitakyushu, Fukuoka
January 2017	Entered a capital and business alliance with DIC Corporation
August 2017	Established Taiyo Pharma Co., Ltd. as a pharmaceuticals manufacturing and sales subsidiary
January 2018	Relocated head office to Toshima-ku, Tokyo

April 2018	Established Taiyo Trading (Thailand) Co., Ltd. as a sales company for printed circuit board materials and other materials in Thailand. Acquired Japanese company Micro Network Technologies Corp. (now funlead corp.) as a consolidated subsidiary for systems engineering services in Japan
July 2018	Made Thou-Management Corporation, a system engineering services company in Japan, a consolidated subsidiary (subsumed by Micro Network Technologies Corp. (now funlead corp.) in October 2019)
August 2019	Acquired Mega Solar 23, a special-purpose subsidiary that operates Odaike Hydro-Solar Plant, a consolidated subsidiary (subsumed by Taiyo Green Energy Co., Ltd. in November 2022) Acquired Mega Solar 28, a special-purpose subsidiary that operates Miyamaike Hydro-Solar Plant, a consolidated subsidiary (subsumed by Taiyo Green Energy Co., Ltd. in November 2022)
October 2019	Acquired Taiyo Pharma Tech Co., Ltd., whose core business is contract manufacturing of pharmaceuticals, as a consolidated subsidiary
May 2020	Established Onstatic New Material (Jiangxi) Co., Ltd. as a sales subsidiary for printed circuit board materials in China
June 2020	Established Taiyo Ink Vietnam Co., Ltd. as a manufacturing and sales subsidiary for printed circuit board materials in Vietnam
April 2022	Following application, listed on the TSE's new Prime Market
July 2022	Ranzan Shokudo Co., Ltd., a company which operates cafeterias in Japan, spun off the cafeteria business of its subsidiary, Taiyo Green Energy Co., Ltd., and acquired it as a consolidated subsidiary

3. Our businesses

(Glossary)

This document uses the following abbreviations and terminology.

Terminology	Meaning
PCB	Printed circuit board
Solder resist	Also known as solder mask
PKG	Semiconductor package
DF	Dry film

Our group is comprised of Taiyo Holdings Co., Ltd. (the filing company), 28 subsidiaries (24 of which are consolidated subsidiaries), one affiliated company, and one other associate. We primarily engage in the Electronics business and the Medical and Pharmaceuticals business. In the Electronics business, we develop, manufacture, purchase, and sell chemicals for PCBs and other electronic components. In the Medical and Pharmaceuticals business, we develop, manufacture, sell, and provide contract manufacturing services for pharmaceuticals. The name of the "Electronics Materials" segment has been changed to the "Electronics" segment from the first quarter of the fiscal year under review. This change is only a change in the segment name; there is no change in the subsidiaries that comprise the segment.

In our electronics business segment, we provide PCB materials to the PCB production department of electronics manufacturers as well as to manufacturers specializing in PCBs. The PCBs play vital roles in many home and commercial digital appliances. Examples include PCs smartphones, servers, and other IT devices. They are also used in audiovisual appliances such as liquid crystal display TVs and automotive parts such as electric control units (ECUs).

Our Medical and Pharmaceuticals business kicked off in January 2018, when Taiyo Pharma acquired manufacturing and marketing rights/authorizations for 13 long listed pharmaceuticals. In October 2019, Taiyo Pharma acquired the same rights/authorizations for an additional product. December 2021 saw the completion of the process of transferring approval to manufacture and market four additional pharmaceuticals to Taiyo Pharma. In October 2019, our subsidiary Taiyo Pharma Tech started contract manufacturing of pharmaceuticals after inheriting a pharmaceutical manufacturing plant from a corporate spin-off.

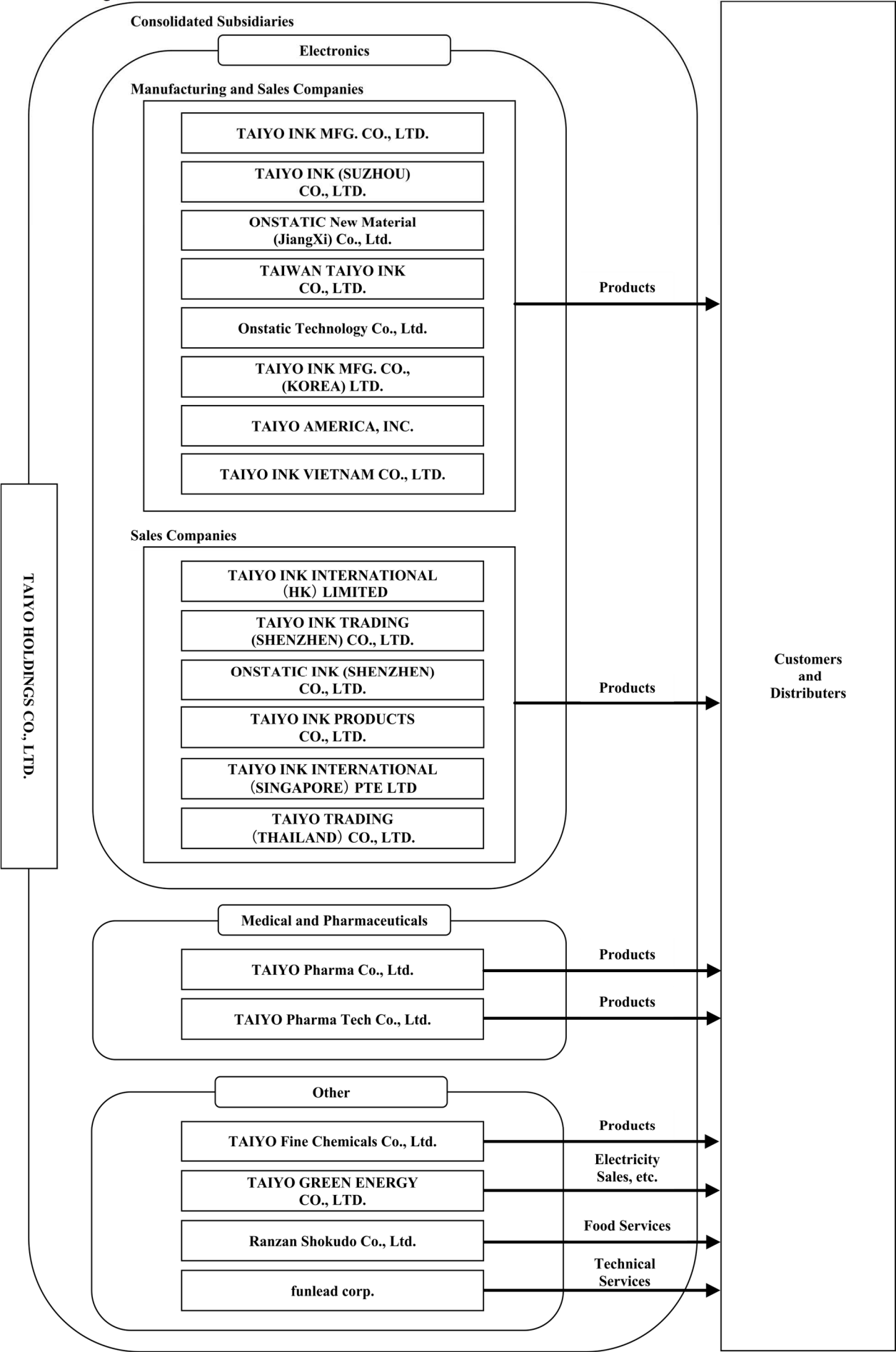
The table below lists our business segments and the relevant our subsidiaries and affiliates. The segment titles "Electronics" and "Medical and Pharmaceuticals" match the titles in II. Trends and Outlooks, 4. Financial position, operating results, cash flows, (1) Performance overview, 2) Operating results, and in V. Financial Information, 1. Consolidated financial statements, other consolidated financial information, (1) Consolidated financial statements: Notes.

We are a listed company as defined in Article 49-2 of the Cabinet Office Ordinance on Restrictions on Securities Transactions. When determining "minor criteria" facts (material facts under insider trading regulations), we use consolidated rather than non-consolidated figures.

Segment	Business operations	Main company or companies	
– (Note):	<ul style="list-style-type: none"> • Sets The Taiyo Group's broad strategic direction • Provides management guidance to subsidiaries • Researches and develops chemicals for electronic components 	Japan	Filing company (Taiyo Holdings Co., Ltd.)
Electronics	Develops, manufactures, stocks, and markets chemicals for PCBs and other electronic components	Japan	Taiyo Ink Mfg. Co., Ltd.
		Overseas	Taiyo Ink (Suzhou) Co., Ltd., Onstatic New Material (Jianxi) Co., Ltd., Taiwan Taiyo Ink Co., Ltd, Onstatic Technology Co., Ltd., Taiyo Ink Co., (Korea) Ltd., Taiyo America, Inc., and Taiyo Ink Vietnam Co., Ltd
	Stocks and markets chemicals of affiliated companies and associates for PCBs and other electronic components	Overseas	Taiyo Ink International (HK) Limited, Taiyo Ink Trading (Shenzhen) Co., Ltd., Onstatic Ink (Shenzhen) Co., Ltd., Taiyo Ink Products Co., Ltd., Taiyo Ink International (Singapore) Pte Ltd, and Taiyo Trading (Thailand) Co., Ltd.
Medical and Pharmaceuticals	Manufactures and markets pharmaceuticals	Japan	Taiyo Pharma Co., Ltd.
	Performs contract manufacturing of pharmaceuticals	Japan	Taiyo Pharma Tech Co., Ltd.
Other	Manufactures and markets dyes, pigments, pharmaceuticals, and ink	Japan	Taiyo Fine Chemicals Co., Ltd.
	Supplies renewable energy, etc.	Japan	Taiyo Green Energy Co., Ltd.
	Operates cafeterias, etc.	Japan	Ranzan Shokudo Co., Ltd.
	Provides systems engineering services	Japan	funlead corp.

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

This is our organizational chart:



4. Our associates

(1) Consolidated subsidiaries

Name	Address	Equity (amount invested in company)	Main business	Ownership ratio (indirect ownership ratio in parentheses) (%)	Nature of relationship
Taiyo Ink Mfg. Co., Ltd.	Ranzan-machi, Hiki-gun, Saitama, Japan	450 million yen	Manufactures and markets solder resists for PCBs	100.0	<ul style="list-style-type: none"> • We license the company to use our trademarks • We have interlocking directorates with the company • We lease real estate to the company • We lend to the company
Taiyo Ink (Suzhou) Co., Ltd. (*Note 1)	Suzhou, Jiangsu Province, China	30 million USD	Manufactures and markets solder resists for PCBs	100.0	<ul style="list-style-type: none"> • We license the company to use our trademarks • We have interlocking directorates with the company
Onstatic New Material (Jiangxi) Co., Ltd. (*Note 2)	Xinyu, Jiangxi Province, China	7 million USD	Manufactures and markets solder resists for PCBs	100.0 (100.0)	We have interlocking directorates with the company
Taiwan Taiyo Ink Co., Ltd. (*Note 1)	Guanyin District, Taoyuan City, Taiwan	310 million TWD	Manufactures and markets solder resists for PCBs	100.0	<ul style="list-style-type: none"> • We license the company to use our trademarks • We have interlocking directorates with the company
Onstatic Technology Co., Ltd. (*Note 1)	Yingge District, New Taipei City, Taiwan	313 million TWD	Manufactures and markets solder resists for PCBs	100.0	We have interlocking directorates with the company
Taiyo Ink Mfg. Co., (Korea) Ltd.	Ansan-si, Gyeonggi Province, South Korea	2,698 million KRW	Manufactures and markets solder resists for PCBs	100.0	<ul style="list-style-type: none"> • We license the company to use our trademarks • We have interlocking directorates with the company • We lend to the company
Taiyo America, Inc.	Carson City, Nevada, United States	2 million USD	Manufactures and markets solder resists for PCBs	100.0	<ul style="list-style-type: none"> • We license the company to use our trademarks • We have interlocking directorates with the company
Taiyo Ink Vietnam Co., Ltd	Hanoi, Vietnam	2,309 million VDN	Manufactures and markets solder resists for PCBs	100.0	<ul style="list-style-type: none"> • We have interlocking directorates with the company • We lend to the company
Taiyo Ink International (HK) Limited (*Note 3)	Hungghom, Kowloon, Hong Kong, China	10 million HKD	Markets solder resists for PCBs	100.0	
Taiyo Ink Trading (Shenzhen) Co., Ltd.	Shenzhen, Guangdong Province, China	800 thousand USD	Markets solder resists for PCBs	100.0	We have interlocking directorates with the company
Onstatic Ink (Shenzhen) Co., Ltd. (*Notes 1 and 2)	Shenzhen, Guangdong Province, China	7 million USD	Markets solder resists for PCBs	100.0 (100.0)	We have interlocking directorates with the company
Taiyo Ink Products Co., Ltd. (*Notes 2 and 4)	Ansan-si, Gyeonggi Province, South Korea	100 million KRW	Markets solder resists for PCBs	100.0 (100.0)	We have interlocking directorates with the company
Taiyo Ink International (Singapore) Pte Ltd	Singapore	2 million SGD	Markets solder resists for PCBs	100.0	We have interlocking directorates with the company

Name	Address	Equity (amount invested in company)	Main business	Ownership ratio (indirect ownership ratio in parentheses) (%)	Nature of relationship
Taiyo Trading (Thailand) Co., Ltd.	Bangkok, Thailand	11 million THB	Markets solder resists for PCBs	100.0	We have interlocking directorates with the company
Taiyo Pharma Co., Ltd. (*Note 5)	Marunouchi, Chiyoda-ku, Tokyo, Japan	450 million yen	Manufactures and markets pharmaceuticals	100.0	<ul style="list-style-type: none"> • We have interlocking directorates with the company • We lend to the company
Taiyo Pharma Tech Co., Ltd. (*Notes 1 and 6)	Takatsuki-shi, Osaka, Japan	300 million yen	Performs contract manufacturing of pharmaceuticals	100.0	We have interlocking directorates with the company
Taiyo Fine Chemicals Co., Ltd.	Nihonmatsu-shi, Fukushima, Japan	49 million yen	Manufactures and markets dyes, pigments, pharmaceuticals, and ink	100.0	<ul style="list-style-type: none"> • We have interlocking directorates with the company • We lend to the company
Taiyo Green Energy Co., Ltd.	Ranzan-machi, Hiki-gun, Saitama, Japan	10 million yen	Supplies renewable energy, etc.	100.0	<ul style="list-style-type: none"> • We have interlocking directorates with the company • We lend to the company
Ranzan Shokudo Co., Ltd.	Nishi-Ikebukuro, Toshima-ku, Tokyo, Japan	15 million yen	Operates cafeterias, etc.	100.0	
funlead corp.	Nishi-Ikebukuro, Toshima-ku, Tokyo, Japan	80 million yen	Provides systems engineering services	100.0	
Peace Sea Investments Limited (*Notes 1 and 2)	Apia, Samoa	13 million USD	Investment	100.0 (100.0)	
Good Advance Group Limited (*Notes 1 and 2)	Apia, Samoa	13 million USD	Investment	100.0 (100.0)	
Pegasus Tech Ventures Company IV, L.P. (*Note 2)	California, USA	3 million USD	Investment	99.0 (49.5)	
One other company					

Notes:

1. The indicated company is a specified subsidiary as defined in the Cabinet Office Ordinance on the Disclosure of Corporate Affairs.
2. Figures in parentheses indicate the indirect ownership ratio.
3. Sales of Taiyo Ink International (HK) Limited account for more than 10% of the Taiyo Group's consolidated sales (excluding inter-company sales).
Main financial data
(1) Net sales: 15,367 million yen, (2) Ordinary income: 1,242 million yen, (3) Profit: 1,039 million yen
(4) Net assets: 4,876 million yen, (5) Total assets: 6,772 million yen
4. Sales of Taiyo Ink Products Co., Ltd. account for more than 10% of the Taiyo Group's consolidated sales (excluding inter-company sales).
Main financial data
(1) Net sales: 12,773 million yen, (2) Ordinary income: 1,122 million yen, (3) Profit: 877 million yen
(4) Net assets: 2,318 million yen, (5) Total assets: 3,708 million yen
5. Sales of Taiyo Pharma Co., Ltd. account for more than 10% of the Taiyo Group's consolidated sales (excluding inter-company sales).
Main financial data
(1) Net sales: 11,041 million yen, (2) Ordinary income: 1,358 million yen, (3) Profit: 1,085 million yen
(4) Net assets: 2,428 million yen, (5) Total assets: 32,007 million yen
6. Sales of Taiyo Pharma Tech Co., Ltd. account for more than 10% of the Taiyo Group's consolidated sales (excluding inter-company sales).
Main financial data
(1) Net sales: 14,405 million yen, (2) Ordinary income: 1,347 million yen, (3) Profit: 1,019 million yen
(4) Net assets: 17,160 million yen, (5) Total assets: 32,995 million yen

(2) Other associate

Company name	Address	Share capital (Millions of yen)	Main business	Equity stake (%)	Nature of relationship
DIC Corporation	Itabashi-ku, Tokyo, Japan	96,557	Manufactures and markets organic pigments and synthetic resins	20.12%	<ul style="list-style-type: none"> • 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, 2023

Segment	Number of employees
Electronics	1,281
Medical and Pharmaceuticals	405
Other and trans-segment; i.e., employees of Taiyo Holdings Co., Ltd. (the holding and filing company) (*Note 3)	434
Total	2,120

Notes:

1. Number of employees indicates the number of fulltime employees.
2. We have omitted the average number of non-fulltime employees because such employees account for less than 10% of total employees.
3. “Other and trans-segment” includes other businesses and corporate divisions that are not covered in the two segments (Electronics and Medical and Pharmaceuticals).

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

As of March 31, 2023

Number of employees	Average age	Average years of service	Average annual remuneration (yen)
143	40.2	10.2	8,292,383

Notes:

1. Number of employees indicates the number of fulltime employees (this excludes employees that we second to other companies but includes employees that other companies second to us).
2. We have omitted 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 Taiyo Pharma Tech Co., Ltd., Taiyo Ink (Suzhou) Co., Ltd. And Taiyo Ink Trading (Shenzhen) Co., Ltd., our employees do not belong to any labor organization. We enjoy strong employee relations.

- (4) Percentage of female workers in management positions, percentage of eligible male workers who take childcare leave, and wage gap between male and female workers

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

Fiscal year ended March 31, 2023					Supplementary notes
Percentage of female workers in management positions (%) (*Note 1)	Percentage of eligible male workers who take childcare leave (*Note 2)	Wage gap between male and female workers (%) (*Notes 1 and 3)			
		All workers	(of which, full-time workers)	(of which, part-time and limited-term contract workers)	
20.8	60.0	71.2	72.2	-	Three of five males eligible to take childcare leave took leave

Notes:

1. Calculated as specified in the Act on the Promotion of Women's Active Engagement in Professional Life (Act No. 64, 2015)
2. The percentage of workers taking childcare leave in Article 71, Paragraph 4-1 of the Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Ordinance of the Ministry of Labor No. 25, 1991) was calculated as specified in the Act on the Welfare of Workers Who Take Care of Children or Other Family Members Including Child Care and Family Care Leave (Act No. 76, 1991).
3. Categories with less than five males or females are not disclosed because the resulting numerical bias is not in keeping with the purpose of disclosure.

2) Consolidated subsidiaries

Fiscal year ended March 31, 2023						Supplementary notes
Name	Percentage of female workers in management positions (%) (*Note 2)	Percentage of eligible male workers who take childcare leave (*Note 3)	Wage gap between male and female workers (%) (*Notes 2 and 4)			
			All workers	(of which, full-time workers)	(of which, part-time and limited-term contract workers)	
Taiyo Ink Mfg. Co., Ltd.	7.7	16.7	79.3	78.9	-	One of six males eligible to take childcare leave took leave
Taiyo Pharma Tech Co., Ltd.	14.3	87.5	75.6	80.1	58.2	Seven of eight males eligible to take childcare leave took leave
funlead corp.	12.5	83.3	75.8	76.4	-	Five of six males eligible to take childcare leave took leave

Notes:

1. Only disclosed for those subsidiaries subject to the obligation of public disclosure, as specified in the Act on the Promotion of Women's Active Engagement in Professional Life (Act No. 64, 2015).
2. Calculated as specified in the Act on the Promotion of Women's Active Engagement in Professional Life (Act No. 64, 2015).
3. The percentage of workers taking childcare leave in Article 71, Paragraph 4-1 of the Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Ordinance of the Ministry of Labor No. 25, 1991) was calculated as specified in the Act on the Welfare of Workers Who Take Care of Children or Other Family Members Including Child Care and Family Care Leave (Act No. 76, 1991).
4. Categories with less than five males or females are not disclosed because the resulting numerical bias is not in keeping with the purpose of disclosure.

II. Trends and Outlooks

1. Policies, business climate, challenges

The business policies, business climate, and challenges of the Taiyo Group are detailed below. The forward-looking statements are based on information available to the Taiyo Group as of the end of the consolidated fiscal year under review.

(1) Business policies

We remain steadfastly committed to our goal of creating a cheerful society (as stated in “our core values” below). With this objective in mind, we will continue to grow while adapting to changes in the business environment and strategies.

Our management philosophy

“To achieve ‘a cheerful society’ by further advancing every technology in our Group and by creating a wide range of innovative products to fulfill the dreams of the world.”

Our basic management policies

1. We will generate revenue and increase corporate value, thereby contributing to the well-being and prosperity of customers, communities, shareholders, and employees.
2. We will discharge our corporate social responsibility with regard to the achievement of our management philosophy, including complying with the law, protecting the environment, ensuring thorough quality management, and contributing to society.
3. We will leverage our global system to always provide superior products and services.
4. We will constantly create opportunities for employees to challenge and develop themselves, aiming to have a corporate group composed of people who are highly motivated to be successful and to achieve goals set by themselves.
5. We will increase our comprehensive corporate strengths by maximizing cooperation between the Taiyo 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 cheerful 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 “Beyond Imagination 2030,” our long-term management plan that runs from fiscal year ended March 31, 2022 to fiscal year ended March 31, 2031.

KPI	Target
Return on equity ratio (ROE)	18% or higher
Dividend on equity ratio (DOE)	5% or higher

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

Business climate

In the year under review (April 1, 2022 to March 31, 2023), the global economy continued to face increasing uncertainty from the prolonged spread of COVID-19 due to variants, soaring resource and food prices caused by rising geopolitical risks such as the situation in the Russian Federation and Ukraine, rising policy interest rates in the United States and European countries, foreign exchange risks, etc.

1) Electronics industry

The electronics industry is strongly affected by semiconductor industry. In the semiconductor industry, demand for data gathering, accumulation, and analytics is mounting amid the rollout of IoT and AI-driven technologies and the metaverse. This should drive technological innovation in electronic devices and materials and encourage active R&D and capital expenditure. Most crucially, the 5G rollout and entrenchment of remote work are driving demand for semiconductors and other electronics. Electrification associated with the spread of electric and hybrid vehicles and electrification for autonomous driving are propelling expansion of demand for automotive related products.

2) Medical and Pharmaceuticals industry

Mounting financial pressure on Japan's health insurance system has prompted a revision of drug pricing, leading to structural changes in the pharmaceuticals industry and increasingly diverse healthcare needs. Structural changes in the pharmaceuticals industry include cost-control measures such as introducing price controls on original drugs and encouraging the use of generics, and the debate continues over further reforms to the medical system. Meanwhile, quality issues and accompanying product defects are occurring frequently in the generic drug industry and this demands improvements in reliability through revisions to the quality control system and stable supply. Technological innovation and collaboration between industry, academia, and government in response to diverse healthcare needs should drive innovative drug discovery.

Our strategies

Amid the present business climate, we focus on the Taiyo Group's strengths in chemistry to propel ourselves towards realizing the cheerful society targeted in our management philosophy through our corporate activities.

We have formulated the long-term management plan "Beyond Imagination 2030" contemplating that management from a long-term perspective will become more important without falling at the mercy of short-term changes.

Basic policies of "Beyond Imagination 2030", our long-term management plan

- 1) Develop and utilize self-sufficient personnel capable of acting independently, who respond to diversifying organizations and societies
- 2) Achieve continuous growth and explore new business areas in the Electronics business
- 3) Grow the Medical and Pharmaceuticals business further
- 4) Transform and evolve through digital transformation
- 5) Create new businesses
- 6) Execute strategic M&A
- 7) Strengthen efforts for SDGs (Sustainable Development Goals)

By 2030, with the evolution of technology, thoughts on the environment, and various initiatives around the world, a future will unfold that is beyond our imagination. We want to be a company that creates a wide range of innovative products to fulfill the dreams for such a future. The self-sufficient personnel in our Group will further develop our core Electronics and Medical and Pharmaceuticals businesses, while continuing to work on our energy business and digital transformation, even in such a dynamic environment.

We do not aim to simply expand our business, but to fulfill our social responsibilities and maximize shareholder value. Over the long-term, we will work to increase capital efficiency while increasing profits, and to fully return profits to our shareholders. To promote these activities, we will aim to achieve ROE of 18% and maintain DOE of 5% or higher as our goals for "Beyond Imagination 2030", our long-term management plan.

We are implementing various Group-wide measures for each basic policy and are focusing on the following actions, in particular, as concrete measures.

Group-wide actions

1. Develop and utilize self-sufficient personnel capable of acting independently, who respond to diversifying organizations and societies

(Basic Policy 1 in “Beyond Imagination 2030,” our long-term management plan)

A key challenge is to build a workforce that can adapt to organizational and social diversity and help the company grow in the years to come. We are working to train up goal-oriented and self-motivated employees. Group companies will rotate employees’ assigned jobs and provide them training so that employees get opportunities to challenge themselves and grow.

2. Transform and evolve through digital transformation

(Basic Policy 4 in “Beyond Imagination 2030,” our long-term management plan)

To ensure global competitiveness in a rapidly changing business landscape, we must commit to continually improving workflows, processes, and our business model. We will digitize workflows and processes, including ordering, production management, R&D, and new product development, to generate new customer value.

3. Create new businesses

(Basic Policy 5 in “Beyond Imagination 2030,” our long-term management plan)

To ensure business success in the medium to long term, we need to launch new businesses, rather than relying only on our existing businesses. We need to expand and develop new core revenue sources to complement our existing ones (electronics, medical and pharmaceuticals, energy, and food).

4. Execute strategic M&A

(Basic Policy 6 in “Beyond Imagination 2030,” our long-term management plan)

To accelerate efforts to strengthen existing businesses and launch new ones, we will actively explore potential business and capital tie-ups, M&A, and strategic collaboration projects in which we can leverage external assets, instead of relying only on the Taiyo Group’s own assets.

5. Strengthen efforts for Sustainable Development Goals (SDGs)

(Basic Policy 7 in “Beyond Imagination 2030,” our long-term management plan)

Even before the SDG agenda garnered worldwide interest, we were integrating sustainability into our business activities, believing that sustainability is crucial to continued business success.

The mainstay product of our electronics business, solder resist, has a crucial role to play in this agenda, because it underpins technological and industrial innovation. In our Medical and Pharmaceuticals business, we are building a manufacturing base for new domains such as regenerative therapy and gene therapy, in addition to manufacturing and selling drugs that are critical to meeting society’s needs and maintaining their stable supply. Other efforts include switching to renewable energy sources to combat climate change across the Taiyo Group and we are active in the food business and ICT business to offset the risk of future food shortages.

We also contribute to sustainability outside of our business activities. For example, we participate in local events and charitable causes, and our canteens use local produce. To promote diversity and inclusion, we have installed all-gender restrooms and actively nominate women for the Board of Directors.

To enhance corporate governance, we have established a system for strengthening the system of internal controls, maintaining a high percentage of independent outside board directors, and taking other steps to ensure transparent and sound management, as well as a system for the execution of business and its supervision to facilitate swift response to changes in the business environment.

We will continue to fulfill our corporate social responsibilities through our businesses to make sure that stakeholders continue to trust and relate to our Group.

Electronics

Achieve continuous growth and explore new business areas in the Electronics business
(Basic Policy 2 in “Beyond Imagination 2030,” our long-term management plan)

The mainstay of our Electronics business is solder resist. We hold a global top share in the solder resist market, and over 90% of solder resist sales are in overseas countries. To further increase our solder resist share, we are pursuing a threefold strategy: 1. enhance solder resist customer base in solder resist (existing customers and existing technology), 2. accelerate continuous launching of new products (existing customers and new technology), and 3. promote development of new applications (new customers and existing technology). We are also working to swiftly establish growth-driving business in other electronics materials to complement the solder resist business, believing that this will lead to sustained growth.

Our Group is building a new development building for R&D in the Electronics business on the premises of the Taiyo Holdings Ranzan Facility to accommodate the growth in future demand for semiconductors and other materials for electronic components and devices. We have also acquired land on the east side of the Ken-O Tsurugashima Interchange, plan to build a production technology center for development of technology for DF type solder resist, a mainstay product, and are building the structure for rapidly pursuing product development.

The key actions being taken in the Electronics business are described below.

1) Strengthening R&D

We understand that if we are to keep generating new business ideas, we need effective research and 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 medium to long-term scope, rather than focusing only on a particular project. Meanwhile, a product development team 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 invest aggressively in a new development building, a production technology center, and other R&D facilities, and make a determined effort to hire and train the very best researchers and technicians from Japan and around the world. We will also strengthen partnerships to create more opportunities for business growth.

2) Bringing new products to market swiftly

Developing a new product is like developing a new business—make it commercially viable, and you will earn 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 dedicated project 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. In recent years, we have continued to focus on expanding business in newly developed products in the display-related business.

3) Managing foreign exchange risk

Since many of our transactions are denominated in a foreign currency, exchange rate fluctuations can easily affect our business results. We therefore consider it important to mitigate foreign 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 to match the currency for revenues and expenditures.

In addition to mitigating foreign 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.

Medical and Pharmaceuticals

Grow the Medical and Pharmaceuticals Business further

(Basic Policy 3 in “Beyond Imagination 2030,” our long-term management plan)

In recent years, the pharmaceutical industry has faced issues due to quality and manufacturing deficiencies involving generics, resulting in administrative sanctions. This has caused delays in the supply of some drugs, shaking the industry’s trust.

These problems with generics are expected to lead to stricter demands for the quality of pharmaceuticals in the future. On the other hand, pursuing higher quality pharmaceuticals will naturally result in higher costs, but cost demands from contract manufacturing organizations (CMOs) and contract development and manufacturing organization (CDMOs) such as we are growing due to the government’s ongoing measures to control drug prices. In other words, CMOs and CDMOs must produce even higher-quality pharmaceuticals, while controlling manufacturing costs, and supply these to markets in a stable manner. The rapidly aging and declining population has overburdened the nation’s healthcare budget and is creating a more uncertain business climate in Japan. In an attempt to relieve the pressure, the government has started controlling the prices of original drugs and encouraging the population to use generics. It is also considering further reforms to the healthcare system.

To address these challenges, we are exploring a business model that is resilient to this volatile environment, establishing a system that can deliver a stable supply of existing drugs in the years ahead, and providing new drugs that will meet the needs of medical institutions and patients.

1) Further progress in contract manufacturing of pharmaceuticals

Taiyo Pharma Tech Co., Ltd. performs contract manufacturing of pharmaceuticals. Taiyo Pharma Tech aims to continue its rapid growth with the following strategy: While maintaining a stable supply to existing customers, Taiyo Pharma Tech will explore partnerships and joint development projects with firms in Japan and other countries, bid for new contracts, and start developing, as well as manufacturing, drugs to transition from a contract manufacturing organization (CMO) to contract development and manufacturing organization (CDMO). To further build its technological assets, the subsidiary will expand into regenerative therapy and gene therapy, which have bright prospects for growth, and commercialize the latest medical technologies. Such strategies will help us expand the segment and strengthen our portfolio. Instead of just strengthening its production sites in Japan, the subsidiary will expand globally over the medium to long term by building an international supply chain network and providing CDMO services for regenerative therapy and genetic therapy.

2) Steady progress in manufacture and marketing of pharmaceuticals

Taiyo Pharma Co., Ltd. has a line-up of 18 long listed pharmaceuticals on which it has completed asset transfers from Chugai Pharmaceutical Co., Ltd., Nippon Boehringer Ingelheim Co., Ltd., and AstraZeneca K.K. It continues to provide reliable stable supplies of pharmaceuticals to the frontlines of healthcare. To expand its lineup, Taiyo Pharma will aggressively seek approvals for other long-listed products and endeavor to provide new pharmaceutical drugs.

3) Addressing the risk of pharmaceutical side-effects

As a manufacturer of pharmaceuticals, we face the risk that we will be held liable for damages caused by product recalls, suspension of sales or injury resulting from the use of the product. To manage this risk, we comply with the Pharma-Med Act* and all applicable standards. We also have product liability insurance to minimize the financial damage from any product liability claims.

* The Pharma-Med Act's full title is “Act on Securing Quality, Efficacy and Safety of Products Including Pharmaceuticals and Medical Devices.”

2. Sustainability approach and initiatives

We have specified “Strengthen efforts toward Sustainable Development Goals (SDGs)” as one of the basic policies in “Beyond Imagination 2030,” our long-term management plan, as stated in our Corporate Governance Report. The details of such initiatives are provided below. The forward-looking statements in this report are based on certain assumptions the Taiyo Group has deemed to be reasonable as of Date of filing of Annual Securities Report.”. Actual results may differ substantially due to various factors. The Corporate Governance Report is posted on our website (https://www.taiyohd.co.jp/en/pdf/investor/governance/governance_en.pdf)

(1) Sustainability

1) Governance

The Sustainability Promotion Committee, chaired by the President and CEO, is responsible for the execution of all activities relating to sustainability. The Sustainability Promotion Committee discusses the direction of activities relating to sustainability and progress on targets set based on critical issues across the Taiyo Group. The committee receives instructions from the Board of Directors concerning priority challenges.



2) Risk management

The Taiyo Group reassesses risks and opportunities by business several times a year to address short-term, medium-term, and long-term risks and opportunities relating to each business. To perform company-wide risk management on matters relating to sustainability that could have a particular serious impact, we have built a series of systems that the risk assessed and identified is then addressed by the execution division, and their response is managed and monitored by the Sustainability Promotion Committee and the Board of Directors.

(2) Response to climate change

The Taiyo Group launched a floating solar power business in 2014 and actively engages in other sustainability efforts. Climate change is a serious social issue facing global society and is accordingly a priority management issue of the Taiyo Group. We therefore declared our support for TCFD* recommendations in March 2022 and are pursuing initiatives aligned with the TCFD framework.

* TCFD: A task force established by the Financial Stability Board (FSB) at the request of the G20 for considering corporate information disclosure related to climate change and the response of financial institutions

1) Governance

Governance related to climate change is included in governance of sustainability. See (1) Sustainability, 1) Governance for more information.

2) Strategies

We specify the risks and opportunities by analyzing long-term expected climate change considering the 1.5° C and 4° C scenarios concerning the Sixth Assessment Report of the

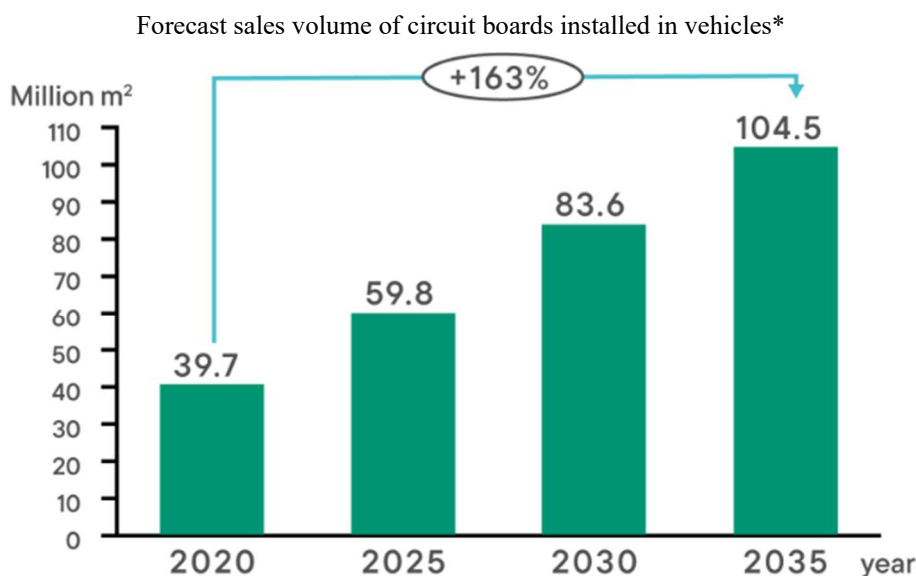
Intergovernmental Panel on Climate Change (IPCC) and the World Energy Outlook of the International Energy Agency (IEA).

Scenario*	Changes in Social Environment	Risks	Opportunities	Main Countermeasures
Under 2°C scenario	Introduction and raising of carbon tax in various countries	✓	✓	<ul style="list-style-type: none"> • Gathering of information on environmental regulations in each country and examination of countermeasures • Aggressive introduction of renewable energy • Promotion of energy efficiency
	Progress in carbon-free society	✓	✓	<ul style="list-style-type: none"> • Promotion of development of products with low environmental footprint • Promotion of development of products for next-generation mobility • Promotion of changes to product packaging configuration • Promotion of recycling of used plastics
	Accommodation of stakeholder requests	✓	✓	<ul style="list-style-type: none"> • Reinforcement of efforts for environment • Proactive disclosure of information and communication to respond to investor and market concern
4°C scenario	Suspension of plants due to intensified damage from natural disasters	✓	—	<ul style="list-style-type: none"> • Increase in number of production bases • Risk management and response from perspective of BCP

* These scenarios were applied to the Electronic Business.

Opportunity presented by progress on realizing carbon neutrality Case 1

Demand for electric vehicles (EV) is forecast to increase even more in the future because they do not emit CO₂ during operation. The area of automotive substrates installed in EV is estimated to be roughly 1.5 times the area of circuit boards in a gasoline-powered vehicle. The growth in demand for EV will lead to growth in sales of our automotive related products and we see this as a business opportunity for the Taiyo Group.

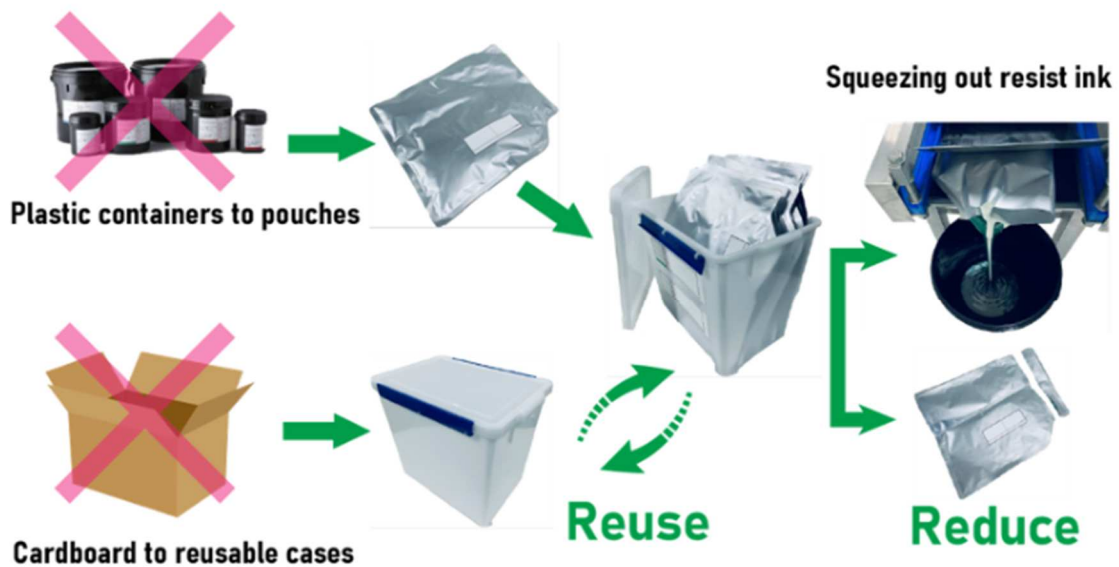


* General Survey on Car-Mounted Electronic Devices & Components 2022, Fuji Chimera Research Institute, Inc. (results for 2020; forecasts for 2025, 2030, and 2035)

Opportunity presented by progress on realizing a decarbonized society: Case 2

The Taiyo Group is reducing plastic containers, cardboard boxes, and other waste by changing the type of packaging for each type of product in our Electronics business. We are actively switching to pouch packaging, especially in plants with high shipment volumes in China, Japan, and Taiwan. In fiscal

year ended March 31, 2023, we switched roughly 15% of solder resist product packaging to pouches. This contributed to reduction in waste at customer locations.

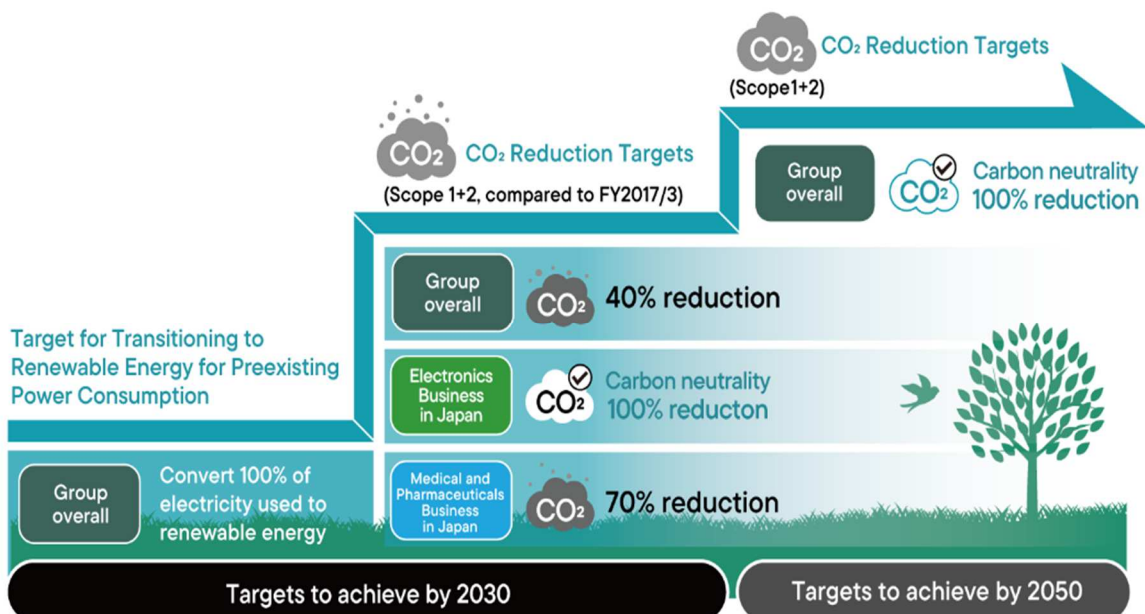


3) Risk management

Management of risks related to climate change is included in sustainability risk management. See 1) Sustainability, 2) Risk management for more information.

4) Metrics and targets

To achieve carbon neutrality by 2050, the target year set by the Japanese government, we have set an even higher target before to reduce total Group CO₂ emissions by 40% in fiscal year ended March 31, 2031 compared to fiscal year ended March 31, 2017. We also aim to achieve carbon neutrality in the domestic Electronics business and a 70% reduction in CO₂ emissions in the domestic Medical and Pharmaceuticals business by fiscal year ended March 31, 2031, as well as carbon neutrality for the entire Taiyo Group by 2050.



Our CO₂ emissions results and targets are shown below. We have set fiscal year ended March 31, 2017 as the base year for the CO₂ emissions reduction targets.

CO₂ emissions for fiscal years ended March 31, 2017 and 2022,
and CO₂ emissions target for fiscal year ended March 31, 2031

Segment	CO ₂ emissions	(kt-CO ₂)		
		Fiscal year ended March 31, 2017 (Base year)	Fiscal year ended March 31, 2022 (Actual result)	Fiscal year ended March 31, 2031 (Target) ^{*1}
Entire Group	Scopes 1 + 2	41	49	24
	Scope 1	16	16	
	Scope 2	25	33	
Electronics (Japan)	Scopes 1 + 2	7	9	0
Medical and Pharmaceuticals (Japan)	Scopes 1 + 2	18	19	5
Other ^{*2}	Scopes 1 + 2	15	20	

*1 Targets for Scopes 1 + 2 for the entire Group, the Electronics business in Japan, and the Medical and Pharmaceuticals business in Japan

*2 Other: Overseas Electronics business and manufacturing, sales, and service in other businesses in Japan

We will continue to respond to climate change through our businesses and disclose information on our efforts by continuing to evaluate the impact of the risks and opportunities presented by climate change on our businesses and pursuing efforts to mitigate such risks and capitalize on such opportunities, in accordance with the framework of TCFD recommendations.

(3) Human capital

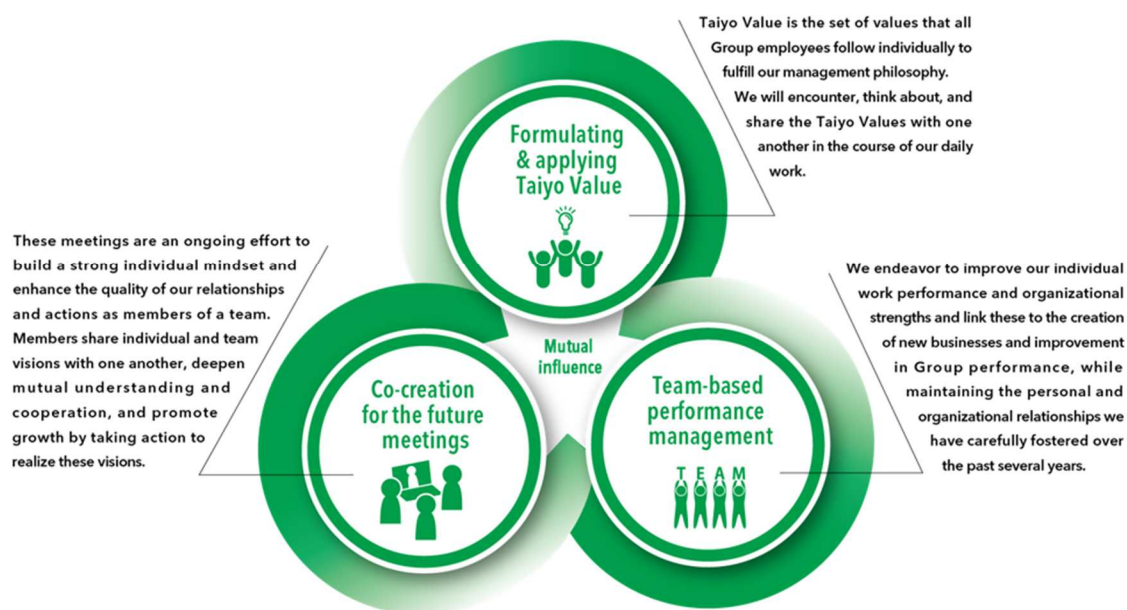
Basic Policy 1 in “Beyond Imagination 2030,” our long-term management plan, is “Develop and utilize self-sufficient personnel capable of acting independently, who respond to diversifying organizations and societies. We endeavor to develop self-sufficient personnel who set their own goals and have high aspirations to achieve them by maintaining a good balance in work motivation, healthy workplace environment, and fair evaluations and compensation.

1) Strategies

a. Organizational and human resource development policy

To realize our management philosophy amid the dizzying pace of change in society and the business environment, we are implementing the Co-creation Initiative for the Future to develop self-sufficient personnel from the perspectives of both the individual and the organization and are able to delineate their own aspirations for the future, grasp the essence of matters in making decisions, and involve those around them in executing business.

Co-creation Initiative for the Future



Each department has been holding Co-creation for the Future Meetings since April 2019 as one part of the Co-creation Initiative for the Future. The objective of the meetings are to create strong individuals and a strong organization by instilling a growth mindset and improving the quality of team relationships and actions.

The Taiyo Values were introduced in October 2021 as the values that all employees should share, follow, and apply. They were formulated through group dialog sessions among employees over the course of two years. Each department now selects a Value Leader who works to promote the application of the values. These Value Leaders devise ways to share their respective initiatives with across the organization.

Taiyo Value

We will adopt and comply with the following four principles in our actions towards realizing our Management Philosophy.

[**ENJOY**] Imagine the future, make actions.

[**SINCERITY**] Be honest. Make proud decisions.

[**SPEED**] Take action. Be a pioneer.

[**COMMUNICATION**] Listen to others. Convey your thoughts.

b. Internal environment creation policy

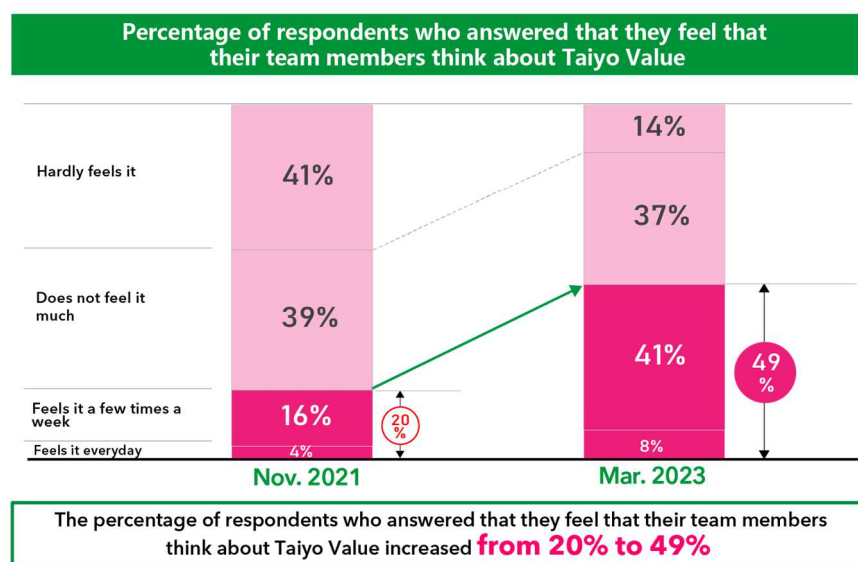
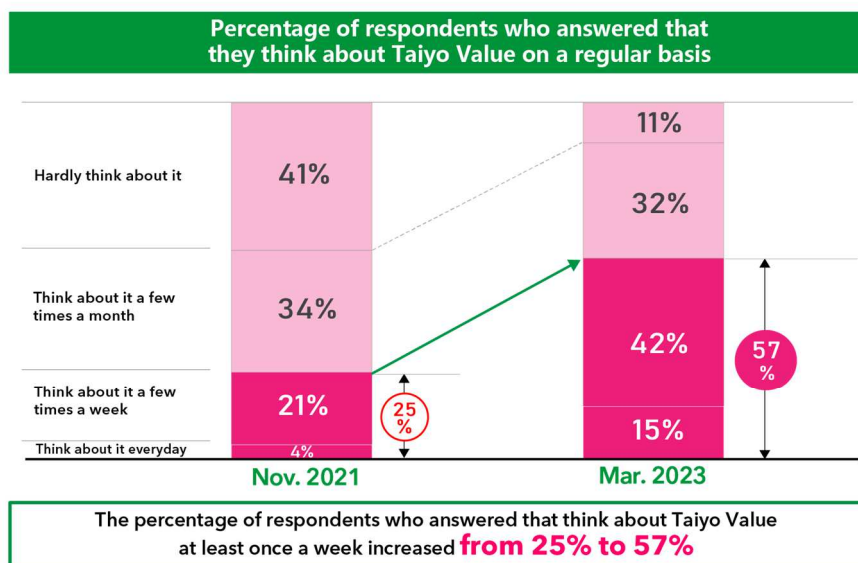
The work environment and values concerning work have been changing substantially due to recent changes in laws and regulations and societal demands, and to increasing diversity in the places and types of employment. To create an environment where each employee can work independently in an ever-changing environment, the Taiyo Group is focusing on developing and utilizing self-sufficient personnel by establishing a good balance of work motivation, healthy work environment, and fair evaluations and compensation as a three-part commitment to employees by management.

2) Metrics and targets

a. Organizational and human resource development policy

Co-creation for the Future Meetings, which are part of the Co-creation for the Future Initiative, were held by 131 departments by the end of fiscal year ended March 31, 2023 and 1,292 employees participated in these meetings. (Total number of departments and participants) We will continue to hold these meetings and expand them to the entire Taiyo Group.

Roughly a year and a half has elapsed since the Taiyo Values were formulated and the percentage of employees who consciously apply these values in their daily work is increasing. (Trends identified from listening to Group employees are explained below) We intend to continue to instill the Taiyo Values as constant values that employees can always depend on in their daily work and will continue such initiatives.



Holding Co-creation for the Future Meetings and applying the Taiyo Values in daily work activities is improving human and organizational relationships and, as a Group, we feel the values have also taken root as values that we want to follow and apply. We are also strengthening performance management out of the desire to link this course of action to better work outcomes and business results. To be more specific, we have produced a handbook for management that provides all of the essentials for team management to support subordinates in a manner that enables them to demonstrate their capabilities to the fullest. This handbook is used as a textbook

for training new managers and was distributed to all (50) section managers and department directors. We will continue to implement training and other initiatives that utilize the contents of the management handbook, as well as incorporate the knowledge obtained from the workplace into handbook to pursue our best management style.

On the point of human resource development, we are focusing on investment in employee training, in addition to the Co-creation for the Future initiative described above. We also subsidize the cost of acquiring company-recommended qualifications, the cost for new employees to purchase and read a newspaper, and the cost of purchasing books necessary for work to help each employee to increase their knowledge and improve their skills. (Results for fiscal year ended March 31, 2023: Approx. 60,000 yen per employee of Taiyo Holdings Co., Ltd.) We also put effort into internal and external seminars and training as opportunities for growth. (Results for fiscal year ended March 31, 2023: Approx. 410,000 yen per employee of Taiyo Holdings Co., Ltd. * The cost of internal training also includes the cost of designing training and other associated costs.)

b. Internal environment creation policy

When performing stress checks for all employees of Taiyo Holdings Co., Ltd. and some domestic subsidiaries, we don't only check the legally mandated elements; we also look at employee satisfaction and other indicators generally referred to as overall indicators. We also consider the results of these stress checks in regard to employee satisfaction in terms of management's commitment to work motivation, a healthy work environment, and fair evaluations and compensation. These various initiatives have also produced results. We outperformed the nationwide average in 31 of 36 categories, and the numbers for the general indicators were also good compared to nationwide averages.

Overall indicators	FYE Mar. 2021	FYE Mar. 2022	FYE Mar. 2023	* Nationwide average
Work engagement	2.66	2.63	2.65	2.52
Job satisfaction	2.81	2.81	2.81	2.60
Sense of unity in the workplace	2.84	2.86	2.86	2.74

*1 Ratings ranged from 1 point at minimum to 4 points at maximum. Higher numbers reflect a more favorable result.

*2 Seven domestic subsidiaries were included in the survey above. funlead corp. is surveyed on unique items.

In terms of "workplace environment," we not only aim to create a clean and comfortable workplace with the latest equipment, but also a work environment that will encourage employee growth and awareness. For example, we display works of art in our workplaces because we want employees to imagine how much effort an artist must exert to become a first-class professional and then reflect on how they can approach their own work. We are also actively hiring mid-career professionals to bring in the perspectives of diverse talent with different backgrounds, not only in terms of concrete skills but also in terms of approaches and other qualitative aspects. (Percentage of mid-career hires in Taiyo Holdings (the filing company) in fiscal year ended March 31, 2023: 22.7%)

In April 2023, we revised the system of employee compensation to achieve fair evaluations and compensation as applied to the recent changes in the work environment. We will continue to rebalance work motivation, a healthy work environment, and fair evaluations and compensation to achieve a good balance and will strive to realize a cheerful society by creating the environment and establishing the means for employees to contribute more actively as self-sufficient personnel.

3. Business risks

The following are the main risks that may influence the business development of the Taiyo Group. The forward-looking statements are based on information available to us as of the end of the consolidated fiscal year under review.

Types of financial risk	Description of risk	Key actions for managing the risk
Risk associated with response to social issues	<ul style="list-style-type: none"> Corporate value may decline and business opportunities may be lost when efforts to address environmental issues such as climate change and other social issues are insufficient. 	<ul style="list-style-type: none"> The Board of Directors and Sustainability Promotion Committee specify priority challenges. We analyze risks and opportunities and conduct thorough risk management.
Foreign exchange risk	<ul style="list-style-type: none"> Fluctuation in foreign exchange rates may cause stagnation of business activities overseas. Fluctuations in foreign exchange rates and interest rates may affect conversion of the operating results of overseas subsidiaries into yen. 	<ul style="list-style-type: none"> We may need to use forward exchange contracts. We finance in countries with a low risk of fluctuation in foreign exchange rates, including the parent company. We promote sourcing local production for local sales.
Country-specific risks	<ul style="list-style-type: none"> There may be unfavorable changes in local regulatory requirements (including legal and tax requirements). The country might experience military conflict or civil disorder. 	<ul style="list-style-type: none"> We aim for an appropriately dispersed network of global operations. We research trends in among customers and in the government of each country.
Infection risk	<ul style="list-style-type: none"> We might need to suspend business if corporate officers or employees get infected. 	<ul style="list-style-type: none"> We adhere to government policy. We have introduced work-from-home programs. We run temperature checks and provide hand sanitizer at work.
Procurement risk	<ul style="list-style-type: none"> Our supply chain might get disrupted if suppliers suffer damage or shortages. Oil prices might lead to higher materials costs. 	<ul style="list-style-type: none"> We source materials from multiple suppliers.
Price war risk	<ul style="list-style-type: none"> We might face pressure to lower sales prices. 	<ul style="list-style-type: none"> We produce and sell low-priced products. We monitor the competition.
Client bankruptcy	<ul style="list-style-type: none"> Clients in Japan or overseas might unexpectedly go bankrupt. 	<ul style="list-style-type: none"> We monitor clients' performance and creditworthiness to protect the recoverability of our receivables.
Technological innovation risk	<ul style="list-style-type: none"> Technological innovation might yield manufacturing techniques that do not rely on our products (such as techniques for making electronic parts without PCBs). Techniques that do not use solder resist may be applied to manufacturing PCBs. 	<ul style="list-style-type: none"> We develop new manufacturing techniques.
Patent risk	<ul style="list-style-type: none"> We may fail to protect our patents. The Taiyo Group may infringe on the patents and intellectual property of another company. 	<ul style="list-style-type: none"> We manage risks related to intellectual property rights.
Side-effects of pharmaceuticals	<ul style="list-style-type: none"> Unexpected serious adverse effects or safety issues may be discovered. 	<ul style="list-style-type: none"> We comply with the Pharma-Med Act and applicable standards, and subscribe to the necessary liability insurance.
Pharmaceutical regulation	<ul style="list-style-type: none"> There may be unfavorable changes in drug pricing or other relevant aspects of the national health system or national/local government health policy. 	<ul style="list-style-type: none"> We have a robust system of operating procedures with effective oversight.

Types of financial risk	Description of risk	Key actions for managing the risk
Impairment risk	<ul style="list-style-type: none"> If Group assets markedly decline in fair value, or if the Group's businesses become unprofitable, we would recognize impairment losses for the non-current assets. 	<ul style="list-style-type: none"> The Board of Directors reviews whether the purchase price is appropriate. We use follow-up surveys to measure each asset's contribution to synergy, and we periodically monitor each asset's macroeconomic context.
Transfer pricing taxation and other cross-border tax risks	<ul style="list-style-type: none"> Differences of opinion between tax authorities might incur additional or double taxation. 	<ul style="list-style-type: none"> We comply with each country's tax system. We consult external experts.
Risk of failure to secure human resources	<ul style="list-style-type: none"> Delays in developing human resources, the aging of society with fewer children being born, and population decline may contribute to decline in the workforce pool due to employee attrition and difficulty in hiring personnel. 	<ul style="list-style-type: none"> We develop and utilize self-sufficient personnel capable of acting independently, who respond to diversifying organizations and societies. We maintain work motivation, a healthy work environment, and fair evaluations and compensation.
Information security risk	<ul style="list-style-type: none"> Cyber attacks and other security threats may result in information leaks and falsification of information. Computer systems may shut down or malfunction. 	<ul style="list-style-type: none"> We strengthen and maintain our information management systems. We train employees and conduct practice drills.

4. Financial position, operating results, cash flows

(1) Performance overview

This section describes the financial position, operating results, and cash flows (hereafter, “performance”) of the Taiyo Group in the consolidated fiscal year under review.

1) Financial position

The table below shows year-on-year changes in assets, liabilities, and net assets, as well as the main factors for the changes.

(Millions of yen)

	Consolidated fiscal year ended March 31, 2022	Consolidated fiscal year ended March 31, 2023	Change	Main factors (Comparison with the end of the previous fiscal year)
Current assets	98,766	90,050	(8,715)	Decrease of... 4,823 million yen in notes and accounts receivable – trade 4,435 million yen in cash and deposits
Non-current assets	90,507	97,212	6,705	Increase of... 5,346 million yen in construction in progress 1,924 million yen in buildings and structures 1,021 million yen in land Decrease of... 1,648 million yen in sales rights
Total assets	189,273	187,263	(2,009)	
Total liabilities	103,806	94,523	(9,282)	Decrease of... 7,807 million yen in short-term borrowings 2,742 million yen in notes and accounts payable – trade Increase of... 1,155 million yen in long-term borrowings (including current portion of long-term borrowings)
Total net assets	85,466	92,739	7,272	Positive factors: Recorded 11,405 million yen in profit attributable to owners of parent Increase of 1,036 million yen in foreign currency translation adjustment account Negative factors: Decrease of 4,165 million yen in dividends of surplus Decrease of 1,500 million yen in purchase of treasury shares s
Total liabilities and net assets	189,273	187,263	(2,009)	

2) Operating results

Net sales for the consolidated fiscal year under review were 97,338 million yen (down 0.6% year on year). Operating income was 15,972 million yen (down 11.1% year on year), ordinary income was 15,462 million yen (down 14.4% year on year), and profit attributable to owners of parent was 11,405 million yen (down 3.4% year on year).

Results by segment were as follows.

The Taiyo Group consists of segments based on operating subsidiaries and has two reportable segments: the Electronics business and the Medical and Pharmaceuticals business.

Electronics

Over 90% of sales in this segment are made overseas. Foreign exchange gains (a result of the weak yen) therefore contribute to revenue and profit growth in the segment. Throughout the period under review, JPY against USD averaged at JPY 135.0/USD, 22.1 yen lower than the previous period's average rate of JPY 112.9/USD.

Sales of rigid board materials remained slow and sales volumes declined year on year, especially for display-related materials and consumer-related materials. A high percentage of these materials are sold in China and sales volume declined due to a lockdown caused by the spread of COVID-19, a sharp drop in operating rates due to a decline in customer employee attendance rates, and a decrease in final demand for PCs, tablets, consumer electronics, etc.

Sales volume for package board materials also declined year on year. In particular, the sales volume of dry film (DF) products reached a record high through the first half of the consolidated fiscal year under review, backed by a dramatic increase in data volume due to the establishment of remote working and the spread of the 5th generation mobile communication system (5G) around the world. However, DF sales volume decreased from the third quarter of fiscal year ended March 31, 2023 onward due to a rapid decline in demand for products for memory as declining end-user demand for smartphones, PCs, tablets, and other products led to an increase in customer inventory levels. DF sales increased year on year, boosted by the weak yen.

As a result, net sales amounted to 68,419 million yen (down 3.8% year on year), and segment profit came to 15,845 million yen (down 6.4% year on year.)

Medical and Pharmaceuticals

The ethical pharmaceutical manufacturing and marketing business of Taiyo Pharma Co., Ltd. saw a year on year decrease in sales. Sales for this business remained weak compared to the previous fiscal year due to the impact of NHI drug price revisions and a decrease in demand following the lifting of limits on shipments of other companies' drugs having the same efficacy, etc., despite an increase in demand for some products due to the spread of COVID-19.

The pharmaceutical contract manufacturing business of Taiyo Pharma Tech Co., Ltd. recorded year on year growth in net sales. The business performed well due to an increase in the volume contracted by customers and changes in the product mix.

As a result, net sales amounted to 25,447 million yen (up 8.4% year on year), and segment profit came to 1,906 million yen (down 20.6% year on year.)

3) Cash flows

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

(Millions of yen)

	Consolidated fiscal year ended March 31, 2022	Consolidated fiscal year ended March 31, 2023	Main factors
Net cash provided by (used in) operating activities	18,308	22,736	Cash inflows: 15,462 million yen in profit before income taxes 7,441 million yen in depreciation, 5,597 million yen decrease in trade receivables. Cash outflows: (6,987) million yen in income taxes paid
Net cash provided by (used in) investing activities	(11,258)	(13,160)	Cash outflows: (11,667) million yen for purchase of property, plant and equipment, (950) million yen for purchase of investment securities
Net cash provided by (used in) financing activities	(11,279)	(13,942)	Cash inflows: 18,672 million yen in proceeds from long-term borrowings Cash outflows: (17,492) million yen for repayment of long-term borrowings, (8,926) million yen net decrease in short-term borrowings, (4,164) million yen in dividends paid (1,520) million yen for purchase of treasury shares
Net increase (decrease) in cash and cash equivalents	(3,157)	(4,079)	
Cash and cash equivalents at end of period	51,152	47,088	

4) Production, sales contracts, sales results

a. Production volume

The following table shows segment specific production volume in the consolidated fiscal year under review.

(Millions of yen)

Segment	Consolidated fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)	Year on year (%)
Electronics	52,548	91.8
Medical and Pharmaceuticals	14,345	110.4
Segments combined	66,893	95.2
Other	1,459	99.1
Total	68,353	95.3

Notes:

- The monetary amounts above are based on sales prices, and they describe production volume prior to intersegment transfer pricing.
- The figure for the Medical and Pharmaceuticals segment excludes contract production by TAIYO Pharma Co., Ltd.

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 consolidated fiscal year under review.

(Millions of yen)

Segment	Consolidated fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)	Year on year (%)
Electronics	68,419	96.2
Medical and Pharmaceuticals	25,447	108.4
Segments combined	93,866	99.3
Other	3,472	102.0
Total	97,338	99.4

Note: The monetary amounts above exclude intersegment transactions.

(2) Management's perspective on recognizing, analyzing, and examining the Group business performance

The forward-looking statements are based on information available to us as of the end of the consolidated fiscal year under review.

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 rely on the accounting estimates and assumptions described in two of the "notes on consolidated financial statements" in V. Financial Information, specifically, "basic factors underlying our consolidated financial statement" and "key accounting estimates."

The Taiyo Group has estimated the accounting impact of easing restrictions on entry into Japan and other movement and returning to normal social and economic activities as a result of transitioning to living with COVID-19. We have determined this to have no significant impact at present. However, the emergence of variants could cause a resurgence in COVID-19. This and a plethora of other uncertainties could affect the Taiyo Group's financial position and operating results in the next fiscal year.

2) Consolidated results and outlook

a. Consolidated results

See the "Operating results" section in II. Trends and Outlooks, 4. Financial position, operating results, cash flows, (1) Performance overview.

b. Factors that significantly affect consolidated results

See "II. Trends and Outlooks, 3. Business risks."

c. Reserves and liquidity

Our financial policy is to maintain reasonable reserves for business activities, reasonable liquidity, 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 consolidated fiscal year under review, our short-term and long-term borrowings amount to 71,501 million yen. There is no significant seasonal change in the amount of loans that our group requires.

As of the end of the consolidated fiscal year under review, we have retained a sum of 47,088 million yen 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 5.8 months of sales revenue. We feel that this level provides sufficient liquidity to enable our group to conduct business. However, we understand we may lose some of our liquidity if a recession occurs and causes markets to shrink or causes disruption in financial or currency markets. To prepare for such an eventuality, we have signed an agreement for an overdraft facility of up to 24,928 million yen.

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

We have a long-term management plan covering the period from fiscal year ended March 31, 2022 to fiscal year ended March 31, 2031. The strategy is titled Beyond Imagination 2030. The following table shows the key performance indicators and whether we met these targets.

KPI	Target	Fiscal year ended March 31, 2021 (Reference)	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Return on equity ratio (ROE)	18% or higher	13.1%	14.6%	12.8%
Dividend on equity ratio (DOE)	5% or higher	6.3% (-)	5.1% (achieved)	6.0% (achieved)

The ROE target for fiscal year ended March 31, 2031 is 18% or higher, as set in Beyond Imagination 2030. ROE declined to 12.8% as of March 31, 2023, from 14.6% at the end of previous consolidated fiscal year. We will continue to take action to achieve this target as we grow food, energy, and other new business areas, in addition to our existing segments (Electronics, Medical and Pharmaceuticals).

In the consolidated fiscal year under review, we achieved DOE of 6.0%, surpassing the target of “5% or higher” set in Beyond Imagination 2030 (the same target was set in our plan for the FYE 2018–2021 period, NEXT STAGE 2020) and continuing the streak of achievement from the previous fiscal year. Our efforts to build corporate value will continue. Guided by Beyond Imagination 2030, we will make our solder resist business more profitable, expand into areas related to printed circuit boards (PCB) other than solder resists, and accomplish our strategic objectives for the Medical and Pharmaceuticals business. We will also manage our capital dynamically, balancing shareholder returns with the need to maintain the reserves necessary for adapting to market changes.

e. Analysis of Financial Position and Operating Results of each segment

See the “Operating results” section in II. Trends and Outlooks, 4. Financial position, operating results, cash flows, (1) Performance overview.

5. Key agreements

None.

6. Research & development

“To achieve ‘a cheerful society’ by further advancing every technology in our Group and by creating a wide range of innovative products to fulfill the dreams of the world.”, Guided by our management philosophy, we conduct our electronics business with the aim of contributing to the realization of an advanced information society and a cheerful environment. To this end, we perform research & development on insulating materials, conductive materials, and display materials.

In the consolidated fiscal year under review, we spent a total of 4,483 million yen on research and development, 872 million yen more than in the previous fiscal year. The R&D spending in each segment was as follows:

Electronics: 4,115 million yen

Medical and Pharmaceuticals: 233 million yen

Other: 134 million yen

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

(1) Solder Resists (also known as Solder Mask)

Solder resists are a mainstay of the Taiyo Group and are used extensively in rigid boards (PCBs with a rigid insulated substrate) and package substrates (PCBs 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 to accommodate market demand in a timely manner. In developing solder resists or rigid boards, we focus on solder resists for high-density interconnection (HDI) substrates used in smartphones and for vehicle installation substrates. Capitalizing on the rising demand for 5G telecom equipment, we have developed new materials with low transmission loss ahead of our peers and expect to begin receiving orders from telecom manufacturers soon. Looking ahead, we anticipate that manufacturers will shift their preference from liquid to dry film (DF) solder resists in an attempt to produce thinner materials. We have therefore started developing DF solder resists and introducing them to customers. Across the globe, we see a rapid shift from gasoline-powered vehicles to hybrid and electric vehicles. Amid this shift, solder resists for vehicle installation substrates are expected to demonstrate an increasingly diverse array of properties. 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 properties for next-generation vehicle installation substrates. We managed to get this solder resist approved by the end customer for use in such substrates. We are also engaging in open innovation by joining consortia and through other external collaboration.

Package substrates are crucial for protecting semiconductor chips and ensuring solid connections with the semiconductors and performance. The package substrate market has grown, particularly for PCs, smartphones, tablets, and other electronic devices, amid the rising demand for online services. Package substrates need solder resists that can both insulate the circuit pattern and ensure the reliability of the package substrate. Taiyo Group’s solder resists are widely used in package substrates for major semiconductor devices. These include central processing units, 3D graphics processing units, application processors that control smartphones, and DRAM and NAND flash memory. As smartphones become thinner and smaller, their parts are getting smaller and high-performance. Amid this trend, a smartphone’s reliability will increasingly hinge upon the solder resists used on its chips and other parts. Solder resists must demonstrate sufficient opening accuracy to be compatible with the latest chips. They are also necessary to enhance thickness accuracy and surface flatness to ensure that the package substrate has a high degree of dimensional accuracy and connection reliability. Companies are increasingly using DF solder resists to meet these requirements. DF solder resists can do more than conventional liquid-based solder resists can. They benefit the package substrate makers whom we supply, because they increase quality as well as productivity. The DF solder resist of the Taiyo Group can contribute to the development of circuit technology for the 5G and IoT applications set to expand globally. Leveraging the core technology of the Taiyo Group, we aim to generate new value and to forge new markets by developing products with new added value and function. In recent product development, for example, we are creating DF matte products with an embossed surface that processes concavity and convexity on the surface.

(2) Interlayer insulating materials

We are developing and launching a range of dry interlayer insulation films such as those that enabled the highly integrated wiring seen in recent package substrates. Amid the increasing demand for substrates for 5G communications, we are developing interlayer insulating materials with low-dielectric properties and getting them evaluated by customers. We are also working on photosensitive DF solutions for the next stage in micro wiring. Additionally, we are developing encapsulant film by leveraging our know-how in interlayer insulation materials. Such efforts are increasing the uptake rate among customers. We will continue to develop and market products that address emerging needs in this manner.

(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 flexible and foldable substrates. Our photoimageable coverlay enables fine processing and mechanical properties such as heat resistance and flexibility, and it is seeing use in a number of electronics applications, including smartphone cameras. We will continue to expand the applications for the new material by working on technical solutions in a wide range of fields.

(4) New seed film for fabricating wiring on high-frequency

s

As use of the 5G mobile communications becomes more widespread, technology for forming copper wiring is important for transmitting high-frequency signals without loss in the frequency bands used by 5G, the Sub 6 GHz band and the high frequency mm-wave band above Sub 6. The higher the frequency band, the easier it is for electrical signals to flow along the surface of copper wire in high frequency transmission. The surface of the copper wiring must be smooth to minimize transmission loss for this electrical signal. Use of this film enables adhesion that creates an extremely smooth interface between the copper wiring and the substrate film. The conventional copper seed and Modified Semi-Additive Process (MSAP) are used as a method for achieving higher precision in the formation of copper wiring. However, the copper wiring melts along with the copper seed layer when etching and this exacerbates the problem of an uneven surface and sides of the wiring. Because this film uses a seed layer made of a different metal than copper, it is possible to etch only the seed layer and the copper wiring surface and sides can create a smooth, fine pattern.

(5) Materials for wearable devices

The market for wearable devices is emerging, particularly in the healthcare sector, where there are now a number of applications. Wearable devices in this sector include in-body devices like skin patchables. These devices must be stretchable. Hence, manufacturers have started using the stretchable conductive materials of the Taiyo Group in these devices.

(6) Solder resist for inkjet printing

We have started mass producing an inkjet coater-compatible solder resists after a customer decided to use the product in its vehicle installation substrates. An inkjet coater significantly streamlines the coating process, thus minimizing substrate production costs as well as the carbon footprint. We will continue to develop applications for flexible boards, the markets for which are set to expand. The Taiyo Group is also developing inkjet coater-compatible products for a range of applications in addition to solder resists, including marking ink, plating resists, etching resists, and display materials.

(7) Display materials

Manufacturers are using mini LED displays and researching and developing micro LED displays to meet the demand for displays that are high resolution, high brightness, and energy efficient. Our group has developed highly reflective material, etc. for backlight units in such LED displays. We are supplying to the market LED reflectors (for enhancing or sustaining the display's brightness) that can be produced by liquid or dry films or by the inkjet coating process. Our white DF-type and white liquid-type are being used in numerous backlight units for LED displays. We are also developing shielding material for LED displays. This shielding material uses a black matrix to prevent backlight leakage and RGB color contamination. We are working on material that can be produced using both the conventional process as well as the more efficient and environmentally friendly inkjet coating process. The Taiyo Group's stretchable conductive materials have garnered interest for their potential application in foldable displays.

III. Our Facilities

1. Capital investment overview

In the consolidated fiscal year under review, we invested a total of 14,068 million yen in property, plant and equipment, as well as in software. The investments were primarily for renewing or developing production and research facilities.

The following table shows the breakdown of the capital investments.

(Millions of yen)

Segment	Consolidated fiscal year ended March 31, 2023
Electronics	3,299
Medical and Pharmaceuticals	8,069
Other	520
Trans-segment (Note)	2,178
Total	14,068

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

2. Key facilities

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

As of March 31, 2023

Facility (Address)	Segment (Note 2)	Facility description	Carrying amount (millions of yen) (Note 1)					Number of employees
			Buildings and structures	Machinery, equipment, and vehicles	Land (m ²)	Other (Note 4)	Total	
Ranzan-Kitayama Facility (Ranzan-machi, Hiki- gun, Saitama, Japan) (Note 3)	—	Rented office, factory	2,596	—	2,025 (33,410)	12	4,634	16
Ranzan Facility (Ranzan-machi, Hiki- gun, Saitama, Japan)	—	R&D facility	1,570	0	296 (12,528)	109	1,976	41
Head office (Toshima-ku, Tokyo, Japan)	—	General headquarters	433	—	—	66	499	86
Marunouchi Kitaguchi Building (Chiyoda-ku, Tokyo, Japan) (Note 3)	—	Office	200	—	—	19	220	—
Former Head Office Building (Nerima-ku, Tokyo, Japan)	—	Office	127	—	370 (801)	0	497	—
Other	—	Land, etc.	44	—	43 (2,387)	10	99	—

Notes:

1. Carrying amount, excludes construction in progress.
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, 2023

Company name	Facility (Address)	Segment	Facility description	Carrying amount (millions of yen) (Note 1)					Number of employees
				Buildings and structures	Machinery, equipment, and vehicles	Land (m ²)	Other (Note 2)	Total	
Taiyo Ink Mfg. Co., Ltd.	Head office (Ranzan-machi, Hiki-gun, Saitama, Japan)	Electronics	Office, factory, R&D facility	242	389	7 (2,346)	348	987	254
	Kitakyushu Facility (Kitakyushu, Fukuoka, Japan)	Electronics	Factory	2,387	289	—	89	2,766	43
	Ranzan Facility (Ranzan-machi, Hiki-gun, Saitama, Japan)	Electronics	R&D facility, etc.	—	10	—	43	54	16
Taiyo Pharma Tech Co., Ltd.	Head office (Takatsuki-shi, Osaka, Japan)	Medical and Pharmaceuticals	Office, factory	8,449	2,777	9,796 (65,865)	648	21,671	351
Taiyo Fine Chemicals Co., Ltd.	Head office (Nihonmatsu-shi, Fukushima, Japan)	Other	Office, factory, R&D facility	533	130	306 (62,260)	27	997	49
	Urawa Plant (Saitama-shi, Saitama, Japan)	Other	Factory	31	40	50 (989)	2	125	5
Taiyo Green Energy Co., Ltd.	Head office (Ranzan-machi, Hiki-gun, Saitama, Japan)	Other	Office, factory, power generation facility	11	8	—	0	20	11
	Ranzan Floating Solar Plant (Ranzan-machi, Hiki-gun, Saitama, Japan)	Other	Power generation facility	0	300	—	—	301	—
	Ranzan Onuma Floating Solar Plant (Ranzan-machi, Hiki-gun, Saitama, Japan)	Other	Power generation facility	0	67	—	—	68	—
	Anazawaike Floating Solar Plant (Inami-cho, Kakogun, Hyogo, Japan)	Other	Power generation facility	—	202	—	—	202	—
	Uozumiike-Kusatani Floating Solar Plant (Inami-cho, Kakogun, Hyogo, Japan)	Other	Power generation facility	—	327	—	—	327	—
	Kobayashiike Floating Solar Plant (Yamatokoriyama-shi, Nara, Japan)	Other	Power generation facility	—	115	—	—	115	—
	Hosoike Floating Solar Plant (Yoro-cho, Yorogun, Gifu, Japan)	Other	Power generation facility	—	468	—	—	468	—
	Hayashiike Floating Solar Plant (Nisshin-shi, Aichi, Japan)	Other	Power generation facility	—	151	—	—	151	—

Company name	Facility (Address)	Segment	Facility description	Carrying amount (millions of yen) (Note 1)					Number of employees
				Buildings and structures	Machinery, equipment, and vehicles	Land (m ²)	Other (Note 2)	Total	
Taiyo Green Energy Co., Ltd.	Hiraike Floating Solar Plant (Yoro-cho, Yorogun, Gifu, Japan)	Other	Power generation facility	–	223	–	–	223	–
	Shijukushinike Floating Solar Plant (Iga-shi, Mie, Japan)	Other	Power generation facility	0	256	–	0	256	–
	Shirainuma Reservoir Floating Solar Plant (Kawajima, Hikigun, Saitama, Japan)	Other	Power generation facility	–	117	–	–	117	–
	Asama Reservoir Floating Solar Plant (Kawajima, Hikigun, Saitama, Japan)	Other	Power generation facility	–	117	–	–	117	–
	Odaike Floating Solar Plant (Takamatsu-shi, Kagawa, Japan)	Other	Power generation facility	–	746	–	–	746	–
	Miyamaike Floating Solar Plant (Takamatsu-shi, Kagawa, Japan)	Other	Power generation facility	–	758	–	–	758	–
	Chuoike Floating Solar Plant (Miki-shi, Hyogo, Japan)	Other	Power generation facility	–	375	–	–	375	–
	Nishimuroike Floating Solar Plant (Katsuragi-shi, Nara, Japan)	Other	Power generation facility	–	157	–	–	157	–

Notes:

1. Carrying amount, excludes construction in progress.
2. “Other” in the carrying amount indicates tools, furniture, and fixtures.

(3) Overseas subsidiaries

As of March 31, 2023

Company name	Facility (Address)	Segment	Facility description	Carrying amount (millions of yen) (Note 1)					Number of employees
				Buildings and structures	Machinery, equipment, and vehicles	Land (m ²)	Other (Note 2)	Total	
Taiyo Ink (Suzhou) Co., Ltd.	Suzhou, Jiangsu Province, China	Electronics	Office, factory, R&D facility	401	1,249	—	140	1,792	257
Onstatic New Material (Jiangxi) Co., Ltd.	Xinyu, Jiangxi Province, China	Electronics	Office, factory, R&D facility	996	160	—	69	1,225	95
Taiwan Taiyo Ink Co., Ltd.	Guanyin District, Taoyuan City, Taiwan	Electronics	Office, factory, R&D facility	2,552	352	763 (11,846)	77	3,746	150
Onstatic Technology Co., Ltd.	Yingge District, New Taipei City, Taiwan	Electronics	Office, factory, R&D facility	11	1	40 (170)	0	54	23
Taiyo Ink Mfg. Co., (Korea) Ltd.	Ansan-si, Gyeonggi Province, South Korea	Electronics	Office, factory, R&D facility	1,113	143	213 (10,185)	176	1,646	134
Taiyo America, Inc.	Carson City, Nevada, United States	Electronics	Office, factory, R&D facility	67	98	48 (17,038)	5	220	40
Taiyo Ink Vietnam Co., Ltd	Hanoi, Vietnam	Electronics	Office, factory, R&D facility	453	359	—	9	823	29

Notes:

1. Carrying amount, excludes construction in progress.
2. “Other” in the carrying amount indicates tools, furniture, and fixtures.

3. Capital investment plans

Our Group discloses planned investment for each segment.

For the one-year period following the consolidated fiscal year under review, we plan to invest a total of 17,200 million yen in property, plant and equipment as well as in software (building new facilities or developing existing ones). The following table shows the segment breakdown.

(Millions of yen)

Segment	Planned investments (as of March 31, 2024)	Main purposes	Source of funds
Electronics	11,100	Acquire facilities and other physical assets	Self-funded, borrowings
Medical and Pharmaceuticals	4,600	Acquire facilities and other physical assets	Self-funded, borrowings
Other	800	Acquire facilities and other physical assets	Self-funded, borrowings
Trans-segment (Note)	700	Acquire facilities and other physical assets	Self-funded, borrowings
Total	17,200		

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

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

1. Share information

(1) Number of shares

1) Total shares

Class	Total number of authorized shares
Common shares	100,000,000
Total	100,000,000

2) Issued shares

Class	Number of issued shares (as of March 31, 2023)	Number of shares outstanding as of filing date (shares) (as of June 19, 2023)	Stock exchanges where the shares are listed (or authorized financial instruments associations)	Description
Common shares	58,185,501	58,185,501	Tokyo Stock Exchange (TSE) Prime Market	Number of shares in one unit 100 Notes:
Total	58,185,501	58,185,501	—	—

Note: As resolved by the Board of Directors on June 30, 2022, we issued 102,373 new shares on July 15, 2022, to provide for the transfer-restricted stock compensation and performance-linked stock compensation. The details are as follows.

(1)	Pay-in date	July 15, 2022
(2)	Number and class of shares	102,373 shares of common stock
(3)	Issue price	2,903 yen per share
(4)	Total value of issued shares	297,188,819 yen
(5)	Amount of funds raised	177,373,300 yen
(6)	Offering / allotment method	41,273 shares for the transfer-restricted stock compensation will be allotted with specified transfer restrictions. 61,100 shares for performance-linked stock compensation will be allotted via third party allotment
(7)	Contribution method	Allotment with specified transfer restrictions: Allottees exchange monetary claims for the shares. Third party allotment: Allottees purchase the shares with cash.
(8)	Recipients (number) and number of shares allotted	Allotment with specified transfer restrictions: Four executive directors of Taiyo Holdings to receive 41,273 shares. Third-party allotment: Three executive directors of Taiyo Holdings to receive 61,100 shares

(2) Stock options

1) System of stock options

None.

2) Shareholder rights plan

None.

3) Other stock options-related information

None.

(3) Convertible bonds with equity purchase warrants

None.

(4) Outstanding shares and share capital

Date	Increase (decrease) in total number of outstanding shares	Balance of total number of outstanding shares	Increase (decrease) in share capital (Millions of yen)	Balance of share capital (Millions of yen)	Increase (decrease) in capital surplus (Millions of yen)	Balance of capital surplus (Millions of yen)
July 20, 2018 (*Note 1)	45,242	28,910,436	99	9,331	99	10,299
July 16, 2019 (*Note 2)	59,211	28,969,647	96	9,428	96	10,395
July 16, 2020 (*Note 3)	28,855	28,998,502	71	9,499	71	10,467
July 16, 2021 (*Note 4)	43,062	29,041,564	113	9,612	113	10,580
October 1, 2021 (*Note 5)	29,041,564	58,083,128	–	9,612	–	10,580
July 15, 2022 (*Note 6)	102,373	58,185,501	148	9,761	148	10,728

Notes:

- Share capital and capital surplus both increased by 99 million yen after we offered additional shares as part of specified transfer-restricted stock compensation and performance-linked stock compensation.
Specified transfer-restricted stock, third party allotment method
Issue price: 4,410 yen
State value per share: 2,205 yen
Allottee (title): Eiji Sato (President and CEO), Takayuki Morita*,
Eiji Takehara (Board Director), Hitoshi Saito (Board Director), Takao Miwa*
- Share capital and capital surplus both increased by 96 million yen after we offered additional shares as part of specified transfer-restricted stock compensation and performance-linked stock compensation.
Specified transfer-restricted stock, third party allotment method
Issue price: 3,250 yen
State value per share: 1,625 yen
Allottee (title): Eiji Sato (President and CEO), Takayuki Morita*,
Eiji Takehara (Board Director), Hitoshi Saito (Board Director), Takao Miwa*
- Share capital and capital surplus both increased by 71 million yen after we offered additional shares as part of specified transfer-restricted stock compensation and performance-linked stock compensation.
Specified transfer-restricted stock, third party allotment method
Issue price: 4,970 yen
Stated value per share: 2,485 yen
Allottee (title): Eiji Sato (President and CEO), Takayuki Morita*,
Eiji Takehara (Board Director), Hitoshi Saito (Board Director), Takao Miwa*
* The allottee resigned as board director on June 20, 2020.
- Share capital and capital surplus both increased by 113 million yen after we offered additional shares as part of specified transfer-restricted stock compensation and performance-linked stock compensation.
Specified transfer-restricted stock, third party allotment method
Issue price: 5,250 yen
Stated value per share: 2,625 yen
Allottee (title): Eiji Sato (President and CEO), Eiji Takehara (Board Director), Hitoshi Saito (Board Director)
- This was a result of a 2-for-1 stock split.
- Share capital and capital surplus both increased by 148 million yen after we offered additional shares as part of specified transfer-restricted stock compensation and performance-linked stock compensation.
Specified transfer-restricted stock, third party allotment method
Issue price: 2,903 yen
Stated value per share: 1,452 yen
Allottee (title): Eiji Sato (President and CEO), Hitoshi Saito (Representative Board Director), Eiji Takehara (Board Director),
Masao Arima (Board Director)

(5) Share ownership

As of March 31, 2023

Category	Share ownership (100 shares per share unit)								Fractional shares
	National or local public organizations	Financial institutions	Financial instruments operators	Other organizations	Overseas		Individuals, Other	Total	
					Organizations	Individuals			
Number of shareholders	–	35	27	86	172	14	7,669	8,003	–
Total share units held	–	135,403	2,788	208,466	105,323	78	129,403	581,461	39,401
Ownership ratio (%)	–	23.29	0.48	35.85	18.11	0.01	22.26	100.00	–

Notes

1. Of the 2,303,550 treasury shares, 23,035 share units are under “Individuals, Other,” and 50 shares are under “Fractional shares.”
2. The total share units held by “Other organizations” includes two units held in the name of Japan Securities Depository Center, Inc.

(6) Major shareholders

As of March 31, 2023

Name of individual or organization	Address	Number of shares held (thousands)	% of outstanding shares (excluding treasury shares)
DIC Corporation	35-58 Sakashita 3-chome, Itabashi-ku, Tokyo, Japan	11,234	20.10
Kowa Co., Ltd.	4-8 Nakamura-kita 3-chome, Nerima-ku, Tokyo, Japan	5,773	10.33
The Master Trust Bank of Japan, Ltd. (manages our trust account)	MTBJ Building, 2-11-3 Hamamatsucho, Minato-ku, Tokyo, Japan	5,442	9.74
Misaki Engagement Master Fund	190 Elgin Avenue, George Town, Grand Cayman, KY 1 9005, Cayman Islands	3,184	5.70
Custody Bank of Japan, Ltd. (manages our trust account)	8-12 Harumi 1-chome, Chuo-ku, Tokyo, Japan	3,116	5.58
SMBC Trust Bank Ltd. (shares entrusted to Sumitomo Mitsui Banking Corporation retirement benefit trust account)	3-2 Marunouchi 1-chome, Chiyoda-ku, Tokyo, Japan	2,232	3.99
Shikoku Kasei Holdings Corporation	8-537-1 Doki-cho-higashi, Marugameshi, Kagawa, Japan	1,490	2.67
The Bank of New York Mellon 140042	240 Greenwich Street, New York, NY 10286, U.S.A.	1,248	2.23
Toshin Yushi Co., Ltd.	5-14-11 Umeda, Adachi-ku, Tokyo, Japan	1,077	1.93
Government of Norway	Bankplassen 2, 0107 Oslo 1 Oslo 0107 NO	953	1.71
Total	—	35,753	63.98

Notes:

1. Of the total number of shares held by The Master Trust Bank of Japan, Ltd., 5,352 thousand pertain to the trust account we keep with this bank.
2. Of the total number of shares held by Custody Bank of Japan, Ltd., 3,113 thousand pertain to the trust account we keep with this bank.

(7) Voting rights

1) Issued shares

As of March 31, 2023

Category	Number of shares	Number of voting rights	Description
Non-voting shares	–	–	–
Voting shares: treasury shares	–	–	–
Voting shares: other	–	–	–
Shares with full voting rights: treasury, etc.	Common shares 2,429,100	1,256	(*Note 1)
Full-voting shares: other	Common shares 55,717,000	557,170	(*Note 2)
Fractional shares	Common shares 39,401	–	(*Note 3)
Total issued shares	58,185,501	–	–
Total voting rights	–	558,426	–

Notes:

1. We hold 2,303,500 of these shares directly. The remaining 125,600 shares are held by The Master Trust Bank of Japan, Ltd. (in the ESOP trust).
2. Of common shares listed in the “Number of shares” column, 200 are held in the name of Japan Securities Depository Center, Inc. The center holds 2 of the full voting rights listed in the “Number of voting rights” column pertaining to common shares.
3. Includes 50 treasury shares owned by Taiyo Holdings Co., Ltd.

2) Treasury shares

As of March 31, 2023

Name of person or organization	Address	Number of shares held in own name	Number of shares held in trust	Total number of shares held	% of outstanding shares
Taiyo Holdings Co., Ltd.	388 Ohkura, Ranzanmachi, Hiki-gun, Saitama 355-0222, Japan	2,303,500	125,600	2,429,100	4.17
Total	–	2,303,500	125,600	2,429,100	4.17

Notes:

1. The number of shares listed above does not include 50 fractional shares.
2. Reason for holding shares in trust:
They are held in trust 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 employee stock ownership plan (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.

Under this ESOP, shares of the Company's stock are held in a trust, the beneficiaries of which are eligible employees of the Company. The trust purchases shares of the Company's stock, either from the Company or on the stock market, in an amount equivalent to the amount expected to be delivered to the eligible employees. All purchases will comply with stock delivery rules established in advance. Pursuant to said rules, the trust then delivers the shares to eligible employees during their service for no consideration, in an amount commensurate with the employee's rank during the period in which the shares were held in the trust. The trust's purchases of shares are funded entirely by the Company; employees bear none of the cost.

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

125,600 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

None.

(2) Purchases approved by Board of Directors

Class of shares	Number	Total purchase price (yen)
Purchase plan approved on March 18, 2022 (Purchase period: March 22, 2022 to March 16, 2023)	1,000,000	1,500,000,000
Treasury shares purchased before the fiscal year ended March 31, 2023	—	—
Treasury shares purchased during the fiscal year ended March 31, 2023	575,000	1,499,984,873
Outstanding approved purchases	425,000	15,127
Unexercised portion as of end of the fiscal year ended March 31, 2023 (%)	42.5	0.0
Treasury shares purchased during purchase period	—	—
Unexercised portion as of filing date (%)	42.5	0.0

Class of shares	Number	Total purchase price (yen)
Purchase plan approved on May 1, 2023 (Purchase period: July 3, 2023 to March 29, 2024)	2,000,000	3,000,000,000
Treasury shares purchased before the fiscal year ended March 31, 2023	—	—
Treasury shares purchased during the fiscal year ended March 31, 2023	—	—
Outstanding approved purchases	2,000,000	3,000,000,000
Unexercised portion as of end of the fiscal year ended March 31, 2023 (%)	100.0	100.0
Treasury shares purchased during purchase period	—	—
Unexercised portion as of filing date (%)	100.0	100.0

(3) Purchases approved by neither of the above

Class of shares	Number	Total purchase price (yen)
Treasury shares purchased during the fiscal year ended March 31, 2023	85	230,805
Treasury shares purchased during purchase period	128	324,848

Notes:

1. Treasury shares purchased during purchase period exclude fractional share purchases occurring between June 1, 2023 and the date we filed this annual securities report.
2. The number of treasury shares purchased excludes treasury shares acquired by the ESOP trust.

(4) Treasury shares disposed, treasury shares held

Class of shares	Fiscal year ended March 31, 2023		Purchase period	
	Number	Total disposition value (Yen)	Number	Total disposition value (Yen)
Treasury shares for which we solicited subscriptions	—	—	—	—
Treasury shares cancelled	—	—	—	—
Treasury shares we transferred as part of a merger, stock swap, shares delivered as payment, or company split	—	—	—	—
Other Treasury shares we purchased for ESOP trust	79,820	145,295,542	160	291,246
Treasury shares we continue to hold	2,429,150	—	2,429,118	—

Notes:

1. “Treasury shares we continue to hold” includes shares in our ESOP trust, which we purchased as follows:
Fiscal year under review: 125,600
Purchase period: 125,440
The number of treasury shares held in the ESOP trust during the purchase period includes those shares transferred from the trust to employees between June 1, 2023 and the date we filed this annual securities report.
2. The treasury shares we continued to hold during the purchase period does not reflect any purchases or transfers of fractional shares occurring between June 1, 2023 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. The dividend on equity (DOE) ratio target for shareholder returns in our long-term management plan is to maintain a consolidated DOE ratio of 5% or more over the long term.

Based on the above policy, we declared an interim (end of second quarter) dividend of 37.00 yen per share.

The year-end dividend was set at 52.00 yen per share. This includes the normal year-end dividend of 37.00 yen per share combined with a commemorative dividend of 15.00 yen per share to commemorate the 70th anniversary of our founding. These dividends combined bring the annual dividend for the fiscal year under review to 89.00 yen per share, with a DOE ratio of 6.0%.

For the next fiscal year, we plan to pay a dividend of 76.00 yen per share. This includes an interim dividend of 38.00 yen per share and a year-end dividend of 38.00 yen per share.

The following table shows the dividends from retained earnings for the fiscal year under review:

Date resolved	Total dividends (Millions of yen)	Dividend per share (Yen)
November 7, 2022 (resolved by Board of Directors)	2,080	37.00
June 17, 2023 (resolved at annual general meeting)	2,905	52.00

4. Corporate governance

(1) Outline of corporate governance system

1) Our basic approach to corporate governance

- Our management philosophy and basic management policies describe the kind of group we strive to be, and they underlie everything we do as a group.
- These texts clarify our management philosophy, which is to achieve “a cheerful society” by further advancing every technology in our Group and by creating a wide range of innovative products to fulfill the dreams of the world. They also clarify our basic approach to achieving this management philosophy, 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: 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. 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 management philosophy and basic management policies if we make our business processes transparent, fulfill our duty of accountability, and disclose information forthrightly.

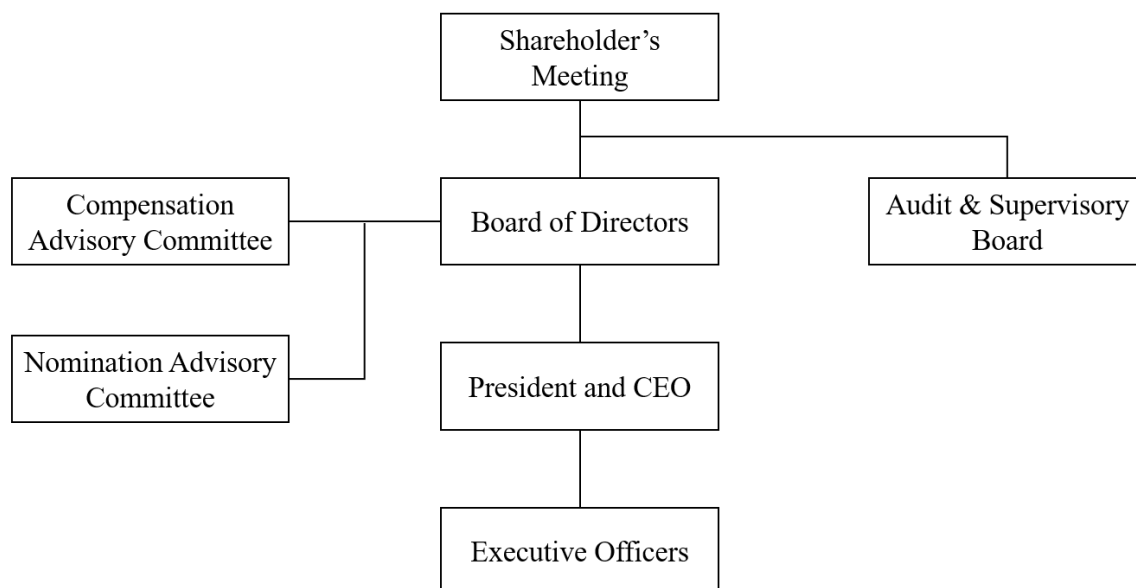
2) Corporate governance structures and the reasons for adopting them

• Outline of corporate governance structures

Our Board of Directors and our Audit & Supervisory Board 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 resolves business matters
- Supervises the representative board directors’ execution of business

We adopted an executive officer system to energize the Board of Directors and streamline the business execution process. Executive officers provide support to enable the Company to adapt swiftly to changes in the business climate by exercising discretionary power over a wide range of business matters. The Compensation Advisory Committee advises the Board of Directors and the Audit & Supervisory Board. To ensure a rational, objective, transparent, and effective process for determining the compensation of board directors and executive officers and a rational and objective process for determining the compensation of Audit & Supervisory Board members, the committee deliberates on decision-making policy and reports its recommendations to the Board of Directors. The Nomination Advisory Committee advises the Board of Directors on whom to nominate as board director and Audit & Supervisory Board member candidates to ensure objectivity and transparency of the nomination process. To ensure the independence of both committees, the majority of members are independent outside board directors, and the chair is appointed from among the independent outside board directors. The following figure shows the relationships between the above bodies, and the table below shows the members of the two committees.



Members of the Compensation Advisory Committee		Members of the Nomination Advisory Committee	
Chair	Asako Aoyama (outside board director)	Chair	Keiko Tsuchiya (outside board director)
	Eiji Sato (President and CEO)		Eiji Takehara (board director)
	Masayuki Hizume (outside board director)		Yumiko Kamada (outside board director)
			Ikumi Sato (outside Audit & Supervisory Board member)

- Reasons for adoption of current corporate governance system

We aim for a modern, advanced form of corporate governance, and we always look for ways to improve our system including considering a switch in corporate structure to a “company with an audit and supervisory committee” (kansa-tō-i'inkai secchi kaisha). At this point in time, the traditional Japanese Audit & Supervisory Board (kansayaku) system can function more reliably for us, but we will keep open the possibility of adopting the “company with an audit and supervisory committee” corporate structure in the future.

3) Other corporate governance matters

- 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 board directors and employees perform their duties in compliance with laws and the Articles of Incorporation

- We have established the CSR Philosophy and Code of Conduct, and we make sure that our board directors and employees fully understand the contents.
- We have provided the following rules to delineate the duties and authority of board directors and employees and enhance mutual checks and balances: the Board of Directors Regulations, Regulations of Segregation of Duties, Duties and Powers Chart, and Regulations on Internal Memos for Approval.
- We have established the Internal Audit Department, which is independent of executive influence. The office reports the results of its audits to the Board of Directors, the Audit & Supervisory Board, and, if necessary, to our accounting auditors.

- d. We provide a whistleblowing system through which employees can contact an internal officer or external attorney.
- e. We designate one of our board directors as compliance officer. An ethics committee (consisting of board directors, Audit & Supervisory Board members, and employees) reviews important matters involving ethical and legal compliance. We also designate ethics officers from among employees.
- f. The compliance officer regularly reports to the Board of Directors about the state of ethical and legal compliance.

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

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

Rules and measures for managing the risk of loss

- a. We designate one of our board directors as a risk manager.
- b. Where it pertains to routine workflows, the risk is evaluated and managed by the business division specified in the risk management guidelines. If necessary, a risk management committee will be formed to manage (mitigate and prevent) risks across the group.
- c. During an emergency, information is reported and action taken according to the Risk Management Regulations and risk escalation procedures. We establish an Emergency Response Headquarters to coordinate emergency responses to minimize damage and loss, when necessary.

Rules and measures for ensuring that board directors perform effectively

- a. The Board of Directors holds regular monthly meetings (some meetings are merged into a meeting of an adjacent month) and irregular meetings as necessary. Board directors engage in these meetings actively, stating their opinions on important business matters.
- b. We have provided the following rules to delineate directorial responsibilities and executive processes: the Board of Directors Regulations, Regulations of Segregation of Duties, and Duties and Powers Chart.
- c. We hold board directors accountable for achieving our annual and long and medium-term business plans as well our organization-specific missions and medium and short-term goals.

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

- a. We assign a board director to each of our major subsidiaries to provide management guidance.
- b. 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.
- c. 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 Subsidiary Management Regulations and Duties and Powers List Shared with Subsidiaries).
- d. Our subsidiaries are audited as necessary by members of the Internal Audit Department, Finance and Accounting Department, Audit & Supervisory Board, as well as by the accounting auditors during their audits.
- e. We established the CSR Philosophy to ensure that the board 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 Audit & Supervisory Board) if it requests such assistants and rules and measures for ensuring that such employees are independent of board directors

- a. We designate employees to assist the Audit & Supervisory Board as the board requests. Such employees serve the board exclusively and act under its command.

- b. We obtain the consent of the Audit & Supervisory Board on any performance evaluations of these assistants.

Rules and measures concerning reports that board directors and employees provide to the Audit & Supervisory Board; other rules and measures concerning reports to the Audit & Supervisory Board

- a. In addition to their mandatory reporting, board directors report any breaches of a law or the Articles of Incorporation, or any material circumstances that impact our performance or that of a group company to the Audit & Supervisory Board.
- b. Employees can report directly to the Audit & Supervisory Board any breaches of a law or the Articles of Incorporation, or any material circumstances that threaten 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 Audit & Supervisory Board audits/supervises effectively

- a. 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 board directors and employees as necessary.
- b. Audit & Supervisory Board members liaise with our accounting auditors to discuss auditing plans, audit results, and other matters related to their duties.
- c. The Internal Audit Department (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.
- d. 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 and 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 appropriate. We continually monitor these controls to check they are working effectively and take corrective action as necessary.

Basic policy on eschewing all dealings with “anti-social forces” (organized crime syndicates) and measures for achieving this policy

Crime syndicates can threaten public order and hinder business activities. 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.

- Limited liability agreements

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.

- Number of board directors

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

- Resolution requirements for electing board directors

Our Articles of Incorporation stipulate that shareholders elect board director candidates through a majority of the voting rights of the shareholders present at the meeting where the shareholders holding one-third or more of the voting rights of the shareholders are present. In addition, the Articles of Incorporation prohibit cumulative voting.

- Acquiring treasury shares

As specified in Article 165-2 of the Companies Act, we have included a stipulation in the Articles of Incorporation permitting the company to 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.

- Mid-term dividend

To enable flexible return of profits to shareholders, as specified in Article 454-5 of the Companies Act, we have included a stipulation in the Articles of Incorporation permitting declaration of an interim dividend from retained earnings to shareholders and registered pledgees of shareholders with a resolution of Board of Directors. The Articles of Incorporation further stipulate September 30 as the reference date for the interim dividend.

- Board of Directors, Compensation Advisory Committee, and Nomination Advisory Committee activities

- a. Board of Directors activities

During the fiscal year under review, the Board of Directors met 10 times. The attendance of each member is reported below.

Title	Name	Attendance record
President	Eiji Sato	100% (10/10)
Vice President	Hitoshi Saito	100% (10/10)
Board Director	Eiji Takehara	100% (10/10)
Board Director	Masao Arima	100% (8/8)
Board Director	Tomoyuki Tanaka	100% (8/8)
Outside Board Director	Masayuki Hizume	100% (10/10)
Outside Board Director	Keiko Tsuchiya	90% (9/10)
Outside Board Director	Asako Aoyama	100% (10/10)
Outside Board Director	Yumiko Kamada	100% (10/10)
Outside Audit & Supervisory Board Member	Hidenori Sugiura	100% (10/10)
Outside Audit & Supervisory Board Member	Akihito Sakai	100% (10/10)
Audit & Supervisory Board Member	Kaori Terunuma	100% (8/8)
Outside Audit & Supervisory Board Member	Ikumi Sato	100% (8/8)
Board Director	Toshifumi Tamaki	100% (2/2)
Audit & Supervisory Board Member	Masaru Oki	100% (2/2)

Notes:

1. There was one written resolution deemed to a Board of Directors resolution, pursuant to Article 370 of the Companies Act and Article 28 of our Articles of Incorporation.
2. There have been eight Board of Directors meetings held since the appointment of Board Directors (Masao Arima and Tomoyuki Tanaka), Audit & Supervisory Board member (Kaori Terunuma), and outside Audit & Supervisory Board member (Ikumi Sato) at the Ordinary General Shareholders' Meeting held on June 18, 2022. There were also two Board of Directors meetings held before the resignation of Board Director (Toshifumi Tamaki) and Audit & Supervisory Board member (Masaru Oki) at the conclusion of the Ordinary General Shareholders' Meeting held on June 18, 2022.

Detailed description of deliberations

○ Board of Directors function and composition

Our Board of Directors delegates authority over execution of business to members of management to facilitate swift decision-making. This serves to strengthen the corporate governance system and separate the business supervision and execution functions. During the fiscal year under review, the Board of Directors discussed the institutional design and appropriate structure of the Board of Directors, in particular. We invited an expert who conducts research on corporate governance to join our discussion as an opportunity to receive advice and information from an expert perspective. We will continue to engage in a series of discussions concerning the institutional design and appropriate structure of the Board of Directors and build and operate an appropriate system.

○ Sustainability

Because sustainability is an important management issue, we have named strengthening initiatives targeting achievement of the sustainable development goals (SDGs) as one of the basic policies of our long-term management plan. During the fiscal year under review, the Board of Directors used the framework based on the TCFD recommendations to engage in a series of discussions about response to climate change. We clarified the risks and opportunities climate change presents for our business and finances and reconfirmed our strategic position on the importance of the solar power generation business we have undertaken thus far and the opportunities in the Electronics business from the proliferation of electric vehicles (EV). The Board of Directors also deliberated on setting an even higher reduction target for CO₂ emissions and decided on a 40% reduction for the entire group compared to fiscal year ended March 31, 2017, by fiscal year ended March 31, 2031. We will continue our deliberations to specify and resolve issues relating to sustainability.

○ Allocation of funds

Funds need to be reallocated among business divisions in a timely manner as uncertainty of the business environment increases. The Board of Directors discusses mainly large-scale investments to achieve long-term growth and respond swiftly to changes in the business environment. During the fiscal year under review, the Board deliberated on capital investment in R&D to create new business domains in the Electronics business and the transfer of long-listed pharmaceuticals to our company in the Medical and Pharmaceuticals Business. We maintain a system that makes it possible to discuss financially significant investments and other matters quickly when signs of changes in the business environment have been confirmed.

b. Compensation Advisory Committee activities

During the fiscal year under review, the Compensation Advisory Committee met four times. The attendance of each member is reported below.

Title	Name	Attendance record
Chair	Asako Aoyama	100% (4/4)
Member	Eiji Sato	100% (4/4)
Member	Masayuki Hizume	100% (4/4)
Member	Toshifumi Tamaki	100% (1/1)
Member	Keiko Tsuchiya	100% (1/1)
Member	Yumiko Kamada	100% (1/1)
Member	Masahiko Todo	100% (1/1)

Note: There was a meeting held before the resignation of Outside Board Directors (Toshifumi Tamaki, Keiko Tsuchiya, and Yumiko Kamada) and standby Audit and Supervisory Board member (Masahiko Todo) from the Compensation Advisory Committee at the Board of Directors meeting held on June 18, 2022.

Detailed description of deliberations

The Compensation Advisory Committee deliberated on the executive officer compensation system and amount of compensation as it considered introducing a delegative executive officer system to better facilitate the execution of business and responsibilities expected of executive officers. We invited an external consultant to join deliberations as an opportunity to receive advice and information from an objective and independent perspective. The compensation system built through the series of deliberations was reported to the Board of Directors. The committee also deliberated on the base salary of board directors and the method of calculating performance-linked cash compensation and performance-linked stock compensation. It also discussed the policy on determining the specifics of individual board director's compensation and revisions to the board director compensation system, and reported on such deliberations to the Board of Directors.

c. Nomination Advisory Committee activities

During the period under review, the Nomination Advisory Committee met three times. The attendance of each member is reported below.

Title	Name	Attendance record
Chair	Keiko Tsuchiya	100% (3/3)
Member	Eiji Takehara	100% (3/3)
Member	Yumiko Kamada	100% (3/3)
Member	Ikumi Sato	100% (3/3)

Detailed description of deliberations

The Nomination Advisory Committee considered the composition of the Board of Directors for the next term and deliberated on whether each new candidate for an officer position was appropriate in terms of expertise and for outside officers, in terms of independence. The committee also deliberated on revising the existing criteria concerning independence for electing outside board directors and outside Audit and Supervisory Board members to criteria considered more appropriate. The criteria for determining independence were discussed in a series of deliberations and reported to the Board of Directors.

(2) Corporate officers

1) List of corporate officers

We have seven male and five female corporate officers (percentage of female corporate officers: 41.7%).

Title	Name	Date of birth	Career history	Term of office	Shares held (Thousands)
President, and Group Chief Executive Officer	Eiji Sato	May 3, 1969	<p>April 1992 Tohmatsu & Co. (currently Deloitte Touche Tohmatsu LLC) (Joined)</p> <p>October 1999 es Networks Co., Ltd. President</p> <p>June 2008 Taiyo Holdings Co., Ltd. Board Director</p> <p>April 2010 Taiyo Holdings Co., Ltd. Executive Vice President and Representative Director</p> <p>July 2010 Taiyo Ink International (Singapore) Pte Ltd Director</p> <p>March 2011 es Holdings Co., Ltd. (currently es Networks Co., Ltd.) Director</p> <p>April 2011 Taiyo Holdings Co., Ltd. President, Chief Executive Officer, Group Chief Executive Officer</p> <p>April 2012 Taiyo Ink (Suzhou) Co., Ltd. Director</p> <p>December 2012 Onstatic Technology Co., Ltd. Director</p> <p>April 2014 Taiyo Ink Mfg. Co., Ltd. President and Representative Director</p> <p>December 2014 Taiyo Green Energy Co., Ltd. President and Representative Board Director</p> <p>June 2016 Taiyo Holdings Co., Ltd. Officer in charge of risk management (present post)</p> <p>August 2017 Taiyo Pharma Co., Ltd. Chairman of the Board and Representative Director (present post)</p> <p>June 2018 Taiyo Ink Mfg. Co., Ltd. Board Director</p> <p>April 2019 Taiyo Pharma Tech Co., Ltd. Board Director</p> <p>October 2019 Taiyo Pharma Tech Co., Ltd. President and Representative Board Director (present post)</p> <p>May 2022 Taiyo Holdings Co., Ltd. President, Group Chief Executive Officer, CEO of Medical & Pharmaceutical Company (present post)</p> <p>April 2023 funlead corp. Board Director (present post)</p>	(*Note 3)	(Common) 455

Title	Name	Date of birth	Career history	Term of office	Shares held (Thousands)
Executive Vice President and Representative Board Director	Hitoshi Saito	April 21, 1965	<p>November 1995 Win System Inc. (Win System Europe) Marketing Manager</p> <p>September 1996 Taiyo Ink Mfg. Co., Ltd. (now Taiyo Holdings Co., Ltd.) (Joined)</p> <p>June 2001 Taiyo Ink International (Singapore) Pte Ltd Managing Director</p> <p>July 2001 Taiyo Ink (Thailand) Co., Ltd. General Manager/Director</p> <p>July 2010 Taiyo Ink Mfg. Co., Ltd. (now Taiyo Holdings Co., Ltd.) General Manager of International Business Department</p> <p>June 2012 Taiyo Ink Mfg. Co., Ltd. Board Director (present post)</p> <p>April 2015 Taiyo Ink Products Co., Ltd. President and CEO</p> <p>May 2016 Taiyo Ink Mfg. Co., (Korea) Ltd. President and CEO</p> <p>June 2016 Taiyo Holdings Co., Ltd. Board Director</p> <p>July 2016 Taiyo Holdings Co., Ltd. Board Director and Senior Executive Officer</p> <p>April 2019 Taiyo America, Inc. Board Director (present post)</p> <p>October 2019 Taiyo Ink International (Singapore) Pte Ltd. Board Director (present post)</p> <p>February 2020 Taiyo Trading (Thailand) Co., Ltd. Board Director (present post)</p> <p>April 2020 Taiyo Ink Mfg. Co., (Korea) Ltd. Chairman and CEO</p> <p>April 2020 Taiyo Ink Products Co., Ltd. Chairman and CEO</p> <p>May 2020 Taiwan Taiyo Ink Co., Ltd. Chairman of the Board (present post)</p> <p>May 2020 Onstatic New Material (Jiangxi) Co., Ltd. Board Director (present post)</p> <p>June 2020 Onstatic Ink (Shenzhen) Co., Ltd. Board Director</p> <p>June 2020 Taiyo Circuit Automation, Inc. Board Director (present post)</p> <p>June 2020 Taiyo Ink Vietnam Co., Ltd. Chairman (present post)</p> <p>October 2021 Onstatic Technology Co., Ltd. Chairman of the Board (present post)</p> <p>December 2021 Taiyo Ink (Suzhou) Co., Ltd. Chairman of the Board (present post)</p> <p>December 2021 Onstatic Ink (Shenzhen) Co., Ltd. Chairman of the Board (present post)</p> <p>January 2022 TBF Semiconductor Material (Shenzhen) Co., Ltd. Board Director (present post)</p> <p>January 2022 Taiyo Ink Trading (Shenzhen) Co., Ltd. Chairman of the Board (present post)</p> <p>January 2022 Taiyo Ink Mfg. Co., (Korea) Ltd. Board Director (present post)</p> <p>January 2022 Taiyo Ink Products Co., Ltd. Board Director (present post)</p> <p>May 2022 Taiyo Holdings Co., Ltd. CEO of Electronics Company (present post)</p> <p>June 2022 Taiyo Holdings Co., Ltd. Executive Vice President (present post)</p>	(*Note 3)	(Common) 79

Title	Name	Date of birth	Career history		Term of office	Shares held (Thousands)					
Board Director	Eiji Takehara	September 7, 1963	April 1986	Taiyo Ink Mfg. Co., Ltd. (now Taiyo Holdings Co., Ltd.) (Joined)	(*Note 3)	(Common) 93					
			May 1999	Taiyo Ink Mfg. Co., (Korea) Ltd. Director							
			November 2001	Taiyo Holdings Co., Ltd. General Manager of Development Department I							
			October 2010	Taiyo Ink Mfg. Co., Ltd. Director							
			June 2012	Taiyo Ink Mfg. Co., Ltd. Executive Vice President and Representative Director							
			April 2013	Taiyo Holdings Co., Ltd. Managing Director							
			June 2014	Taiyo Holdings Co., Ltd. Board Director and Senior Executive Officer, Compliance Officer (present post)							
			May 2016	Onstatic Technology Co., Ltd. Director							
			June 2016	Taiyo Ink Mfg. Co., Ltd. Director							
			June 2016	Taiwan Taiyo Ink Co., Ltd. Chairman of the Board							
			June 2016	Taiyo Green Energy Co., Ltd. President and Representative Director							
			April 2017	Taiyo Green Energy Co., Ltd. Director (present post)							
			May 2017	Onstatic Ink (Shenzhen) Co., Ltd. Director							
			April 2018	Taiwan Taiyo Ink Co., Ltd. Chairman of the Board and General Manager							
			June 2018	Taiyo Holdings Co., Ltd. In charge of Taiyo Green Energy Co., Ltd.							
			July 2018	Taiwan Taiyo Ink Co., Ltd. Chairman of the Board							
			April 2019	Taiyo Holdings Co., Ltd. Officer in charge of Research Dept. (present post)							
			June 2022	Taiyo Holdings Co., Ltd. Board Director and Chairman of the Board (present post)							
			June 2023	Taiyo Ink Mfg. Co., Ltd. Board Director (present post)							
			June 2023	Taiyo Ink (Suzhou) Co., Ltd. Board Director (present post)							
June 2023	Onstatic Technology Co., Ltd. Board Director (present post)										
Board Director	Masao Arima	January 24, 1969	April 1993	Taiyo Ink Mfg. Co., Ltd. (now Taiyo Holdings Co., Ltd.) (Joined)	(*Note 3)	(Common) 30					
			April 2010	Japan Taiyo Company General Manager of Technology Headquarters Development Department II							
			April 2012	Taiyo Ink Mfg. Co., Ltd. Executive General Manager of Technology Development Department							
			April 2014	Taiyo Ink Mfg. Co., Ltd. Executive General Manager of Sales Department							
			April 2015	Taiyo Holdings Co., Ltd. Senior Director of Research Dept.							
			April 2015	Chugai Kasei Co., Ltd. (now Taiyo Fine Chemicals Co., Ltd.) Director (present post)							
			April 2017	Taiyo Holdings Co., Ltd. Head of New Business Office							
			August 2017	Taiyo Pharma Co., Ltd. President and Representative Board Director (present post)							
			January 2018	Taiyo Holdings Co., Ltd. Managing Executive Officer							
			June 2021	Taiyo Pharma Tech Co., Ltd. Board Director (present post)							
			May 2022	Taiyo Holdings Co., Ltd. CBDO of Medical & Pharmaceutical Company (present post)							
			June 2022	Taiyo Holdings Co., Ltd. Board Director (present post)							
			May 2023	Ricc Co., Ltd. President and Representative Board Director (present post)							
			Board Director	Tomoyuki Tanaka			November 25, 1964	April 1988	Dainippon Ink and Chemicals, Incorporated (now DIC Corporation) (Joined)	(*Note 3)	
								April 2012	DIC Corporation General Manager of Functional Pigment Sales Department		
January 2016	DIC Corporation General Manager of Pigment 2nd Sales Department										
January 2019	DIC Corporation General Manager of Color & Display Business Planning Department										
January 2021	DIC Corporation General Manager of Executive Officer Management Planning Department (present post)										
June 2022	Taiyo Holdings Co., Ltd. Board Director (present post)										

Title	Name	Date of birth	Career history		Term of office	Shares held (Thousands)
Board Director	Masayuki Hizume	March 2, 1963	October 1988 January 1994 June 1994 January 2001 June 2012 July 2012 April 2020	Tohmatsu Awoki & Sanwa (now Deloitte Touche Tohmatsu LLC) (Joined) Hizume Certified Public Accounting Office (Joined) Taiyo Holdings Co., Ltd. Outside Audit & Supervisory Board Member Masayuki Hizume Certified Public Accounting Office (currently Masayuki Hizume Certified Public Accounting and Notary Public Office) Head (present post) Taiyo Holdings Co., Ltd. Outside Board Director (present post) Taiyo Ink Mfg. Co., (Korea) Ltd. Board Director Hizume Tax Accounting Office Representative Partner (present post)	(*Note 3)	(Common) 1
Board Director	Keiko Tsuchiya	May 13, 1960	April 1981 April 1989 April 1991 January 1994 July 2004 October 2005 January 2009 February 2011 August 2015 January 2016 June 2017 June 2019 June 2020	Dentsu Inc. (Joined) Ferag Japan Co., Ltd. (Joined) Australian Trade Commission, Tokyo (Joined) Becton Dickinson Co., Ltd. (Joined) HR Planning & Organizational Effectiveness Director Human Value Inc. Chief Researcher & Producer GE Toshiba Silicones Co., Ltd. (now Momenite Performance Materials Japan LLC) Executive Officer and General Manager, Human Resources for Pacific Region Cisco Systems LLC Senior HR Manager Johnson & Johnson Medical Company (Joined) Vice President, Human Resources Adecco Ltd., Japan Chief Human Resources Officer Adecco Ltd., Director (present post), Japan General Manager of People Value Taiyo Holdings Co., Ltd. Outside Board Director (present post) Teachers Initiative Director (present post) Nippon Light Metal Holdings Co., Ltd. Outside Director (present post)	(*Note 3)	(Common) 0
Board Director	Asako Aoyama	March 14, 1972	April 1994 September 2001 October 2004 August 2008 October 2010 March 2011 July 2013 January 2016 May 2017 June 2018 February 2019 January 2020 June 2020 February 2021 April 2022	Tohmatsu & Co. (now Deloitte Touche Tohmatsu LLC) (Joined) Merrill Lynch Japan Securities Co., Ltd. (Joined) Coca Cola (Japan) Company, Limited (Joined) Coca Cola (Japan) Company, Limited General Manager of Business Strategy Promotion Coca Cola (Japan) Company, Limited Manager of Commercial Finance CCL & Franchise Finance, Finance Headquarters Tokyo Coca Cola Bottling Co., Ltd. Director and CFO Coca Cola East Japan Co., Ltd. Executive Officer, Finance and Accounting General Manager Coca Cola East Japan Co., Ltd. Executive Officer, Commercial Finance General Manager Coca Cola Bottlers Japan Inc. Executive Officer, Transformation Project Leader Taiyo Holdings Co., Ltd. Outside Audit & Supervisory Board Member Coca Cola Bottlers Japan Holdings Inc. Executive Officer, Head of Business Development NEC Corporation General Manager, Global Finance Division Taiyo Holdings Co., Ltd. Outside Board Director (present post) Business Accounting Council Provisional Member (present post) NEC Corporation Executive Officer (present post)	(*Note 3)	(Common) 0

Title	Name	Date of birth	Career history		Term of office	Shares held (Thousands)
Board Director	Yumiko Kamada	February 23, 1966	April 1989	East Japan Railway Company (Joined)	(*Note 3)	(Common) 0
			June 2005	JR East Station Retailing Co., Ltd. President and Representative Director		
			November 2008	East Japan Railway Company General Manager, Life-style Business Development Headquarters		
			May 2013	East Japan Railway Company Deputy Director, Frontier Service Research Laboratory, Research & Development Center		
			February 2015	Calbee, Inc. Senior Executive Officer		
			February 2015	Lumine Co., Ltd. Part-time Director (present post)		
			March 2015	Pola Orbis Holdings Inc. Outside Director		
			June 2015	The Michinoku Bank, Ltd. Outside Director		
			December 2018	ONE GLOCAL Representative Director (present post)		
			June 2020	Taiyo Holdings Co., Ltd. Outside Board Director (present post)		
			June 2021	Private Finance Initiative Promotion Corporation of Japan Outside Director (present post)		
			June 2022	Business Breakthrough, Inc. Outside Director (present post)		
Full-time Audit & Supervisory Board Member	Hidenori Sugiura	March 20, 1961	April 1984	The Long-Term Credit Bank of Japan, Ltd. (Joined)	(*Note 4)	-
			July 1998	UBS Trust & Banking (Japan) Ltd. (Joined)		
			July 2000	IBJ Securities Co., Ltd. (now Mizuho Securities Co., Ltd.) (Joined)		
			October 2003	Mizuho Securities Co., Ltd. General Manager of Investment Bank 4th Department, Investment Bank Group		
			April 2004	Mizuho Securities Co., Ltd. General Manager of Corporate Finance Division No. 1, Capital Markets Group		
			April 2005	Mizuho Securities Co., Ltd. Senior Fellow of Strategic Research Dept., Management Planning Group		
			April 2006	Kyoto University Distinguished Associate Professor of Graduate School of Management		
			October 2007	Hitotsubashi University Part-time Lecturer of Graduate School of Commerce and Management		
			April 2008	Kyoto University Distinguished Professor, Graduate School of Management		
			June 2018	Taiyo Holdings Co., Ltd. Outside Audit & Supervisory Board Member (present post)		
			April 2019	Taiyo Pharma Tech Co., Ltd. Audit & Supervisory Board Member (present post)		
			April 2023	ANZU no MORI FOUNDATION Auditor (present post)		
Full-time Audit & Supervisory Board Member	Kaori Terunuma	December 29, 1982	April 2005	Mitsui & Co., Ltd. (Joined)	(*Note 4)	(Common) 1
			August 2013	CROSS FIELDS (Joined)		
			March 2016	coconala Inc. (Joined)		
			June 2019	Taiyo Holdings Co., Ltd. (Joined)		
			January 2020	Taiyo Holdings Co., Ltd. General Manager of the Accounting Department		
			July 2020	Taiyo Ink (Suzhou) Co., Ltd. Auditor (present post)		
			October 2020	Taiyo Ink Products Co., Ltd. Auditor		
			June 2022	Taiyo Holdings Co., Ltd. Audit & Supervisory Board Member (present post)		
			June 2022	Taiyo Ink Mfg. Co., Ltd. Audit & Supervisory Board Member (present post)		

Title	Name	Date of birth	Career history	Term of office	Shares held (Thousands)
Audit & Supervisory Board Member	Ikumi Sato	December 25, 1963	<p>April 1990 Registered as an attorney at law (Tokyo Bar Association)</p> <p>March 1992 Cancellation of registration in Tokyo Bar Association for travel to the United States</p> <p>September 1995 Registered as an attorney, State of New York, USA</p> <p>September 1995 Re-registered as an attorney at law (Daini Tokyo Bar Association)</p> <p>March 2013 Yabuki Law Offices (Joined)</p> <p>April 2017 Daini Tokyo Bar Association Deputy Chair</p> <p>April 2018 Japan Federation of Bar Associations Executive Governor</p> <p>April 2019 Ministry of Internal Affairs and Communications Information Disclosure and Personal Information Protection Commission Member</p> <p>June 2019 DAI-DAN Co., Ltd. Audit & Supervisory Board Member</p> <p>January 2021 Nozomi Sogo Attorneys at Law Partner and Attorney (present post)</p> <p>April 2021 Japan Attorneys National Pension Fund Executive Governor (present post)</p> <p>June 2021 DAI-DAN Co., Ltd. Outside Director (present post)</p> <p>June 2022 Taiyo Holdings Co., Ltd. Outside Audit & Supervisory Board Member (present post)</p>	(*Note 4)	-
Total of shares held					(Common) 661

Notes:

1. Masayuki Hizume, Keiko Tsuchiya, Asako Aoyama, and Yumiko Kamada are outside board directors.
2. Hidenori Sugiura and Ikumi Sato are outside members of the Audit & Supervisory Board.
3. Two years from the close of the 76th Ordinary General Shareholders' Meeting (June 18, 2022)
4. Four years from the close of the 76th Ordinary General Shareholders' Meeting (June 18, 2022)
5. We adopted an executive officer system to energize the Board of Directors and streamline the decision-making process. There are 16 executive officers:

Senior Executive Officer	Shoji Minegishi
Senior Executive Officer	Daisuke Mishima
Managing Executive Officer	Taiyen Tsai
Managing Executive Officer	Naohiro Arata
Managing Executive Officer	Terumichi Tawara
Managing Executive Officer	Hideyuki Goto
Managing Executive Officer	Suguru Ominato
Managing Executive Officer	Keiichi Kobayashi
Managing Executive Officer	Hidekazu Miyabe
Executive Officer	Sayaka Tomioka
Executive Officer	Takuji Maekawa
Executive Officer	Bae Hyunki
Executive Officer	Cho Kyunsu
Executive Officer	Yukiko Yoshino
Executive Officer	Taisuke Ikeda
Executive Officer	Taro Onishi

6. Taiyo Holdings Co., Ltd. elects one standby Audit & Supervisory Board member as specified in Article 329-3 of the Companies Act to prepare for a situation in which the company lacks the legally mandated number of Audit & Supervisory Board members. The career history of the standby Audit and Supervisory Board member is as follows.

Name	Date of birth	Career history	Shares held (Thousands)
Masahiko Todo	July 17, 1968	<p>April 1997 Registered as an attorney at law (Daini Tokyo Bar Association)</p> <p>Ushijima & Associates (now Ushijima & Partners, Attorneys-at-Law) (Joined)</p> <p>January 2005 Ushijima & Partners Partner (present post)</p>	-

Note: Masahiko Todo fulfills the requirements for an outside Audit & Supervisory Board member.

2) Outside board members

We have four outside board directors and two outside Audit & Supervisory Board members.

- Masayuki Hizume (outside board director) is a representative partner of Masayuki Hizume Certified Public Accounting and Notary Public Office and Hizume Tax Accounting Office. We have no special relationship with either organization.
- Keiko Tsuchiya (outside board director) serves as a director of Adecco Ltd., an outside director of Nippon Light Metal Holdings, and a director of Teachers Initiative. We have no special relationship with any of those organizations.
- Asako Aoyama (outside board director) serves as executive officer of NEC Corporation and a temporary member of the Business Accounting Council. We have no special relationship with either organization.
- Yumiko Kamada (outside board director) serves as representative director of ONE GLOCAL, as a part-time director of Lumine Co., Ltd., an outside director of the Public Private Partnership/Private Finance Initiative Promotion Office, and as an outside director of Business Breakthrough, Inc. We have no special relationship with any of those organizations.
- Hidenori Sugiura (outside Audit & Supervisory Board member) serves as Auditor of ANZU no MORI Foundation and on the Audit & Supervisory Board of Taiyo Pharma Tech Co., Ltd. We have no special relationship with ANZU no MORI Foundation. Taiyo Pharma Tech Co., Ltd. is a consolidated subsidiary of Taiyo Holdings Co., Ltd.
- Ikumi Sato (outside Audit & Supervisory Board member) is a partner of Nozomi Sogo Attorneys at Law, a director of Japan Attorneys National Pension Fund, and an outside director of Dai-Dan Co., Ltd. We have no special relationship with any of those organizations.
- Shares held by outside officers are listed in 1) List of corporate officers.

We have established a set of criteria for confirming the independence of outside board directors and outside Audit & Supervisory Board members. The criteria are based on the TSE independence standards and qualification for independent directors. We have deemed all of our outside board directors and outside Audit & Supervisory Board members as independent under the TSE's independence standards, having judged that they present no actual or potential conflict of interest with general shareholders. Moreover, they have all demonstrated the ability to duly supervise and audit the management from an impartial perspective, drawing on their professional expertise and experience in other organizations.

Presented below is our set of criteria for determining independence.

Criteria for Determining the Independence of Outside Board Directors and Outside Audit & Supervisory Board Members

A board director or Audit & Supervisory Board member is only deemed independent from the management of Taiyo Holdings Co., Ltd., if none of the following apply.

(1) Business relationship

- 1) The person is a major supplier of Taiyo Holdings or is a senior manager of such. "Major supplier of Taiyo Holdings" means a supplier for which Taiyo Holdings accounts for at least 2% of the supplier's average consolidated net sales for the most recent three years. "Senior manager" means an executive director, non-fiduciary executive (usually known in Japan by terms such as "shikko-yaku" or "shikko-yakuin"), or someone with an equivalent role in senior management.
- 2) The person is a major client of Taiyo Holdings or is a senior manager of such "Major client of Taiyo Holdings" means a client that accounts for at least 2% of Taiyo Holdings' average consolidated net sales for the most recent three years.
- 3) The person is a major creditor of Taiyo Holdings or is a senior manager of such. "Major creditor of Taiyo Holdings" means a creditor to which Taiyo Holdings owes an amount equivalent to at least 2% of its average consolidated assets for the most recent three years.

- 4) A consultant, accountant, attorney, or other professional who receives a certain amount of cash and non-monetary property other than officer compensation exceeding an average of 10 million yen over the most recent three years. If the recipient of such cash/property is a corporation, association, or other organization, it means a professional affiliated with that organization who receives cash/property that accounts for at least 2% of the organization's average consolidated net sales for the most recent three years.
 - (2) The person currently serves or has at some stage in the past ten years served Taiyo Holdings as an executive, or the person has at some stage in the past ten years served Taiyo Holdings as a non-executive director or member of the Audit & Supervisory Board and has also served Taiyo Holdings as an executive at some stage in the ten years preceding the time the person became such.
 - (3) Major shareholder
The person is a major shareholder of Taiyo Holdings or an executive of such. "Major shareholder of Taiyo Holdings" means a shareholder that holds, directly or indirectly, shares in Taiyo Holdings worth at least 10% of the total voting rights.
 - (4) Financial beneficiary
Taiyo Holdings donates significant funds to the person or an organization the person represents. "Significant funds" means donations averaging more than 10 million yen over the most recent three years. However, if the recipient of such donations is a corporate, association, or other organization, this means a person directly involved in research, education, and/or other activities associated with the donation, out of those affiliated with the organization.
 - (5) The person is a spouse or a first- or second-degree relative of someone who falls under any of the criteria described in (1) through (4) above.
 - (6) The person poses a conflict of interest with Taiyo Holdings or is otherwise (despite not falling under any of the above criteria (1) through (5)) deemed incapable of discharging duties as an independent outside board director.
- 3) Supervision by outside board directors and outside Audit & Supervisory Board members, coordination with internal auditors and the accounting auditor, and interaction with the internal control department
- The outside board directors and outside Audit & Supervisory Board members work closely with the internal audit department and the internal control department to perform their audit and supervisory duties effectively. They also meet regularly with our accounting auditors and actively exchange information and opinions.

(3) Auditing and supervision

1) Audits by Audit & Supervisory Board members

- Audit & Supervisory Board members perform their duties according to an audit plan they draw up (the Audit & Supervisory Board 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 mid-level managers and inspect our Japan and overseas group companies.
- Audit & Supervisory Board members work closely with the accounting auditors and the Internal Audit Department to realize tripartite (three-party) audits. This approach makes accounting and operational audits more effective and efficient.
- The Audit & Supervisory Board holds monthly meetings to discuss and resolve audit and supervisory matters and to share information about the group as a whole.
- As of the Annual Securities Report filing date, the Audit & Supervisory Board has three members, two of whom are from outside the company. Hidenori Sugiura (outside Audit & Supervisory Board member) has extensive insight in finance and accounting. He worked as a university lecturer drawing on the financial expertise he gained in the business world. Kaori Terunuma (Audit & Supervisory Board member) has extensive knowledge and business experience in finance and accounting, and has experience as an auditor of our overseas subsidiaries since 2020. Ikumi Sato (outside Audit & Supervisory Board member) has extensive professional knowledge and experience as an attorney in corporate law, IT, intellectual property, international law, and other legal areas.
- During the fiscal year under review, the Audit & Supervisory Board met 11 times. The attendance of each member is reported below.

Title	Name	Attendance record
Full-time Audit & Supervisory Board Member	Hidenori Sugiura	91 % (10/11)
Full-time Audit & Supervisory Board Member	Akihito Sakai	100% (11/11)
Full-time Audit & Supervisory Board Member	Kaori Terunuma	100% (8/8)
Audit & Supervisory Board Member	Ikumi Sato	100% (8/8)
Audit & Supervisory Board Member	Masaru Oki	100% (3/3)

Note: There have been eight Audit & Supervisory Board member meetings held since the appointment of Audit & Supervisory Board member (Kaori Terunuma) and outside Audit & Supervisory Board member (Ikumi Sato) at the Ordinary General Shareholders' Meeting held on June 18, 2022. There were also three Audit & Supervisory Board member meetings held before the resignation of Audit and Supervisory Board member (Masaru Oki) from the Audit and Supervisory Board at the conclusion of the Ordinary General Shareholders' Meeting held on June 18, 2022.

The specific topics discussed at meetings include the general audit/supervisory plan, the actions members take under this plan, the establishment and operation of an internal control system, the accounting auditor's approach, and whether the accounting auditor's results are valid.

Full-time members undertake the following actions: They liaise with board directors, attend meetings of the Board of Directors and other important meetings, review documents concerning important business decisions, and audit/supervise operations and finances at head office and key workplaces. At subsidiaries, they liaise with the subsidiary's board directors and with their audit/supervisory counterparts and review the subsidiary's business report. Additionally, the fulltime members review the accounting auditor's actions and its report.

2) Audits by the Internal Audit Department

- The Internal Audit Department has five members as of the Annual Securities Report filing date. The department audits Taiyo Holdings' divisions and group companies according to its audit plan (the Internal Audit Department 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 Audit & Supervisory Board. The Internal Audit Department holds quarterly meetings to report to the Audit & Supervisory Board. It shares information with Audit & Supervisory Board members and endeavors to improve the effectiveness of internal audits.

3) Audits by the Accounting auditor

a. Name of accounting auditor

PricewaterhouseCoopers Aarata LLC

b. Period of continuous auditing

4 years

c. Certified public accountants who conduct the accounting audits

Tsuyoshi Saito

Yoshihiro Shiribiki

d. Accounting auditor's assistants

The accounting auditor is assisted by five certified public accountants, and 14 other assistants.

e. Policy and reason for selecting the accounting auditor

In selecting PricewaterhouseCoopers Aarata LLC as our accounting auditor, we followed the Criteria for Selecting the Accounting Auditor. We selected this accounting auditor following a comprehensive consideration, in which we noted that this auditor offered the necessary expertise, independence, and quality controls, along with an integrated global framework.

The accounting auditor may be dismissed, with the unanimous consent of the Audit & Supervisory Board, if it falls under any of the items in Article 340-1 of the Companies Act. If the accounting auditor is dismissed in this way, the Audit & Supervisory Board will appoint one of its members to inform shareholders of the dismissal, as well as the reasons for the dismissal, at the next General Shareholders' Meeting. If the Audit & Supervisory Board determines that the accounting auditor cannot discharge its duties or is otherwise unfit for its role, the Board will submit a motion to the General Shareholders' Meeting to dismiss, or to not re-elect, the accounting auditor.

f. Audit & Supervisory Board members' evaluation of the accounting auditor

Audit & Supervisory Board members evaluate the accounting auditor according to the Criteria for Evaluating the Accounting Auditor. The members have determined that PricewaterhouseCoopers Aarata LLC is fit to serve as accounting auditor in view of the following factors: The firm is independent; it has robust quality controls; it has robust workflow processes; and it effectively discharged its auditing duties in the year in the reporting year.

4) Remuneration for audit services

a. Breakdown of remuneration paid for audit services rendered by accounting auditor

(Millions of yen)

Class of shares	Consolidated fiscal year ended March 31, 2022		Consolidated fiscal year ended March 31, 2023	
	Remuneration for certified audits	Remuneration for non-audit services	Remuneration for certified audits	Remuneration for non-audit services
Filing company (Taiyo Holdings)	92	–	95	–
Consolidated subsidiaries	18	–	32	–
Total of shares held	110	–	128	–

b. Breakdown of remuneration (other than that in a.) paid for audit services rendered by an organization analogous to a certified public accountant (in this case, PricewaterhouseCoopers)

(Millions of yen)

Class of shares	Consolidated fiscal year ended March 31, 2022		Consolidated fiscal year ended March 31, 2023	
	Remuneration for certified audits	Remuneration for non-audit services	Remuneration for certified audits	Remuneration for non-audit services
Filing company (Taiyo Holdings)	–	55	–	94
Consolidated subsidiaries	37	11	40	5
Total of shares held	37	66	40	99

The non-audit services for which the filing company paid 55 million yen in the previous consolidated fiscal year included professional advice on due diligence and internal rules. The non-audit services in the consolidated fiscal year under review included professional advice on internal rules.

The non-audit services for which consolidated subsidiaries paid 11 million yen in the previous consolidated fiscal year and 5 million yen in the consolidated fiscal year under review included professional advice on transfer pricing regulation and personal income tax.

c. Other notable remuneration for certified audits

Consolidated fiscal year ended March 31, 2022

None.

Consolidated fiscal year ended March 31, 2023

None.

d. Criteria for determining remuneration for audit services

We consider the size of our organization, the nature of its businesses, and the number of days the audit takes.

e. Basis on which the members of the Audit & Supervisory Board unanimously consented to the accounting auditor's remuneration

The members unanimously consented following a review in which they referred to the Japan Audit & Supervisory Board Members Association's guidelines on establishing criteria for evaluating and selecting an accounting auditor. Specifically, after obtaining the necessary data from board directors, other internal parties, and the accounting auditor, the members reviewed the audit workflows, timeframe, and estimated remuneration as stated in the audit plan. That review resulted in unanimous consent of the Audit & Supervisory Board as specified in Article 399-1 of the Companies Act.

(4) Remuneration for corporate officers

1) The amounts of remuneration for executives and matters regarding policy for the method of determining such amounts

Upon receiving the recommendations of the Compensation Advisory Committee regarding our policy for determining the compensation amounts for corporate officers, the Board of Directors determined the remuneration for each board director as follows at a meeting held on June 18, 2022.

The purpose of the stock compensation package is to further motivate executive directors (meaning directors specified in Article 363-1 of the Companies Act) to continuously contribute toward Taiyo Holdings' corporate value and promote further value sharing between executive directors and shareholders.

The Board of Directors determines, to the extent approved by shareholders and in consideration of the findings of the Compensation Advisory Committee, the amount of each form of compensation (board directors' base salary and executive directors' performance-linked cash compensation, performance-linked stock compensation, and transfer-restricted stock compensation) as well as the methods and timing of payment, and how to allocate the compensation. By providing short-, medium-, and long-term incentives, the stock compensation package motivates executive directors to contribute to our corporate value over the medium and long term, and thus helps us recruit and retain top-level managers. Additionally, because it delivers shares to executive directors, the stock compensation package fosters a shareholder mindset.

a) Systems of remuneration for corporate officers, how each recipient's amount is determined

Item	Basic salary	Performance-linked cash compensation	Performance-linked stock compensation	Transfer-restricted stock compensation
Purpose	—	Short term incentive	Medium-term incentive	Long-term incentive
Class of compensation	Monetary	Monetary	Share-based	Share-based
Eligible officers	Executive directors (*Note 1) Non-executive directors Audit & Supervisory Board Member	Executive directors (*Note 1)	Executive directors (*Note 1)	Executive directors (*Note 1)
Description	Monthly salaries are paid in cash	We determine the total amount taking into account profit before income taxes along with effective tax rate and profit attributable to noncontrolling interests. We then determine the amounts for each recipient according to their officer status and pay these amounts in cash.	We determine the total amount taking into account profit before income taxes along with effective tax rate and profit attributable to noncontrolling interests. We then determine the amounts for each recipient according to their officer status and pay these amounts in cash as a monetary claim to be exchanged for the allotted common shares.	Recipients receive monetary claims commensurate with the rank they served during the eligibility period. They agree to exchange these monetary claims for their allotted shares of common stock.

Item	Basic salary	Performance-linked cash compensation	Performance-linked stock compensation	Transfer-restricted stock compensation
Date approved by shareholders	Board Director salary: June 29, 2010 (64th annual general meeting) Audit & Supervisory Board member salary: June 18, 2022 (76th annual general meeting)	June 18, 2022 (76th annual general meeting)	June 18, 2022 (76th annual general meeting)	June 19, 2021 (75th annual general meeting)
Resolution	Board Director salary: Total monthly salary capped at 300 million yen. Audit & Supervisory Board member salary: Total monthly salary capped at 7 million yen.	Executive directors receive performance-linked cash compensation within an amount determined by the following formula (cap). Performance-linked cash compensation (cap) = Profit before income taxes × (*Note 2) × 1.6%	Executive directors receive performance-linked stock compensation within an amount determined by the following formula (cap). The maximum number of performance-linked shares that can be issued or allotted in any fiscal year (“Performance Stock Cap”) is 200,000 (*Note 4). Performance-linked stock compensation (cap) = Profit before income taxes × (Note 2) × 3.4%	Executive directors receive “restricted stock compensation” (monetary claims) capped at 300 million yen annually. The maximum number of transfer-restricted shares that can be issued or allotted in any fiscal year (“Restricted Share Cap”) is 80,000 (*Note 5).
Number of recipients (at close of annual general meeting)	Board Directors: 6 Audit & Supervisory Board members: 4 (3 of whom are outside members)	4	4	3
Amount, calculation of compensation other than performance-linked or non-monetary compensation	Board Director salary: Directors receive a monthly salary commensurate with their rank. Audit & Supervisory Board member salary: The members negotiate a salary.	—	—	—
Performance metric or formula used for performance-linked compensation	—	(*Note 3)	(*Note 4)	—

Item	Basic salary	Performance-linked cash compensation	Performance-linked stock compensation	Transfer-restricted stock compensation
Form/amount of, formula used for non-monetary compensation	—	—	(*Note 4)	(*Note 5)
Reason for using profit before income taxes as metric	—	<p>Profit attributable to owners of parent is the profit remaining after profits are distributed to trading partners, employees, banks, national and local governments, and other interested parties, and thus represents the returns for shareholders. Part of these returns are distributed to executive directors. Since a portion of this amount is distributed to the executive directors, we believe that this is a reasonable measure from the perspective of sharing value with shareholders.</p> <p>We also take into account the averages for the effective tax rate and the percentage profit attributable to non-controlling interests in addition to profit before income taxes for the most recent three fiscal years. Our indicator thus represents profit attributable to owners of parent in real terms. Therefore, using this metric is tantamount to using profit attributable to owners of parent.</p> <p>Additionally, in the case of both performance-linked cash compensation and performance-linked stock compensation, executive directors will receive a low amount of compensation if profit is low or negative, and they will receive none if profit before income taxes is zero.</p>		—
Formula for determining breakdown of each recipient's compensation	<p>The balance between fixed and variable compensation policy is to be weighted toward the latter. We keep the fixed portion relatively low so that the majority of the compensation consists of variable compensation—and is thus linked to performance and share price, especially over the long term.</p> <p>Stock compensation: For the restricted stock component, the amount of shares allocated is fixed according to the recipient’s rank, ensuring that the level of compensation paid remains stable and thus provides a long-term incentive. The performance-linked component is variable and could, depending on performance, amount to zero. The system is designed so that the ratio of performance-linked shares to restricted stock increases as the company grows. The idea is that higher-ranked directors will receive a relatively larger portion of stock based compensation.</p>			
Compensation payment timing and payment terms	Paid monthly	Paid within 1 month from annual general meeting	Paid within 1 month from annual general meeting	Paid within 2 months from annual general meeting in the previous fiscal year (payment period)
Determination of the amount for each recipient	Respecting the findings of the Compensation Advisory Committee, the Board of Directors determines the specific amounts of compensation, within the scope approved by shareholders and in accordance with the committee’s findings.			

Notes:

1. “Executive directors” refers to the class of directors in Article 69-9-1 of the Order for Enforcement of the Corporation Tax Act.
2. $(1 - \text{Average effective tax rate for most recent three fiscal years} - \text{Percentage of profit attributable to noncontrolling interests for the most recent three fiscal years})$
 - “Most recent three fiscal years” = Three fiscal years before the year in which performance-linked cash compensation and performance-linked stock compensation will be paid.
 - “Effective tax rate” = The actual effective tax rate after applying tax effect accounting, as disclosed in the Annual Securities Report.
 - “Percentage of profit attributable to non-controlling interests” = Profit attributable to non-controlling interests (rounded down to the nearest million yen) / Profit before income taxes (rounded down to the nearest million yen)
 - The percentage derived from the formula “ $1 - \text{Average effective tax rate for most recent three fiscal years} - \text{Percentage profit attributable to non-controlling interests for the most recent three fiscal years}$ ” is rounded to two decimal places.

3. Performance-linked cash compensation

i) Overview

Using the calculation method described in ii) below, we determine the total amount of performance-linked cash compensation for the fiscal year in question (the fiscal year preceding that in which the payment date falls) and then distribute to each recipient an amount commensurate with the rank the recipient held in that year.

ii) Calculation method

Performance-linked cash compensation (total amount to be paid) = Profit before income taxes × (Note 2) × 0.8%

- This amount must be within what the Board of Directors determines to be the cap, or “defined amount” (as used in this document, “defined amount” is as defined in Article 34-1-3-a-(1) of the Corporation Tax Act).
- None of this compensation will be provided if profit before income taxes is in negative territory.
- The amount of profit before income taxes will be rounded down to the nearest million yen.
- For performance-linked cash compensation (total amount to be paid), fractional amounts of less than 1 yen will be discarded.

iii) Allocation among the recipients

We assign points to each executive director according to their officer status. The total performance-linked share compensation is multiplied 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 points to be allocated for each officer status are determined annually by the Board of Directors based on the advice of the Compensation Advisory Committee, which considers the number of persons in and the duties associated with each officer status. 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 (the period beginning on the day of the Ordinary Shareholders’ Meeting pertaining to the fiscal year two fiscal years prior to the one in which the payment occurs, and ending on the day before the Ordinary Shareholders’ Meeting pertaining to the fiscal year preceding said year). In such case, we will pay the ex-executive director according to the period extending from the month following the month in which the start date of the applicable period falls to the month in which the date of retirement falls, and the points shall be prorated according to the number of months in that period.

4. Performance-linked stock compensation

i) Overview

Using the calculation method described in ii) above, we determine the total amount of performance-linked stock compensation for the fiscal year in question (the fiscal year preceding that in which the payment date falls) and then distribute to each recipient a cash amount commensurate with the rank the recipient held in that year as a monetary claim to be exchanged for common shares. We allot common shares to the eligible executive directors to be paid performance-linked stock compensation by issuing new shares or by disposing of treasury shares, within the Performance Share Cap (200,000 shares. The cap was approved at 100,000 shares at the 75th Ordinary General Shareholders’ Meeting held on June 19, 2021, but the cap was restated as 200,000 shares following a 2-for-1 stock split on October 1 of that year.) We then deliver to each recipient an amount of the shares corresponding to the cash amount we paid them. However, excluded from performance cash are all income tax, resident tax, and other taxes levied on the performance cash, all social security premiums connected with the performance cash, all payment handling fees, and any fractional portion (the rounded off portion).

Performance cash is contingent on the following: (1) The executive directors agree to exchange the entirety of their performance cash for their allotted shares, and (2) the executive directors sign an agreement with Taiyo Holdings in which they agree not to transfer, pledge shares, or otherwise dispose of the shares allotted for the duration of the transfer-restricted period (three years from the date they purchased them).

However, it is possible that a law or judicial judgment could prevent Taiyo Holdings from allotting the common shares to the executive directors in accordance with their performance-linked stock compensation. In such case, the recipients will receive their performance-linked stock compensation in cash only (without exchanging this cash for common shares).

Taiyo Holdings will also pay cash, as opposed to shares, for any portion of the compensation that exceeds the Performance Stock Cap or the Holdings Cap (these caps are defined in Note 6: Allotment terms).

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

ii) Calculation method

Performance-linked stock compensation (total amount to be paid) = Profit before income taxes × (Note 2) × 3.4%

- This amount must be within the defined amount determined by the Board of Directors.
- None of this compensation will be provided if profit before income taxes is in negative territory.
- The amount of profit before income taxes will be rounded down to the nearest million yen.
- For performance-linked stock compensation (total amount to be paid), fractional amounts of less than 1 yen will be discarded.

iii) Allocation among the recipients

We assign points to each executive director according to their officer status. The total performance-linked stock compensation is multiplied 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 points to be allocated for each officer status are determined annually by the Board of Directors based on the advice of the Compensation Advisory Committee, which considers the number of persons in and the duties associated with each officer status. 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 (the period beginning on the day of the Ordinary Shareholders' Meeting pertaining to the fiscal year two fiscal years prior to the one in which the payment occurs, and ending on the day before the Ordinary Shareholders' Meeting pertaining to the fiscal year preceding said year). In such case, we will pay the ex-executive director according to the period extending from the month following the month in which the start date of the applicable period falls to the month in which the date of retirement falls, and the points shall be prorated according to the number of months in that period . .

5. Transfer-restricted stock compensation

The maximum amount of the compensation is 300 million yen. We provide each executive director, as of the time of allocation, 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).

For transfer-restricted stock compensation, the eligible executive directors must agree to exchange the entirety of their monetary claims for their allotted common shares, which we allot by issuing new shares or by disposing of treasury shares within Restricted Share Cap (80,000 shares. The cap was approved at 40,000 at the 75th Ordinary General Shareholders' Meeting, held on June 19, 2021, but the cap was restated as 80,000 following a 2-for-1 stock split on October 1 of that year.) They must also sign an agreement with Taiyo Holdings in which they (1) agree not to transfer, hypothecate, or otherwise dispose of the shares for the duration of a transfer-restricted period (10 years from the date they purchased them) and (2) agree that Taiyo Holdings will reacquire their allotted shares for no consideration if certain events occur during this period. Additionally, the compensation is contingent upon the recipients having remained incumbent as of the time immediately before the date they purchase the transfer-restricted stock, and upon there being no grounds for Taiyo Holdings to cancel the allotment (such as an order to revoke or cease).

6. We have two stock-based remuneration systems: a system of transfer-restricted stock compensation and a system of performance-linked stock compensation. Under both systems, we pay the remuneration to eligible executive officers by issuing additional stock or by reselling treasury shares. For transfer-restricted stock compensation, we allot shares with specified transfer restrictions. For performance-linked stock compensation, we use a third-party allotment. For both systems, we have set the following terms (a to d).

Allotment terms

- a) The sum of (1) the total number of shares allotted for the both systems in a given fiscal year and (2) the total shares of common stock held by all executive directors eligible for the allotment (to be eligible, the executive director must remain incumbent as of the time of the allotment) must be within the Holdings Cap (2,840,000 shares. The cap was approved at 1,420,000 (shares) at the 75th Ordinary General Shareholders' Meeting, held on June 19, 2021, but the cap was restated as 2,840,000 following a 2-for-1 stock split on October 1 of that year.)
 - b) The Restricted Stock Cap, Performance Stock Cap, and Holdings Cap may be adjusted proportionally, within reason, if Taiyo Holdings decides to undertake a stock split or reverse stock split or if it otherwise becomes necessary to adjust the cap.
 - c) We determine the amount of common shares to allocate based on the transfer-restricted stock compensation system before we determine the amount for performance-linked share compensation.
 - d) The Board of Directors determines the amount that executive directors pay in for each common share allotted to them under the transfer-restricted or perform-linked stock compensation plan. Generally, the amount will be the closing price that the common stock fetches on the TSE as of the business day preceding the resolution date (the date on which the Board of Directors resolves the terms and conditions for applying to receive the common shares) or, if no trading is reported on that day, the day before that. The amount must always remain within a range that gives no artificial advantage to the executive directors receiving the common shares.
7. Guidelines on share-based compensation

We formulate guidelines stipulating a shareholding policy for securing the common shares to be paid to executive directors as performance-linked stock compensation and transfer-restricted stock compensation. The guidelines specify a method for adjusting the amount of compensation for board directors in the case that a certain number of shares are held.

Following the guidelines, the Compensation Advisory Committee will review on the amount of compensation for board directors and advise the Board of Directors on its findings. The Board of Directors will then make the final decision on the compensation for board directors.

- b) Reason why the Board of Directors determined that board directors' compensation for the fiscal year in question is consistent with the company's policy on board directors' compensation

The Compensation Advisory Committee comprehensively deliberated and reported to the Board of Directors based on the decision-making policy, and the Board of Directors decided and implemented the policy by respecting the content of the report.

- c) Performance-linked compensation for fiscal year ended March 31, 2024 (the 78th business term)

At the Board of Directors meetings held on June 17, 2023, the Board of Directors determined the following items for fiscal year ended March 31, 2024 (the 78th business term): 1) the performance-linked compensation as described in formula in Note 2 ("1 – Average effective tax rate for most recent three fiscal years – Percentage of profit attributable to non-controlling interests for the most recent three fiscal years"), 2) the defined amounts for performance-linked cash compensation in Note 3, 3) the defined amount in the formula for performance-linked stock compensation in Note 4-ii, and 4) the rank-specific points for recipients in Note 3-iii. All four items were determined based on the number of executive directors incumbent as of that date.

Item	Performance-linked cash compensation	Performance-linked stock compensation																												
(1 – Average effective tax rate for most recent three fiscal years – Percentage profit attributable to noncontrolling interests for the most recent three fiscal years) (*Note 1)	71.54%																													
Defined amount (cap)	162,000,000 yen	690,000,000 yen																												
Rank-specific points (*Note 2)	<table><tr><th>Officer status</th><th>Points</th></tr><tr><td>Chairman of the Board</td><td>101</td></tr><tr><td>President</td><td>169</td></tr><tr><td>Vice President</td><td>132</td></tr><tr><td>Senior Managing Director</td><td>101</td></tr><tr><td>Managing Director</td><td>78</td></tr><tr><td>Board Director</td><td>66</td></tr></table>	Officer status	Points	Chairman of the Board	101	President	169	Vice President	132	Senior Managing Director	101	Managing Director	78	Board Director	66	<table><tr><th>Officer status</th><th>Points</th></tr><tr><td>Chairman of the Board</td><td>36</td></tr><tr><td>President</td><td>120</td></tr><tr><td>Vice President</td><td>65</td></tr><tr><td>Senior Managing Director</td><td>36</td></tr><tr><td>Managing Director</td><td>24</td></tr><tr><td>Board Director</td><td>12</td></tr></table>	Officer status	Points	Chairman of the Board	36	President	120	Vice President	65	Senior Managing Director	36	Managing Director	24	Board Director	12
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Board Director	2																													

Notes:

1. The figure is rounded to two decimal places. The average effective tax rate for most recent three fiscal years and the average percentage profit attributable to non-controlling interests for the most recent three fiscal years are as follows. The figures presented here have been rounded to two decimal places, but no such rounding was done during the calculation.

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Average for most recent three fiscal years
Effective tax rate	28.24%	29.25%	26.24%	27.91%
Percentage profit attributable to non- controlling interests	0.50%	1.14%	(0.00%)	0.55%

2. Fractional amounts of less than 1 yen are rounded off in calculating the amount allocated to each officer status, with the difference added to the President and CEO's compensation.

In the Consolidated Financial Results for the Fiscal Year Ended March 31, 2023, released on May 1, 2023, we forecasted 10,000 million yen in profit attributable to owners of parent for the 78th business term (ended March 31, 2024). We forecasted 14,200 million yen in profit before income taxes based on that consolidated performance forecast. The following table shows amounts we would provide in performance-linked cash compensation and performance-linked stock compensation for the 78th business term under five hypothetical scenarios.

Simulated compensation forecast under each scenario

(Millions of yen)

Scenario assumption		0 yen	Forecasted amount × 50%	Forecasted amount	Forecasted amount × 150%	Forecasted amount × 200%
Profit before income taxes		0	7,100	14,200	21,300	28,400
Performance- linked cash compensation	President	-	15	31	47	63
	Vice President	-	12	24	37	49
	Board Directors (2)	-	12	24	37	49
	Total	-	40	81	121	162
Performance- linked stock compensation	President	-	99	198	297	396
	Vice President	-	53	107	161	214
	Board Directors (2)	-	19	39	59	79
	Total	-	172	345	518	690

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

Officer status	Total compensation (Millions of yen)	Breakdown (Millions of yen)					Number of recipients
		Basic salary	Performance-linked cash compensation	Performance-linked stock compensation	Transfer-restricted stock compensation	Retirement bonus	
Board Directors (excluding outside board directors)	688	118	87	371	110	-	6
Audit & Supervisory Board Members (excluding outside members)	17	17	-	-	-	-	2
Outside officers	88	88	-	-	-	-	7

Notes:

- 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.
- The figure for transfer-restricted stock compensation indicates the amount we accrued in the fiscal year under review.
- Targeted and actual performance-linked compensation metric in the fiscal year under review

	Target	Actual
Profit before income taxes	18,400 million yen	15,462 million yen

Note: The target is noted in the Annual Securities Report for the 76th business term (fiscal year ended March 31, 2022), which was announced on June 20, 2022. We are using 70.21% as the percentage for the fiscal year under review calculated by $(1 - \text{Average effective tax rate for most recent three fiscal years} - \text{Percentage of profit attributable to noncontrolling interests for the most recent three fiscal years})$.

- The non-monetary compensation paid in fiscal year under review consisted of performance-linked stocks and transfer-restricted stocks (pay-in date: July 15, 2022; amount paid in per share: 2,903 yen) as described below. This compensation was approved by the Board of Directors at a meeting on June 30, 2022.

	Performance-linked stock compensation	Transfer-restricted stock compensation
Recipients	Three executive directors	Four executive directors
Number of shares	61,100	41,273
Period of restriction	July 15, 2022 to July 14, 2025	July 15, 2022 to July 14, 2032

3) Consolidated compensation amounts for officers earning more than 100 million yen on consolidated basis

Name	Consolidated total (Millions of yen)	Officer status	Company	Consolidated breakdown (Millions of yen)				
				Basic salary	Performance-linked cash compensation	Performance-linked stock compensation	Transfer-restricted stock compensation	Retirement bonus
Eiji Sato	341	Board Director	Filing company (Taiyo Holdings)	48	34	213	44	—
		Board Director	Taiyo Ink Mfg. Co., Ltd.	1	—	—	—	—
Hitoshi Saito	208	Board Director	Filing company (Taiyo Holdings)	32	26	115	32	—
		Board Director	Taiyo Ink Mfg. Co., Ltd.	1	—	—	—	—

Note: The figure for transfer-restricted stock compensation indicates the amount we accrued in the fiscal year under review.

- 4) Description/scope of authority invested in each party that exercises authority in the process for determining corporate officers' remuneration (amounts and formulas)

The Board of Directors has the final say in determining board directors' remuneration (total/individual amounts and formulas), but the Compensation Advisory Committee, the majority which is composed of independent outsiders (as defined in Article 69-18 of the Order for Enforcement of the Corporation Tax Act), shall deliberate and report to the Board of Directors. The Board of Directors shall respect the content of such report in making a decision.

More specifically, each year, the committee members check compensation benchmarks among companies similar to ours (in terms of scale and categories of business) using market data on executive compensation. They then review the Company's board director compensation in light of this data, including the level of compensation and the share of compensation that is performance-linked.

The committee's meetings are convened by the chair, and the findings of the committee are resolved by a majority of members in attendance representing the majority of all members (however, only the independent members are entitled to vote in decisions about performance-linked cash compensation or performance-linked share compensation). The chair submits the committee's findings or proposals to the Board of Directors.

In the most recent business term, the Compensation Advisory Committee and Board of Directors acted as follows in regard to determining compensation for corporate officers.

Compensation Advisory Committee

The committee met four times during the fiscal year under review. During these meetings, the members reviewed what the defined amount of board director compensation should be, including the formulas for calculating performance-linked cash compensation and performance-linked stock compensation, for which they referred to the market data. The committee then reported its findings to the Board of Directors.

Board of Directors

- Respecting the findings of the Compensation Advisory Committee, the Board of Directors determined the compensation, within the scope approved by shareholders and in accordance with the committee's findings.
- Respecting the findings of the Compensation Advisory Committee, the board determined the formulas for calculating the performance-linked cash compensation and performance-linked stock compensation.
- In view of the committee's findings, the Board of Directors is satisfied that the each board director's compensation for the most recent fiscal year is consistent with the company's policy on board directors' compensation.
- Respecting the findings of the Compensation Advisory Committee, the board determined amendments to board directors' compensation.

(5) Shareholdings

1) Criteria for categorizing investments

We classify equity securities in which we invest as “held purely for the purpose of investment” when the purpose of the investment is to obtain profit from share price movements or dividends from shares. We classify equity securities invested in for other purposes as being held for “other purposes.”

2) Equity securities held for other purpose

a. Shareholding policy, criteria for determining whether shareholdings are justified, Board of Directors’ reviews of whether to hold shares in a particular company’s stock

Our basic policy is to hold shares in companies if the holdings will contribute to enhancing our corporate value over the medium to long term. In each case, we review whether the issuing company has growth potential, whether it is profitable, and whether the holding would strengthen our trading relationship with the company. The Board of Directors will approve or report the holding depending on the price of the acquired shares. The board will also review holdings regularly to check whether they are justified.

b. Number of companies in which shares are held; carrying value of the holdings

	Number of company stocks in which shares are held	Total carrying value (Millions of yen)
Unlisted shares	–	–
Other shares	1	183

Company stocks in which holdings increased in the current business term

	Number of company stocks in which shares are held	Total acquisition cost associated with the increase in the number of shares held (Millions of yen)	Reason for increasing the number of shares held
Unlisted shares	–	–	–
Other shares	1	183	The number of shares increased due to a stock split during the fiscal year ended March 31, 2023.

Company stocks in which holdings decreased in the current business term

None.

- c. Specified equity securities and deemed holdings of equity securities by each company stock, and the carrying value of the holdings

Specified equity securities

Issuer	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2022	Holding purpose, summary of business alliance, etc., quantitative benefit from holding, and reason for increase in the number of shares held	Shares held in Taiyo Holdings
	Number	Number		
	Total carrying value (Millions of yen)	Total carrying value (Millions of yen)		
Cyfuse Biomedical K.K.	150,000	-	We acquired and hold shares because we entered a capital and business alliance with the company to strengthen the field of regenerative therapy in our Medical and Pharmaceuticals business.	None
	183	-	The shares are listed as specified equity securities accompanying the listing of the company. The number of shares increased due to a stock split in the fiscal year ended March 31, 2023.	

Note: We have not listed the quantitative benefits from holding the shares of each issuer because this is difficult to determine. However, we verify the rationale for holding the shares as stated in “a. Shareholding policy, criteria for determining whether shareholdings are justified, Board of Directors’ reviews of whether to hold shares in a particular company’s stock” and take action as necessary.

Deemed holdings of equity securities

None.

3) Active investing/securities held purely for the purpose of investment

Class of shares	Fiscal year ended March 31, 2023		Fiscal year ended March 31, 2022	
	Number of company stocks in which shares are held	Total carrying value (Millions of yen)	Number of company stocks in which shares are held	Total carrying value (Millions of yen)
Unlisted shares	6	150	6	399
Other shares	30	1,380	31	1,406

Class of shares	Fiscal year ended March 31, 2023		
	Total dividend income (Millions of yen)	Total gain (loss) on sale (Millions of yen)	Total valuation gain (loss) (Millions of yen)
Unlisted shares	0	–	(100)
Other shares	36	–	387

Note: In the unlisted shares, the valuation loss of (100) million yen was the result of recognizing impairment in the fiscal year under review.

4) Equity securities “held purely for the purpose of investment” that became shares held for “other purposes” during the fiscal year under review

Issuer	Number	Total carrying value (Millions of yen)
Cyfuse Biomedical K.K.	150,000	183

5) Equity securities held for “other purposes” that became shares “held purely for the purpose of investment” during the fiscal year under review

None.

V. Financial Information

1. Basis of preparation of consolidated and non-consolidated financial statements

- (1) 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, 1976).
- (2) 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, 1963; hereafter, “Ordinance on Non-consolidated Financial Statements”).

We are classed as a “Special Financial Statement Reporting Company,” meaning that we prepare financial statements pursuant to Article 127 of the Ordinance on Non-Consolidated Financial Statements.

2. Audit certificate

Under Article 193-2-(1) of the Financial Instruments and Exchange Act, our financial statements require an audit certificate. PricewaterhouseCoopers Aarata LLC has certified our consolidated financial statements for the consolidated fiscal year under review (April 1, 2022, to March 31, 2023) and our non-consolidated financial statements for the fiscal year under review (April 1, 2022, to March 31, 2023).

3. Special efforts to ensure the appropriateness of our consolidated financial statements and other financial information

We employ special efforts to ensure the appropriateness of our consolidated financial statements and other financial information. More specifically, we are members of the Financial Accounting Standards Foundation. This membership helps us keep abreast of accounting standards and related guidance, 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, other consolidated financial information

(1) Consolidated financial statements

1) Consolidated balance sheet [Unaudited]

(Millions of yen)

	Consolidated fiscal year ended March 31, 2022 (As of March 31, 2022)	Consolidated fiscal year ended March 31, 2023 (As of March 31, 2023)
Assets		
Current assets		
Cash and deposits	51,557	47,121
Notes and accounts receivable - trade	*1, *2 27,558	*1, *2 22,734
Merchandise and finished goods	8,096	7,038
Work in process	1,573	1,398
Raw materials and supplies	6,714	6,539
Other	3,397	5,290
Allowance for doubtful accounts	(131)	(72)
Total current assets	98,766	90,050
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	20,567	*4 22,492
Machinery, equipment and vehicles, net	10,450	10,538
Tools, furniture and fixtures, net	1,906	1,908
Land	13,969	14,991
Construction in progress	4,031	9,378
Other	1,329	1,091
Total property, plant and equipment	*3 52,255	*3 60,401
Intangible assets		
Goodwill	5,972	4,974
Sales rights	17,483	15,834
Customer-related assets	5,952	5,476
Other	2,650	2,885
Total intangible assets	32,058	29,170
Investments and other assets		
Investment securities	3,183	3,923
Shares of subsidiaries and associates	830	1,152
Deferred tax assets	460	501
Retirement benefit asset	410	503
Other	1,482	1,753
Allowance for doubtful accounts	(174)	(193)
Total investments and other assets	6,192	7,640
Total non-current assets	90,507	97,212
Total assets	189,273	187,263

(Millions of yen)

	Consolidated fiscal year ended March 31, 2022 (As of March 31, 2022)	Consolidated fiscal year ended March 31, 2023 (As of March 31, 2023)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	9,255	6,513
Short-term borrowings	*5 13,232	*4, *5 5,424
Current portion of long-term borrowings	16,537	12,902
Accounts payable - other	5,105	5,374
Income taxes payable	2,541	1,031
Provision for bonuses	1,308	1,108
Other provisions	82	87
Other	1,338	2,672
Total current liabilities	49,403	35,115
Non-current liabilities		
Deferred tax liabilities	3,502	3,974
Long-term borrowings	48,383	53,174
Retirement benefit liability	116	108
Other provisions	87	55
Asset retirement obligations	1,025	1,006
Other	1,287	1,088
Total non-current liabilities	54,403	59,407
Total liabilities	103,806	94,523
Net assets		
Shareholders' equity		
Share capital	9,612	9,761
Capital surplus	14,734	14,883
Retained earnings	60,321	67,561
Treasury shares	(4,752)	(6,107)
Total shareholders' equity	79,916	86,098
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	321	429
Foreign currency translation adjustment	5,187	6,223
Remeasurements of defined benefit plans	40	(14)
Total accumulated other comprehensive income	5,549	6,637
Non-controlling interests	1	3
Total net assets	85,466	92,739
Total liabilities and net assets	189,273	187,263

2) Consolidated statement of income and consolidated statement of comprehensive income
Consolidated statement of income [Unaudited]

(Millions of yen)

	Consolidated fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)	Consolidated fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)
Net sales	97,966	97,338
Cost of sales	^{*2} 55,099	^{*2} 54,547
Gross profit	42,866	42,791
Selling, general and administrative expenses	^{*1, *2} 24,908	^{*1, *2} 26,818
Operating income	17,958	15,972
Non-operating income		
Interest income	48	116
Dividend income	26	41
Compensation income	286	—
Subsidy income	136	90
Outsourcing service income	188	84
Gain on investments in investment partnerships	14	52
Insurance claim income	—	57
Other	189	108
Total non-operating income	890	552
Non-operating expenses		
Interest expenses	261	473
Commission expenses	11	20
Loss on retirement of non-current assets	109	78
Foreign exchange losses	158	242
Other	246	247
Total non-operating expenses	786	1,062
Ordinary income	18,062	15,462
Extraordinary losses		
Impairment losses	^{*3} 1,102	—
Total extraordinary losses	1,102	—
Profit before income taxes	16,959	15,462
Income taxes - current	4,564	3,634
Income taxes - deferred	396	422
Total income taxes	4,960	4,057
Profit	11,998	11,405
Profit (loss) attributable to non-controlling interests	194	(0)
Profit attributable to owners of parent	11,803	11,405

Consolidated statement of comprehensive income [Unaudited]

(Millions of yen)

	Consolidated fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)	Consolidated fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)
Profit	11,998	11,405
Other comprehensive income		
Valuation difference on available-for-sale securities	117	108
Foreign currency translation adjustment	3,454	1,036
Remeasurements of defined benefit plans, net of tax	40	(55)
Total other comprehensive income	* 3,612	* 1,089
Comprehensive income	15,611	12,494
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	15,398	12,494
Comprehensive income attributable to non-controlling interests	213	(0)

3) Consolidated statement of changes in equity [Unaudited]

Consolidated fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	9,499	14,985	53,065	(3,365)	74,184
Changes during period					
Dividends of surplus			(4,547)		(4,547)
Profit attributable to owners of parent			11,803		11,803
Change in scope of consolidation					–
Purchase of shares of consolidated subsidiaries		(363)			(363)
Issuance of new shares	113	113			226
Purchase of treasury shares				(1,500)	(1,500)
Disposal of treasury shares				113	113
Net changes in items other than shareholders' equity					
Total changes during period	113	(250)	7,256	(1,387)	5,731
Balance at end of period	9,612	14,734	60,321	(4,752)	79,916

	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 period	203	1,751	(0)	1,954	357	76,497
Changes during period						
Dividends of surplus						(4,547)
Profit attributable to owners of parent						11,803
Change in scope of consolidation						–
Purchase of shares of consolidated subsidiaries						(363)
Issuance of new shares						226
Purchase of treasury shares						(1,500)
Disposal of treasury shares						113
Net changes in items other than shareholders' equity	117	3,436	40	3,594	(356)	3,237
Total changes during period	117	3,436	40	3,594	(356)	8,969
Balance at end of period	321	5,187	40	5,549	1	85,466

Consolidated fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	9,612	14,734	60,321	(4,752)	79,916
Changes during period					
Dividends of surplus			(4,165)		(4,165)
Profit attributable to owners of parent			11,405		11,405
Change in scope of consolidation			(0)		(0)
Purchase of shares of consolidated subsidiaries					–
Issuance of new shares	148	148			297
Purchase of treasury shares				(1,500)	(1,500)
Disposal of treasury shares				145	145
Net changes in items other than shareholders' equity					
Total changes during period	148	148	7,239	(1,354)	6,182
Balance at end of period	9,761	14,883	67,561	(6,107)	86,098

	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 period	321	5,187	40	5,549	1	85,466
Changes during period						
Dividends of surplus						(4,165)
Profit attributable to owners of parent						11,405
Change in scope of consolidation						(0)
Purchase of shares of consolidated subsidiaries						–
Issuance of new shares						297
Purchase of treasury shares						(1,500)
Disposal of treasury shares						145
Net changes in items other than shareholders' equity	108	1,036	(55)	1,088	1	1,090
Total changes during period	108	1,036	(55)	1,088	1	7,272
Balance at end of period	429	6,223	(14)	6,637	3	92,739

4) Consolidated statement of cash flows [Unaudited]

(Millions of yen)

	Consolidated fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)	Consolidated fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)
Cash flows from operating activities		
Profit before income taxes	16,959	15,462
Depreciation	7,497	7,441
Impairment losses	1,102	—
Amortization of goodwill	487	334
Commission expenses	11	20
Loss on retirement of non-current assets	109	78
Compensation income	(286)	—
Subsidy income	(103)	(51)
Decrease (increase) in retirement benefit asset	(64)	(149)
Increase (decrease) in retirement benefit liability	(35)	(7)
Increase (decrease) in allowance for doubtful accounts	27	(52)
Increase (decrease) in provision for bonuses	378	(210)
Interest and dividend income	(75)	(158)
Interest expenses	261	473
Decrease (increase) in consumption taxes refund receivable	(555)	667
Decrease (increase) in trade receivables	(2,504)	5,597
Decrease (increase) in inventories	(2,407)	1,585
Increase (decrease) in trade payables	(75)	(3,151)
Other, net	1,054	2,164
Subtotal	21,781	30,042
Interest and dividends received	75	158
Interest paid	(259)	(476)
Proceeds from compensation	286	—
Income taxes paid	(3,575)	(6,987)
Net cash provided by (used in) operating activities	18,308	22,736
Cash flows from investing activities		
Payments into time deposits	(500)	(33)
Proceeds from withdrawal of time deposits	516	414
Purchase of property, plant and equipment	(9,134)	(11,667)
Purchase of intangible assets	(1,211)	(739)
Purchase of investment securities	(464)	(950)
Purchase of shares of subsidiaries and associates	(650)	(324)
Other, net	186	139
Net cash provided by (used in) investing activities	(11,258)	(13,160)

(Millions of yen)

	Consolidated fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)	Consolidated fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	1,616	(8,926)
Proceeds from long-term borrowings	5,600	18,672
Repayments of long-term borrowings	(11,469)	(17,492)
Purchase of treasury shares	(1,512)	(1,520)
Dividends paid	(4,543)	(4,164)
Dividends paid to non-controlling interests	(68)	—
Proceeds from issuance of shares	142	177
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(865)	—
Other, net	(178)	(687)
Net cash provided by (used in) financing activities	(11,279)	(13,942)
Effect of exchange rate change on cash and cash equivalents	1,072	286
Net increase (decrease) in cash and cash equivalents	(3,157)	(4,079)
Cash and cash equivalents at beginning of period	54,309	51,152
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	—	15
Cash and cash equivalents at end of period	* 51,152	* 47,088

Notes on consolidated financial statements

Basic factors underlying our consolidated financial statement

1. Scope of consolidation

(1) We have 24 consolidated subsidiaries.

The names of these subsidiaries are shown in “I. Overview of Taiyo Holdings and the Taiyo Group, 4. Our associates.”

Ranzan Shokudo Co., Ltd. (formerly, ichi, inc.) is included in the scope of consolidation from the consolidated fiscal year under review. Mega Solar 23 and Mega Solar 28 were absorbed into our consolidated subsidiary, Taiyo Green Energy Co., Ltd. and therefore removed from consolidation in the fiscal year under review.

(2) Major non-consolidated subsidiaries

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

We exclude non-consolidated subsidiaries from the scope of consolidation because their 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. Applying the equity method

Non-consolidated subsidiaries and affiliates outside of equity method

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

3. Accounting periods of consolidated subsidiaries

Taiyo Ink (Suzhou) Co., Ltd., Taiyo Ink Trading (Shenzhen) Co., Onstatic Ink (Shenzhen) Co., Ltd., Onstatic New Material (Jiangxi) Co., Ltd., and TBF Semiconductor Material (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.

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

4. Accounting policies

(1) Basis and method of valuation of significant assets

1) Securities

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

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

Other securities

... with readily discernible value

We state at fair value, referring to the asset's market value on the year-end date (we process valuation discrepancies by the total direct capitalization method, and determine cost of sales by the moving average method).

...with no readily discernible value

We generally 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) Depreciation methods for major depreciable assets

1) Property, plant and equipment

Buildings: Generally, we apply the straight-line method.
Other: Generally, we apply the declining balance method.
Some consolidated subsidiaries apply the straight-line method.

The useful lives of these assets is generally as follows.

Buildings and structures:	7-60 years
Machinery, equipment, and vehicles:	4-20 years
Tools, furniture, and fixtures:	3-8 years

2) Intangible assets

Software (for internal use): We apply the straight-line method based on the anticipated period of use the software (namely, five years).

Other: We apply the straight-line method.

The useful life of these assets is generally as follows.

Sales rights:	10-15 years
Customer-related assets:	15 years

(3) Basis for major allowances

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) Accounting methods for retirement benefits

1) Attributing the projected retirement benefits to periods of service

We use a benefit formula to estimate the amount of retirement benefit obligations. We then attribute this projected amount to the consolidated fiscal year under review 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 (five years) will always be shorter than the employees' average remaining service period.

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

For unrecognized actuarial gains/losses, 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) Accounting standard for major revenues and expenses

We follow the five step approach to revenue recognition.

Step 1: Identify the contract with the customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when, or as, the entity satisfies a performance obligation

As an organization that develops, manufactures, stocks, and markets chemicals for printed circuit boards (PCBs) and other electronic components, and that manufactures, sells, and provides contract manufacturing services for pharmaceuticals, we generally deem that the performance obligation has been satisfied (and that revenue should therefore be recognized) when the customer obtains control over the delivered good. We deem that the customer has obtained such control when the good is delivered and inspected on delivery. However, for transactions in Japan, we recognize revenue at the point of shipment unless there is a significant lag between shipment and delivery.

The revenue recognized is the transaction price agreed with the customer less any amount associated with product returns, price discounts, or rebates.

The transaction price is generally received within one year from the time the performance obligations are satisfied, and it includes no major financial components.

(6) Translation methods of major foreign assets/liabilities

Foreign currency-denominated monetary claims and liabilities are translated to yen using the spot exchange rate on the consolidated balance sheet date. Translation differences are charged to profit and loss in the corresponding fiscal year under review.

Assets and liabilities of overseas consolidated subsidiaries are translated to yen using the spot exchange rate on the consolidated balance sheet date. Revenue and expenses thereof are translated to yen using the average exchange rate during the period. Translation differences are included in foreign currency translation adjustment and non-controlling interests in the section of net assets.

(7) Method and period for amortizing goodwill

Goodwill is amortized by the straight-line method within a period of 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 that have a redemption date not more than three months away.

(9) Other key considerations in preparation of our consolidated financial statements

1) Treatment of consumption taxes

These are accounted for using the tax-excluded method.

2) Application of the group tax-sharing system

We apply this system.

Key accounting estimates

1. Deferred tax assets/liabilities

(1) Amounts reported on consolidated statements in year under review

	Consolidated fiscal year ended March 31, 2022	Consolidated fiscal year ended March 31, 2023
Deferred tax assets	460 million yen	501 million yen
Deferred tax liabilities	3,502	3,974

(2) Basis for accounting estimate for recognized item

1) Formula used to calculate carrying value in year under review

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 as deferred tax assets. If there is a possibility that we will not recover a portion of deferred tax assets, we deduct this uncertain portion and report it as a valuation allowance.

2) Key assumptions underpinning amounts reported on consolidated balance sheet for the year under review

Collectability is estimated based on future taxable income estimates and feasible tax planning.

3) Impact on consolidated statements for next consolidated fiscal year

The amount of “income taxes – deferred” is liable to change if we need to revise the amount of deferred tax assets. Such a revision may occur if actual performance necessitates a revision in future taxable income estimates (since these estimates depend on actual performance).

2. Valuation of sales rights

In accordance with the Pharma-Med Act, Taiyo Pharma Co., Ltd. holds sales rights for long-listed drugs.

(1) Amounts reported on consolidated statements in year under review

	Consolidated fiscal year ended March 31, 2022	Consolidated fiscal year ended March 31, 2023
Sales rights:	17,483 million yen	15,834 million yen

(2) Basis for accounting estimate for recognized item

1) Formula used to calculate carrying value in year under review

Sales rights are grouped separately and evaluated for indications of impairment. Several internal and external criteria are used to identify indications of impairment, including the following:

- Sales activities associated with the sales right have consistently produced losses.
- Demand for the long-listed item has slumped (e.g., sales forecasts for the long-listed item have markedly declined or there is a spate of returns)
- There is a marked decline in the point value assigned to the item in the annual drug price ranges announced by the Ministry of Health, Labor and Welfare
- Efforts to reduce sales costs are markedly off track.

2) Key assumptions underpinning amounts reported on consolidated balance sheet for the year under review

• Estimated sales volume

The sales rights pertain to long-listed items, and the sales volume for these items depends on, among other things, the market for long-listed items and the emergence of generics.

• Sales price

Sales prices, including those for the future fiscal years, will be affected by any changes to the official drug price ranges announced by the Ministry of Health, Labor and Welfare

- Sales costs

Sales costs depend on the outsourcing contract terms with the contract manufacturing organization (CMO) and on the progress of the company's strategy for reducing the sales costs.

3) Impact on consolidated statements for next consolidated fiscal year

Impairment could potentially be recognized in the future if it becomes necessary to change the assumptions in view of emerging economic trends.

Changes in accounting policies

Implementation of the Accounting Standard for Fair Value Measurement

Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, revised June 17, 2021; hereafter, “Fair Value Measurement Implementation Guidance”) was implemented from the beginning of the consolidated fiscal year under review. The Company has opted to apply the new accounting policy specified in the Fair Value Measurement Implementation Guidance prospectively, in accordance with the transitional treatment specified in Paragraph 27-2 of the Fair Value Measurement Implementation Guidance. This change had no impact on the consolidated financial statements for the fiscal year under review.

Accounting standards not yet applied

Practical Solution on the Accounting for and Disclosure of the Issuance and Holding of Electronically Recorded Transferable Rights That Must Be Indicated on Securities, etc. (ASBJ Practical Solution No. 43, August 26, 2022)

(1) Outline

The Financial Instruments and Exchange Act (FIEA) was amended when the act on the partial revision of the Payment Services Act and related ordinances on payment services to address the diversification of financial transactions accompanying progress in ICT technology (Act No. 28, 2019) were enacted in May 2019. The amendment of FIEA subjects Initial Coin Offerings (ICOs; a collective name for procuring funds from investors by issuing corporate tokens (electronic records/symbols)) for investment. Based on the establishment of various regulations, the Accounting Standards Board of Japan (ASBJ) published a practical solution to clarify accounting treatment for issuing and holding of electronically recorded transferable rights that must be indicated on securities specified in the Cabinet Office Order on Financial Instruments Business. Etc.

(2) Effective date

The practical solution will apply to our financial statements starting in the fiscal year ended March 31, 2024.

(3) Impact

We are in the process of evaluating the impact on our consolidated financial statements from application of Practical Solution on the Accounting for and Disclosure of the Issuance and Holding of Electronically Recorded Transferable Rights That Must Be Indicated on Securities, etc. (ASBJ Practical Solution No. 43, August 26, 2022).

Accounting Standard for Current Income Taxes (ASBJ Statement No. 27, revised October 28, 2022)

Accounting Standard for Presentation of Comprehensive Income (ASBJ Statement No. 25, revised October 28, 2022)

Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No. 28, revised October 28, 2022)

(1) Outline

In February 2018, the Accounting Standards Board of Japan published Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28, February 16, 2018) and related guidance (hereafter, “ASBJ Statement No. 28 and related guidance”). The Japanese Institute of Certified Public Accountants (JICPA) completed transfer of control over practical guidance on tax effect accounting to ASBJ, but decided to reconsider the following two points of debate after ASBJ Statement No. 28 and related guidance were published.

- Classification of tax expenses (tax on other comprehensive income)
- Tax effect from the sale of shares of subsidiaries, etc. (shares of subsidiaries and affiliated companies) when the group tax-sharing system is applied

(2) Effective date

The standard and related guidance will apply to our financial statements from the beginning of fiscal year ended March 31, 2025.

(3) Effect of adoption of the accounting standard

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

Additional information

Delivering treasury shares to employees 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 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 medium to long-term corporate value. Under this ESOP, shares of the Company’s stock are held in a trust, the beneficiaries of which are eligible employees of the Company. The trust purchases shares of the Company’s stock, either from the Company or on the stock market, in an amount equivalent to the amount expected to be delivered to the eligible employees. All purchases will comply with stock delivery rules established in advance. Pursuant to said rules, the trust then delivers the shares to eligible employees during their service for no consideration, in an amount commensurate with the employee’s rank during the period in which the shares were held in the trust. The trust’s purchases of shares are funded entirely by the Company; employees bear none of the cost. We record the ESOP trust’s assets/liabilities on the balance sheet as our own assets/liabilities (using the aggregate method).

(2) Total number of shares we expect employees to receive

The shares of the Company that remain in the trust are stated as treasury shares under net assets, in an amount equivalent to the trust’s carrying value (minus ancillary costs). In the previous year, these shares consisted of 205,420 shares, with a carrying value of 373 million yen. In the year under review, these shares consist of 125,600 shares, with a carrying value of 228 million yen.

COVID-19 pandemic impact

The Taiyo Group has factored the transition to living with COVID-19 into our accounting estimates under the assumption of progressive easing of restrictions on entering Japan and a return to normal economic activities. It is our present judgment that these factors will not have a significant impact on the Taiyo Group. However, given the plethora of uncertainties, a resurgence of infections due to COVID-19 variants may potentially impact our financial position and business performance in the next consolidated fiscal period.

Consolidated balance sheet

- *1 Of the Notes and accounts receivable – trade, the portions pertaining to claims generated from contracts with customers are as follows:

	Consolidated fiscal year ended March 31, 2022 (As of March 31, 2022)	Consolidated fiscal year ended March 31, 2023 (As of March 31, 2023)
Notes receivable – trade	2,327 million yen	1,888 million yen
Accounts receivable – trade	25,231	20,846

- *2 Endorsed amount in notes receivable – trade

	Consolidated fiscal year ended March 31, 2022 (As of March 31, 2022)	Consolidated fiscal year ended March 31, 2023 (As of March 31, 2023)
Endorsed amount in notes receivable – trade	604 million yen	610 million yen

- *3 Accumulated depreciation

	Consolidated fiscal year ended March 31, 2022 (As of March 31, 2022)	Consolidated fiscal year ended March 31, 2023 (As of March 31, 2023)
Accumulated depreciation for property, plant and equipment	40,766 million yen	42,863 million yen

- *4 Collateral assets and secured obligations
Assets pledged as collateral are as follows.

	Consolidated fiscal year ended March 31, 2022 (As of March 31, 2022)	Consolidated fiscal year ended March 31, 2023 (As of March 31, 2023)
Buildings and structures:	– million yen	922 million yen
Total	–	922

Secured obligations are as follows.

	Consolidated fiscal year ended March 31, 2022 (As of March 31, 2022)	Consolidated fiscal year ended March 31, 2023 (As of March 31, 2023)
Short-term borrowings	– million yen	194 million yen
Total	–	194

- *5 Overdraft facility

Taiyo Group 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.

	Consolidated fiscal year ended March 31, 2022 (As of March 31, 2022)	Consolidated fiscal year ended March 31, 2023 (As of March 31, 2023)
Overdraft limit	24,147 million yen	24,928 million yen
Used portion of overdraft	2,056	564
Overdraft remaining	22,091	24,364

Consolidated statement of income

*1 Selling, general and administrative expenses

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

	Consolidated fiscal year ended March 31, 2022 (April 1, 2021, to March 31, 2022)	Consolidated fiscal year ended March 31, 2023 (April 1, 2022, to March 31, 2023)
Salaries	3,858 million yen	4,096 million yen
Accrued employees' bonuses	569	458
Commission expenses	1,943	2,288
Depreciation	2,694	2,674
R&D expenses	3,436	4,275
Retirement benefit costs	207	202
Outsourcing expenses	1,202	1,198

*2 R&D expenses

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

	Consolidated fiscal year ended March 31, 2022 (April 1, 2021, to March 31, 2022)	Consolidated fiscal year ended March 31, 2023 (April 1, 2022, to March 31, 2023)
	3,611 million yen	4,483 million yen

*3 Impairment loss

Consolidated fiscal year ended March 31, 2022 (April 1, 2021, to March 31, 2022)

Taiyo Group recorded impairment loss on the following assets.

Location	Purpose	Asset group	Impairment loss
Taiyo Ink Mfg. Co., Ltd. (Ranzan-machi, Hiki-gun, Saitama, Japan)	Business use	Intangible assets (Other)	768 million yen
Taiyo Pharma Co., Ltd. (Chiyoda-ku, Tokyo, Japan)	Right to sell pharmaceuticals	Sales rights	333 million yen

Generally, assets are grouped by business unit.

Taiyo Ink Mfg. Co., Ltd.

In the fiscal year under review, business assets, which were affected by a decline in earning potential following a revision to the development plan, were written down to the recoverable amount, with the difference recorded as impairment loss under extraordinary losses. The recoverable amount was defined as the value-in-use, which was reckoned to be zero.

Taiyo Pharma Co., Ltd.

In its impairment tests, Taiyo Pharma Co., Ltd. Groups assets as "sales rights." In the fiscal year under review, sales rights, which were affected by a decline in earning potential, were written down to the recoverable amount, with the difference recorded as impairment loss under extraordinary losses. The recoverable amount was defined as the value-in-use, which was reckoned to be zero.

Consolidated fiscal year ended March 31, 2023 (April 1, 2022, to March 31, 2023)

None.

Consolidated statement of comprehensive income

* Reclassification adjustments and tax effects of other comprehensive income

	Consolidated fiscal year ended March 31, 2022 (April 1, 2021, to March 31, 2022)	Consolidated fiscal year ended March 31, 2023 (April 1, 2022, to March 31, 2023)
Valuation difference on available-for-sale securities:		
Occurring in fiscal year under review	165 million yen	158 million yen
Reclassification adjustment	—	—
Before tax effect	165	158
Tax effect	(47)	(50)
Valuation difference on available-for-sale securities	117	108
Foreign currency translation adjustment:		
Occurring in fiscal year under review	3,454	1,036
Reclassification adjustment	—	—
Foreign currency translation adjustment	3,454	1,036
Remeasurements of defined benefit plans, net of tax:		
Occurring in fiscal year under review	59	(65)
Reclassification adjustment	(0)	(13)
Before tax effect	58	(79)
Tax effect	(18)	24
Remeasurements of defined benefit plans, net of tax	40	(55)
Total other comprehensive income	3,612	1,089

Consolidated statement of changes in equity

Consolidated fiscal year ended March 31, 2022 (April 1, 2021, to March 31, 2022)

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

	Beginning of consolidated fiscal year ended March 31, 2022	Increase	Decrease	End of consolidated fiscal year ended March 31, 2022
Outstanding shares				
Common shares *Notes 1, 2	28,998,502	29,084,626	—	58,083,128
Treasury shares				
Common shares *Notes 1, 3, 4, 5	765,719	1,200,016	31,850	1,933,885

Notes:

1. We performed a stock split on October 1, 2021 whereby each common stock of Taiyo Holdings was divided into two shares.
2. The increase of 29,084,626 shares of common shares reflects the issuance of 43,062 shares (43,062 before the stock split) in a third party allotment and an increase of 29,041,564 shares in the stock split.
3. The amounts for common treasury stock include the portion that we have entrusted to The Master Trust Bank of Japan, Ltd. For our ESOP (there were 133,830 such shares at the beginning of the fiscal year under review and 205,420 at the end).
4. The 1,200,016-share increase in treasury stock reflects the reacquisition of 464,400 common shares (464,400 after the stock split) and 267 fractional shares (20 before the stock split, 247 after the stock split) and an increase of 735,349 shares from the stock split.
5. The 31,850-share decrease in treasury stock reflects a decrease of 29,700 that occurred when we delivered 29,700 shares (29,700 before the stock split) from the ESOP trust and disposed of 2,150 shares (690 before the stock split, 1,460 after the stock split) of the ESOP trust shares.

2. Dividends

(1) Amounts paid in dividends

Resolution	Class of shares	Total dividends (Millions of yen)	Dividend per share (Yen)	Reference date	Effective date
June 19, 2021 Ordinary General Shareholders' Meeting	Common shares	2,697	95.10	March 31, 2021	June 21, 2021
November 5, 2021 Board of Directors meeting	Common shares	1,849	65.10	September 30, 2021	December 1, 2021

Notes:

1. We performed a stock split on October 1, 2021 whereby each common stock of Taiyo Holdings was divided into two shares. "Dividend per share" indicates the dividend prior to this stock split.
2. Of the total dividends resolved at the Ordinary General Shareholders' Meeting on June 19, 2021, 12 million yen pertains to shares that we have entrusted to The Master Trust Bank of Japan, Ltd. For the ESOP.
3. Of the total dividends resolved at the meeting of the Board of Directors on November 5, 2021, 6 million yen pertains to such shares.

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

Resolution	Class of shares	Total dividends (Millions of yen)	Source of dividends	Dividend per share (Yen)	Reference date	Effective date
June 18, 2022 Ordinary General Shareholders' Meeting	Common shares	2,085	Retained earnings	37.00	March 31, 2022	June 20, 2022

Note: Of the total dividends resolved at the Ordinary General Shareholders' Meeting on June 18, 2022, 7 million yen pertains to shares that we have entrusted to The Master Trust Bank of Japan, Ltd. For the ESOP.

Consolidated fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

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

	Beginning of consolidated fiscal year ended March 31, 2023	Increase	Decrease	End of consolidated fiscal year ended March 31, 2023
Outstanding shares				
Common shares *Note 1	58,083,128	102,373	—	58,185,501
Treasury shares				
Common shares *Note 2, 3, 4	1,933,885	575,085	79,820	2,429,150

Notes:

1. The increase of 102,373 shares of common shares reflects the issuance of additional 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 205,420 such shares at the beginning of the fiscal year under review and 125,600 at the end).
3. The 575,085-treasury share increase occurred after the Board of Directors authorized the reacquisition of 575,000 shares and 85 fractional shares.
4. The 79,820-treasury share decrease occurred after we delivered 78,000 shares from the ESOP trust and disposed of 1,820 of the ESOP trust shares.

2. Dividends

(1) Amounts paid in dividends

Resolution	Class of shares	Total dividends (Millions of yen)	Dividend per share (Yen)	Reference date	Effective date
June 18, 2022 Ordinary General Shareholders' Meeting	Common shares	2,085	37.00	March 31, 2022	June 20, 2022
November 7, 2022 Board of Directors	Common shares	2,080	37.00	September 30, 2022	December 1, 2022

Notes:

1. Of the total dividends resolved at the Ordinary General Shareholders' Meeting on June 18, 2022, 7 million yen pertains to shares that we have entrusted to The Master Trust Bank of Japan, Ltd. For the ESOP.
2. Of the total dividends resolved at the meeting of the Board of Directors on November 7, 2022, 4 million yen pertains to such shares.

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

Resolution	Class of shares	Total dividends (Millions of yen)	Source of dividends	Dividend per share (yen)	Reference date	Effective date
June 17, 2023 Ordinary General Shareholders' Meeting	Common shares	2,905	Retained earnings	52.00	March 31, 2023	June 19, 2023

Note: Of the total dividends resolved at the Ordinary General Shareholders' Meeting on June 17, 2023, 6 million yen pertains to shares that we have entrusted to The Master Trust Bank of Japan, Ltd. For the ESOP.

Consolidated statement of cash flows

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

(Millions of yen)

	Consolidated fiscal year ended March 31, 2022 (April 1, 2021, to March 31, 2022)	Consolidated fiscal year ended March 31, 2023 (April 1, 2022, to March 31, 2023)
Cash and deposits	51,557	47,121
Time deposits exceeding 3 months	(404)	(33)
Cash and cash equivalents	51,152	47,088

Lease transactions

1. Finance lease transactions

We have omitted disclosure of the 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.

(Millions of yen)

	Consolidated fiscal year ended March 31, 2022 (As of March 31, 2022)	Consolidated fiscal year ended March 31, 2023 (As of March 31, 2023)
Due within one year	15	429
Due after one year	336	475
Total	351	905

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 investing 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 are shares in our business associates. 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.

(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, Taiyo Group regularly monitors the financial position of our trading partners and manages their payment dates and balances accordingly. In this way, we try to identify cases where a trading partner will struggle to repay due to financial difficulties as quickly as possible, and provide repayment relief as necessary. Our consolidated subsidiaries follow the same rules.

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 receivables/payables and long-term borrowings: 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.

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

3) Managing funding liquidity risk (the risk that we cannot settle obligations with funds in the bank 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 take into account certain variables in determining the fair value of financial instruments. The use of different assumptions could result in a change in fair value. In the notes on derivative transactions, the figure for derivative contracts does not in itself indicate the market risks concerning derivative transactions.

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 end of previous and consolidated fiscal year under review.

Consolidated fiscal year ended March 31, 2022 (As of March 31, 2022)

(Millions of yen)

	Consolidated carrying value (*Note 4)	Fair value (*Note 4)	Difference
(1) Investment securities			
Other securities (*Note 2)	1,544	1,544	–
(2) Long-term borrowings (including current portion of long-term borrowings)	(64,920)	(64,919)	1
Derivative transactions			
Transactions that do not qualify for hedge accounting	(34)	(34)	–
Transactions that qualify for hedge accounting	–	–	–
Total derivative transactions (*Note 3)	(34)	(34)	–

Notes:

1. We have omitted cash and deposits, notes and accounts receivable – trade, notes and accounts payable – trade, accounts payable – other, income taxes payable, and short-term borrowings because the fair value of these items is determined over a short period and resembles their carrying amount.
2. We have omitted unlisted shares and contributions to investment partnerships from “(1) Investment securities, Other securities” because they are assets with no market value. See Note 1.
3. We show the receivables/payables arising from derivative transactions on a net basis.
4. Parenthesized figures indicate liabilities.

Consolidated fiscal year ended March 31, 2023 (As of March 31, 2023)

(Millions of yen)

	Consolidated carrying value (*Note 4)	Fair value (*Note 4)	Difference
(1) Investment securities			
Other securities (*Note 2)	1,912	1,912	–
(2) Long-term borrowings (including current portion of long-term borrowings)	(66,076)	(66,066)	9
Derivative transactions			
Transactions that do not qualify for hedge accounting	(11)	(11)	–
Transactions that qualify for hedge accounting	–	–	–
Total derivative transactions (*Note 3)	(11)	(11)	–

Notes:

1. We have omitted cash and deposits, notes and accounts receivable – trade, notes and accounts payable – trade, accounts payable – other, income taxes payable, and short-term borrowings because the fair value of these items is determined over a short period and resembles their carrying amount.
2. We have omitted unlisted shares and contributions to investment partnerships from “(1) Investment securities, Other securities” because they are assets with no market value. See Note 1.
3. We show the receivables/payables arising from derivative transactions on a net basis.
4. Parenthesized figures indicate liabilities.

Notes: 1 Securities with no readily discernible value

(Millions of yen)

Class of shares	Consolidated fiscal year ended March 31, 2022 (As of March 31, 2022)	Consolidated fiscal year ended March 31, 2023 (As of March 31, 2023)
Unlisted shares	540	299
Shares of subsidiaries and associates	830	1,152
Contributions to investment partnerships	1,099	1,711

2. Repayment schedule for long-term borrowings due after the consolidated closing date

Consolidated fiscal year ended March 31, 2022 (As of March 31, 2022)

(Millions of yen)

	Within 1 year	Due between 1 and 2 years	Due between 2 and 3 years	Due between 3 and 4 years	Due between 4 and 5 years	Due after 5 years
Long-term borrowings (including current portion of long-term borrowings)	16,537	8,991	26,790	6,580	2,758	3,262

Consolidated fiscal year ended March 31, 2023 (As of March 31, 2023)

(Millions of yen)

	Within 1 year	Due between 1 and 2 years	Due between 2 and 3 years	Due between 3 and 4 years	Due between 4 and 5 years	Due after 5 years
Long-term borrowings (including current portion of long-term borrowings)	12,902	30,781	10,529	6,707	4,818	337

3. Breakdown of financial instruments by level of fair value

We have delineated three levels of fair value inputs for determining the fair value of financial instruments based on the observability and significance of the values input for calculation.

Level 1: Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly

Level 3: Unobservable inputs

When our method for measuring fair value includes multiple significant inputs, we categorize the asset or liability at the lowest level among these significant inputs.

(1) Financial instruments stated on the consolidated balance sheet at fair value

Consolidated fiscal year ended March 31, 2022 (As of March 31, 2022)

(Millions of yen)

Class of shares	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Other securities				
Shares	1,544	–	–	1,544
Total assets	1,544	–	–	1,544
Derivative transactions	–	(34)	–	(34)
Total liabilities	–	(34)	–	(34)

* Parenthesized figures indicate liabilities.

Consolidated fiscal year ended March 31, 2023 (As of March 31, 2023)

(Millions of yen)

Class of shares	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Other securities				
Shares	1,708	–	–	1,708
Bonds, Other	–	–	203	203
Total assets	1,708	–	203	1,912
Derivative transactions	–	(11)	–	(11)
Total liabilities	–	(11)	–	(11)

* Parenthesized figures indicate liabilities.

(2) Financial instruments other than those stated on the consolidated balance sheet at fair value

Consolidated fiscal year ended March 31, 2022 (As of March 31, 2022)

(Millions of yen)

Class of shares	Fair value			
	Level 1	Level 2	Level 3	Total
Long-term borrowings (including current portion of long-term borrowings)	–	(64,919)	–	(64,919)
Total liabilities	–	(64,919)	–	(64,919)

* Parenthesized figures indicate liabilities.

Consolidated fiscal year ended March 31, 2023 (As of March 31, 2023)

(Millions of yen)

Class of shares	Fair value			
	Level 1	Level 2	Level 3	Total
Long-term borrowings (including current portion of long-term borrowings)	–	(66,066)	–	(66,066)
Total liabilities	–	(66,066)	–	(66,066)

* Parenthesized figures indicate liabilities.

Note: About the method used to measure fair value and the inputs used in this method

Investment securities

We measure the fair value of listed shares by their quoted market prices. Since listed shares are traded on active markets, we categorize this input as Level 1. However, the inputs used for unlisted convertible bonds with equity purchase warrants held by our company do not have an observable fair value. We therefore categorize them as Level 3.

Derivative transactions

We base fair value on the market price quoted by the relevant financial institution. We categorize this input at Level 2.

Long-term borrowings (including current portion)

We calculate the present value by discounting the sum of the principal and interest for each period by what would be a reasonable interest rate for a similar loan. We categorize this input at Level 2. We state long-term borrowings with variable interest rates at the carrying amount because they reflect short-term market interest rate trends and because their fair value is similar to their carrying value since our credit rating has not markedly changed after we took them on.

For long-term borrowings associated with interest rate swaps qualifying for special accounting treatment, we first calculate the sum of the principal and interest together with the cash flows from the swap, and discount this sum at what would be a reasonable interest rate for a similar loan.

Securities

1. Other securities

Consolidated fiscal year ended March 31, 2022 (As of March 31, 2022)

(Millions of yen)

	Type of security	Consolidated carrying value	Acquisition price	Valuation difference
Securities whose consolidated carrying value exceeds their acquisition price	(1) Shares	1,538	1,096	441
	(2) Other	–	–	–
	Subtotal	1,538	1,096	441
Securities whose consolidated carrying value does not exceed their acquisition price	(1) Shares	6	8	(2)
	(2) Other	–	–	–
	Subtotal	6	8	(2)
Total		1,544	1,105	438

Note: The above data excludes the unlisted shares (consolidated carrying value: 540 million yen) and contributions to investment partnerships (consolidated carrying value: 1,099 million yen). These financial instruments lack a readily determinable fair value because they are assets with no market value.

Consolidated fiscal year ended March 31, 2023 (As of March 31, 2023)

(Millions of yen)

	Type of security	Consolidated carrying value	Acquisition price	Valuation difference
Securities whose consolidated carrying value exceeds their acquisition price	(1) Shares	1,703	1,256	446
	(2) Other	–	–	–
	Subtotal	1,703	1,256	446
Securities whose consolidated carrying value does not exceed their acquisition price	(1) Shares	5	8	(2)
	(2) Other	203	203	–
	Subtotal	209	211	(2)
Total		1,912	1,468	443

Note: The above data excludes the unlisted shares (consolidated carrying value: 299 million yen) and contributions to investment partnerships (consolidated carrying value: 1,711 million yen). These financial instruments lack a readily determinable fair value because they are assets with no market value.

2. Other securities that we have sold

Consolidated fiscal year ended March 31, 2022 (April 1, 2021, to March 31, 2022)

None.

Consolidated fiscal year ended March 31, 2023 (April 1, 2022, to March 31, 2023)

None.

Derivative transactions

1. Transactions that do not qualify for hedge accounting

Currency-related

Consolidated fiscal year ended March 31, 2022 (As of March 31, 2022)

(Millions of yen)

Class of shares	Transaction	Contract value	Contract value for contracts exceeding one year	Fair value	Valuation difference
Off market transactions	Foreign exchange transactions				
	USD denominated sales	2,088	—	(30)	(29)
	Yen denominated purchases	9,873	—	(3)	(3)

Consolidated fiscal year ended March 31, 2023 (As of March 31, 2023)

(Millions of yen)

Class of shares	Transaction	Contract value	Contract value for contracts exceeding one year	Fair value	Valuation difference
Off market transactions	Foreign exchange transactions				
	USD denominated sales	1,513	—	(30)	(31)
	Yen denominated purchases	11,657	—	0	0
	Euro denominated purchases	5,500	—	18	18

2. Transactions that qualify for hedge accounting

Consolidated fiscal year ended March 31, 2022 (As of March 31, 2022)

None.

Consolidated fiscal year ended March 31, 2023 (As of March 31, 2023)

None.

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

	Consolidated fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)	Consolidated fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)
Opening balance of retirement benefit obligations	2,535 million yen	2,704 million yen
Service cost	301	304
Interest cost	15	17
Actuarial differences	(26)	54
Retirement benefit payments	(144)	(179)
Foreign exchange differences	22	5
Closing balance of retirement benefit obligations	2,704	2,906

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

	Consolidated fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)	Consolidated fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)
Opening balance of pension assets	2,803 million yen	3,113 million yen
Expected rate of return	42	32
Actuarial differences	52	5
Employer's contribution	338	337
Retirement benefit payments	(144)	(179)
Exchange differences	20	5
Closing balance of pension assets	3,113	3,316

(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

	Consolidated fiscal year ended March 31, 2022 (As of March 31, 2022)	Consolidated fiscal year ended March 31, 2023 (As of March 31, 2023)
Funded retirement benefit obligations	2,704 million yen	2,906 million yen
Pension assets	(3,113)	(3,316)
Net asset (liability) reported on the consolidated balance sheet	(409)	(410)
Retirement benefit liability	1	—
Retirement benefit asset	(410)	(410)
Net asset (liability) reported on the consolidated balance sheet	(409)	(410)

(4) Breakdown of retirement benefit costs

	Consolidated fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)	Consolidated fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)
Service cost	301 million yen	304 million yen
Interest cost	15	17
Expected rate of return	(42)	(32)
Adjustment for actuarial differences	(34)	(33)
Retirement benefit cost for defined-benefit systems	240	255

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

The following table shows the breakdown of “remeasurements of defined benefit plans” (before tax effects).

	Consolidated fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)	Consolidated fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)
Actuarial differences	58 million yen	(79) million yen
Total	58	(79)

(6) Remeasurements of defined benefit plans

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

	Consolidated fiscal year ended March 31, 2022 (As of March 31, 2022)	Consolidated fiscal year ended March 31, 2023 (As of March 31, 2023)
Unrecognized actuarial gain or loss	58 million yen	(21) million yen
Total	58	(21)

(7) Notes on pension assets

1) Key pension assets

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

	Consolidated fiscal year ended March 31, 2022 (As of March 31, 2022)	Consolidated fiscal year ended March 31, 2023 (As of March 31, 2023)
General accounts assets	100 %	100 %
Total	100	100

2) Method of setting 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).

	Consolidated fiscal year ended March 31, 2022 (As of March 31, 2022)	Consolidated fiscal year ended March 31, 2023 (As of March 31, 2023)
Discount rate	0.63 %	0.63 %
Expected long-term rate of return	1.0 %	1.0 %
Expected salary increase rate	7.27 %	7.28 %

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

	Consolidated fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)	Consolidated fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)
Opening balance of net defined benefit liability	113 million yen	115 million yen
Retirement benefit costs	2	(18)
Retirement benefit payments	(6)	(73)
Contribution to system	–	(2)
Exchange differences	6	(5)
Closing balance of net defined benefit liability	115	16

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

	Consolidated fiscal year ended March 31, 2022 (As of March 31, 2022)	Consolidated fiscal year ended March 31, 2023 (As of March 31, 2023)
Funded retirement benefit obligations	– million yen	– million yen
Pension assets	–	(92)
Net asset (liability) reported on the consolidated balance sheet	–	(92)
Non-funded retirement benefit obligations	115	108
Net asset (liability) reported on the consolidated balance sheet	115	108
Retirement benefit liability	115	108
Retirement benefit asset	–	(92)
Net asset (liability) reported on the consolidated balance sheet	115	16

(3) Retirement benefit costs

Retirement benefit costs determined using simplified accounting method

Previous consolidated fiscal year: 2 million yen

Consolidated fiscal year under review: (18 million yen)

4. Defined contribution plans

The contribution that we and some of our consolidated subsidiaries have made amounted to 295 million yen in the previous consolidated fiscal year, and 263 million yen in the consolidated fiscal year under review.

Stock options

None.

Tax effect accounting

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

	Consolidated fiscal year ended March 31, 2022 (As of March 31, 2022)	Consolidated fiscal year ended March 31, 2023 (As of March 31, 2023)
Deferred tax assets		
Retirement benefit liability	41 million yen	49 million yen
Deferred tax assets for unrealized gains	349	284
Denial of accrued employees' bonuses	319	306
Denial of accrued enterprise tax	153	117
Loss carried forward (*Note 2)	616	1,074
Over depreciation	1,880	880
Asset adjustment account	1,378	827
Asset retirement obligations	311	318
Impairment loss	650	669
Other	619	770
Deferred tax assets subtotal	6,322	5,299
Valuation allowance for tax loss carried forward (*Note 2)	(587)	(1,024)
Valuation allowance for total future deductible temporary differences	(3,496)	(3,477)
Valuation allowance subtotal	(4,083)	(4,502)
Deferred tax assets total	2,238	796
Deferred tax liabilities		
Deferred tax liabilities for subsidiaries' retained earnings	1,948	1,869
Valuation difference on available-for-sale securities	144	195
Retirement benefit asset	129	154
Customer-related assets	1,857	1,709
Other	1,201	340
Deferred tax liabilities total	5,280	4,269
Net deferred tax liabilities (*Note 1)	3,042	3,472

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.

2. Tax loss carried forward and deferred tax assets by carry-forward period

	Consolidated fiscal year ended March 31, 2022 (As of March 31, 2022)	Consolidated fiscal year ended March 31, 2023 (As of March 31, 2023)
Non-current assets - Deferred tax assets	460 million yen	501 million yen
Non-current liabilities - Deferred tax liabilities	3,502	3,974

Consolidated fiscal year ended March 31, 2022 (As of March 31, 2022)

(Millions of yen)

	Within 1 year	Due between 1 and 2 years	Due between 2 and 3 years	Due between 3 and 4 years	Due between 4 and 5 years
Tax loss carried forward (*Note 1)	5	–	1	8	20
Valuation allowance	(5)	–	(1)	(8)	(20)
Deferred tax assets	–	–	–	–	–

	Between 5 and 7 years (Millions of yen)	Between 7 and 8 years (Millions of yen)	Between 8 and 9 years (Millions of yen)	Between 9 and 10 years (Millions of yen)	Total (Millions of yen)
Tax loss carried forward (*Note 1)	126	122	148	184	616
Valuation allowance	(126)	(122)	(148)	(154)	(587)
Deferred tax assets	–	–	–	29	(*Note 2) 29

Notes:

1. Tax loss carried forward is multiplied by the legally effective tax rate.
2. Of the 616 million yen in tax loss carried forward, we recorded 29 million yen in deferred tax assets. The 29 million yen in deferred tax assets constitutes part of the 470 million yen balance of consolidated subsidiaries' tax loss carried forward (multiplied by the legally effective tax rate). The tax loss carried forward that was recorded as "deferred tax assets" is the result of estimating future taxable income. As such, we do not recognize valuation allowance based on recoverability estimation.

Consolidated fiscal year ended March 31, 2023 (As of March 31, 2023)

(Millions of yen)

	Within 1 year	Due between 1 and 2 years	Due between 2 and 3 years	Due between 3 and 4 years	Due between 4 and 5 years
Tax loss carried forward (*Note 1)	–	1	26	95	136
Valuation allowance	–	(1)	(26)	(95)	(136)
Deferred tax assets	–	–	–	–	–

(Millions of yen)

	Between 5 and 6 years	Between 6 and 7 years	Between 7 and 8 years	Between 8 and 9 years	Between 9 and 10 years	Total
Tax loss carried forward (*Note 1)	118	124	148	185	238	1,074
Valuation allowance	(118)	(124)	(148)	(155)	(218)	(1,024)
Deferred tax assets	–	–	–	29	20	(*Note 2) 49

Notes:

1. Tax loss carried forward is multiplied by the legally effective tax rate.
2. Of the 1,074 million yen in tax loss carried forward, we recorded 49 million yen in deferred tax assets. The 49 million yen in deferred tax assets constitutes part of the 208 million yen balance of consolidated subsidiaries' tax loss carried forward (multiplied by the legally effective tax rate). The tax loss carried forward that was recorded as "deferred tax assets" is the result of estimating future taxable income. As such, we do not recognize valuation allowance based on recoverability estimation.

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

	Consolidated fiscal year ended March 31, 2022 (As of March 31, 2022)	Consolidated fiscal year ended March 31, 2023 (As of March 31, 2023)
Legally effective tax rate	30.62%	30.62%
(Adjusting entries)		
Tax rate differences with overseas subsidiaries	(6.26)	(4.03)
Tax rate differences associated with offset of dividend income	0.40	0.46
Tax adjustments for overseas subsidiaries' retained earnings	1.85	(0.52)
Tax rate differences associated with permanent differences such as entertainment expenses	0.46	0.45
Permanent differences on withholding tax on dividends not included in expenses	2.28	2.07
Tax adjustments for amortization of goodwill	0.85	0.94
Tax deductions for testing and research expenses	(1.92)	(3.17)
Other	0.96	(0.57)
Actual effective tax rate after applying tax effect accounting	29.25	26.24

3. Accounting treatment of corporate and local income taxes and tax effect accounting for them

The Company and its consolidated subsidiaries adopted the group tax sharing system from the consolidated fiscal year under review. We are disclosing our accounting treatment of and tax effect accounting for national and local corporate taxes, in accordance with the Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System (Practical Solution No. 42, August 12, 2021).

Asset retirement obligations

Consolidated fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)

We have omitted disclosure of the transactions because they are not significant enough to warrant disclosure.

Consolidated fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

We have omitted disclosure of the transactions because they are not significant enough to warrant disclosure.

Rentals and other real-estate assets

Consolidated fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)

We have omitted disclosure of the transactions because they are not significant enough to warrant disclosure.

Consolidated fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

We have omitted disclosure of the transactions because they are not significant enough to warrant disclosure.

Revenue recognition

Consolidated fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)

1. Breakdown of revenue generated from contracts with customers

(Millions of yen)

	Reportable segment			Other (Note)	Total
	Electronics	Medical and Pharmaceuticals	Total		
Japan	5,626	23,467	29,093	3,378	32,472
China	37,019	—	37,019	—	37,019
Taiwan	8,135	—	8,135	26	8,162
South Korea	15,294	—	15,294	0	15,294
Other	5,018	—	5,018	—	5,018
Revenue generated from contracts with customers	71,093	23,467	94,560	3,405	97,966
Other revenue	—	—	—	—	—
External sales	71,093	23,467	94,560	3,405	97,966

Note: The “Other” category represents operating segments not included in reportable segments, and includes the energy, food, fine chemicals, and ICT businesses.

Consolidated fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

1. Breakdown of revenue generated from contracts with customers

(Millions of yen)

	Reportable segment			Other (Note)	Total
	Electronics	Medical and Pharmaceuticals	Total		
Japan	4,984	25,447	30,432	3,452	33,885
China	34,378	—	34,378	—	34,378
Taiwan	7,309	—	7,309	19	7,328
South Korea	15,810	—	15,810	—	15,810
Other	5,936	—	5,936	—	5,936
Revenue generated from contracts with customers	68,419	25,447	93,866	3,472	97,338
Other revenue	—	—	—	—	—
External sales	68,419	25,447	93,866	3,472	97,338

Note: The “Other” category represents operating segments not included in reportable segments, and includes the energy, food, fine chemicals, and ICT businesses.

2. Information that serves as a basis for discerning revenue generated from contracts with customers

This information can be found in “Basic factors underlying our consolidated financial statement, 4. Accounting policies, (5) Accounting standard for major revenues and expenses.”

3. Information for discerning the relationship between satisfaction of performance obligations in a contract with a customer and the cash flows pertaining to that contract; information for discerning the amount of revenue expected to be recognized in the next consolidated fiscal year and the timing of recognition from a contract with a customer at the end of the consolidated fiscal year under review.

(1) Balance of contract assets and contract liabilities, etc.

(Millions of yen)

	Consolidated fiscal year ended March 31, 2022	Consolidated fiscal year ended March 31, 2023
Receivables from contracts with customers: Opening balance	22,527	27,558
Receivables from contracts with customers: Closing balance	27,558	22,734

(2) Transaction price distributed to outstanding performance obligations

We omit contracts that are expected to be completed within a year from the notes for practical expedience. Since we generally base production on forecasts, we have no contracts with terms expected to exceed one year.

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.

The Group has operating subsidiaries for different products and services. Each operating subsidiary formulates comprehensive domestic and overseas strategies and conducts business activities for the products and services it handles.

Group business segments are therefore based on these operating subsidiaries, and are divided into two reportable segments: The Electronics business and the Medical and Pharmaceuticals business.

The Electronics business develops, manufactures, sells, and procures and sells printed circuit board (PCB) materials and chemical products for use in electronic components. The Medical and Pharmaceuticals business engages in manufacturing and marketing of ethical pharmaceuticals and provides contract development and manufacturing organization (CDMO) services for ethical pharmaceuticals.

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

The accounting method applied for the reportable segments complies with the accounting policies adopted for preparation of consolidated financial statements.

Profit by reportable segment represents operating income.

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

3. Changes in reportable segments

Renaming of reportable segment

The Electronic Materials segment was renamed the Electronics segment from the consolidated period under review.

This change is only a change in the segment name; it has no impact on segment information. The new name has been applied to the segment information for the previous fiscal year (ended March 31, 2022).

Change in the method of calculation for reportable segment profit or loss

From the consolidated fiscal year under review, we allocated some R&D expenses to the reportable segment concerned, whereas we would previously recognize it as a company-wide expense (a profit/loss item not allocated to any segment). We made this change so that we could evaluate and manage the reportable segments more precisely.

The segment profit or loss shown for the previous consolidated fiscal year was produced based on the new method of calculating profit or loss for reportable segments.

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

Consolidated fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)

(Millions of yen)

	Reportable segment			Other (*Note 1)	Total
	Electronics	Medical and Pharmaceuticals	Total		
Net sales					
External sales	71,093	23,467	94,560	3,405	97,966
Inter-segment sales or transfers	–	–	–	154	154
Total	71,093	23,467	94,560	3,560	98,121
Segment profit	16,927	2,400	19,328	22	19,350
Segment assets	78,238	65,147	143,385	8,027	151,412
Other items					
Depreciation (*Note 2)	2,263	4,248	6,512	382	6,895
Increase in property, plant and equipment, and intangible assets	3,222	6,279	9,501	332	9,834

Notes:

1. The “Other” category represents operating segments not included in reportable segments, and includes the energy, food, fine chemicals, and ICT businesses.
2. Depreciation does not include amortization of goodwill.

Consolidated fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

(Millions of yen)

	Reportable segment			Other (*Note 1)	Total
	Electronics	Medical and Pharmaceuticals	Total		
Net sales					
External sales	68,419	25,447	93,866	3,472	97,338
Inter-segment sales or transfers	0	–	0	293	293
Total	68,419	25,447	93,866	3,766	97,632
Segment profit	15,845	1,906	17,752	26	17,778
Segment assets	72,078	75,388	147,466	8,001	155,468
Other items					
Depreciation (*Note 2)	2,433	3,981	6,414	388	6,803
Increase in property, plant and equipment, and intangible assets	3,299	8,072	11,371	520	11,892

Notes:

1. The “Other” category represents operating segments not included in reportable segments, and includes the energy, food, fine chemicals, and ICT businesses.
2. Depreciation does not include amortization of goodwill.

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

(Millions of yen)

Net sales	Consolidated fiscal year ended March 31, 2022	Consolidated fiscal year ended March 31, 2023
Reportable segment total	94,560	93,866
“Other” segment sales	3,560	3,766
Inter-segment eliminations or transfers	(154)	(293)
Net sales in the consolidated statement of income	97,966	97,338

(Millions of yen)

Profit (Loss)	Consolidated fiscal year ended March 31, 2022	Consolidated fiscal year ended March 31, 2023
Reportable segment total	19,328	17,752
“Other” segment profit	22	26
Inter-segment eliminations or transfers	(8)	(29)
Profit (Loss) not allocated to business segments (Note)	(1,382)	(1,776)
Operating income in the consolidated statement of income	17,958	15,972

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

(Millions of yen)

Assets	Consolidated fiscal year ended March 31, 2022	Consolidated fiscal year ended March 31, 2023
Reportable segment total	143,385	147,466
“Other” segment assets	8,027	8,001
Inter-segment eliminations or transfers	(36)	(61)
Assets not allocated to business segments (*Note)	38,041	31,918
Reclassification by tax effect	(143)	(62)
Total assets reported in consolidated balance sheet	189,273	187,263

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

(Millions of yen)

Other items	Reportable segment total		Other		Adjustments (*Note)		Amount in the consolidated financial statements	
	Consolidated fiscal year ended March 31, 2022	Consolidated fiscal year ended March 31, 2023	Consolidated fiscal year ended March 31, 2022	Consolidated fiscal year ended March 31, 2023	Consolidated fiscal year ended March 31, 2022	Consolidated fiscal year ended March 31, 2023	Consolidated fiscal year ended March 31, 2022	Consolidated fiscal year ended March 31, 2023
Depreciation	6,512	6,414	382	388	601	638	7,497	7,441
Increase in property, plant and equipment, and intangible assets	9,501	11,371	332	520	1,678	2,178	11,513	14,070

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

Related information

I Consolidated fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)

1. Information by product and service

(Millions of yen)

	Electronics	Medical and Pharmaceuticals	Other	Total
External sales	71,093	23,467	3,405	97,966

2. Information by region

(1) Net sales

(Millions of yen)

Japan	China	Taiwan	South Korea	Other	Total
32,472	37,019	8,162	15,294	5,018	97,966

Note: Net sales are classified by country or region based on the location of customers.

(2) Property, plant and equipment

(Millions of yen)

Japan	China	Taiwan	South Korea	Other	Total
40,743	3,348	4,198	1,773	2,191	52,255

3. Information by main customer

(Millions of yen)

Customer Name	Net sales	Name of Related Segment
Daiichi Sankyo Co., Ltd. (*Note)	12,059	Medical and Pharmaceuticals

Note: Shows aggregated net sales posted to Daiichi Sankyo Espha Co., Ltd., which is affiliated with the Daiichi Sankyo Co., Ltd. corporate group.

II Consolidated fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

1. Information by product and service

(Millions of yen)

	Electronics	Medical and Pharmaceuticals	Other	Total
External sales	68,419	25,447	3,472	97,338

2. Information by region

(1) Net sales

(Millions of yen)

Japan	China	Taiwan	South Korea	Other	Total
33,885	34,378	7,328	15,810	5,936	97,338

Note: Net sales are classified by country or region based on the location of customers.

(2) Property, plant and equipment

(Millions of yen)

Japan	China	Taiwan	South Korea	Other	Total
49,226	3,769	3,883	1,749	1,773	60,401

3. Information by main customer

(Millions of yen)

Customer Name	Net sales	Name of Related Segment
Daiichi Sankyo Co., Ltd. (*Note)	10,450	Medical and Pharmaceuticals

Note: Shows aggregated net sales posted to Daiichi Sankyo Espha Co., Ltd., which is affiliated with the Daiichi Sankyo Co., Ltd. corporate group.

Impairment loss on non-current assets in each reportable segment

Consolidated fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)

(Millions of yen)

	Reportable segment			Other	Corporate and elimination	Total
	Electronics	Medical and Pharmaceuticals	Total			
Impairment loss	893	333	1,227	–	(124)	1,102

Note: The figure for “Corporate and elimination” is the amount for the elimination of unrealized profits for intangible assets.

Consolidated fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

None.

Amortization of goodwill and unamortized balance in each reportable segment

Consolidated fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)

(Millions of yen)

	Reportable segment			Other	Corporate and elimination	Total
	Electronics	Medical and Pharmaceuticals	Total			
Amortization for the previous fiscal year	47	429	477	10	–	487
Balance at end of period	564	5,373	5,937	34	–	5,972

Note: The figure for “Other” is the amount for the software development business.

Consolidated fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

(Millions of yen)

	Reportable segment			Other	Corporate and elimination	Total
	Electronics	Medical and Pharmaceuticals	Total			
Amortization for the previous fiscal year	52	271	323	10	–	334
Balance at end of period	526	4,423	4,949	24	–	4,974

Note: The figure for “Other” is the amount for the software development business.

Information on negative goodwill in each reportable segment

Consolidated fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)

None.

Consolidated fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

None.

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)

None.

(2) Transactions with non-consolidated subsidiaries and affiliates

None.

(3) Transactions with corporate officers and major shareholders (individual shareholders only)

Consolidated fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)

Party	Name	Address	Equity (amount invested in company) (Millions of yen)	Business description/Job title	Holding/Held ratio (%)	Our relationship with the party	Transaction	Transaction amount (Millions of yen)	Entry	Closing balance (Millions of yen)
Corporate officer	Eiji Sato	–	–	President and CEO (Taiyo Holdings Co., Ltd.)	(Directly held by the party) 0.69	We issued shares to the party in a third- party allotment	We issued shares to the party in a third- party allotment	163	–	–
	Hitoshi Saito	–	–	Board Director (Taiyo Holdings Co., Ltd.)	(Directly held by the party) 0.10	We issued shares to the party in a third- party allotment	We issued shares to the party in a third- party allotment	31	–	–
	Eiji Takehara	–	–	Board Director (Taiyo Holdings Co., Ltd.)	(Directly held by the party) 0.14	We issued shares to the party in a third- party allotment	We issued shares to the party in a third- party allotment	31	–	–

Notes:

1. Information about the transactions and how we determined them:

The transactions concerned common shares that we issued as part of the transfer-restricted stock compensation for the 75th business term (fiscal year ended March 31, 2021). We determined the transactions based on the common share price.

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

Consolidated fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

Party	Name	Address	Equity (amount invested in company) (Millions of yen)	Business description/Job title	Holding/Held ratio (%)	Our relationship with the party	Transaction	Transaction amount (Millions of yen)	Entry	Closing balance (Millions of yen)
Corporate officer	Eiji Sato	–	–	President and CEO (Taiyo Holdings Co., Ltd.)	(Directly held by the party) 0.81	We issued shares to the party in a third- party allotment	We issued shares to the party in a third- party allotment	191	–	–
	Hitoshi Saito	–	–	Board Director (Taiyo Holdings Co., Ltd.)	(Directly held by the party) 0.14	We issued shares to the party in a third- party allotment	We issued shares to the party in a third- party allotment	51	–	–
	Eiji Takehara	–	–	Board Director (Taiyo Holdings Co., Ltd.)	(Directly held by the party) 0.16	We issued shares to the party in a third- party allotment	We issued shares to the party in a third- party allotment	34	–	–
	Masao Arima	–	–	Board 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	–	–

Notes:

1. Information about the transactions and how we determined them:

The transactions concerned common shares that we issued as part of the transfer-restricted stock compensation for the 76th business term (fiscal year ended March 31, 2022). 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

	Consolidated fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)	Consolidated fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)
Net assets per share	1,522.11 yen	1,663.25 yen
Basic earnings per share	209.13 yen	203.71 yen

Notes:

1. Diluted earnings per share is not presented because there are no dilutive shares.
2. In calculating net assets per share, treasury shares are deducted, and shares held in the trust account for shares granted under the Employee Stock Ownership Plan (ESOP) are included in the treasury shares. (previous consolidated fiscal year: 205,420 shares; consolidated fiscal year under review: 125,600 shares).
3. Basis for calculating basic earnings per share is shown below.

	Consolidated fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)	Consolidated fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)
Profit attributable to owners of parent (Millions of yen)	11,803	11,405
Amount not attributable to common shareholders (Millions of yen)	–	–
Profit attributable to owners of parent for common shares (Millions of yen)	11,803	11,405
Average number of outstanding common shares during the period (Shares)	56,442,900	55,989,729

Note: In calculating net assets per share, treasury shares are deducted, and shares held in the trust account for shares granted under the Employee Stock Ownership Plan (ESOP) are included in the treasury shares. (previous consolidated fiscal year: 225,177 shares; consolidated fiscal year under review: 150,258 shares).

Significant subsequent events

Acceptance of transfer of significant assets

Taiyo Pharma Co., Ltd. And Janssen Pharmaceutica NV agreed that Janssen's subsidiary Janssen Pharmaceutical K.K. would transfer to Taiyo Pharma the right to manufacture and market in Japan REMINYL® (stylized as REMINYL®, generically named Galantamine Hydrobromide), a long-listed product.

1. Name of transferring company

Janssen Pharmaceutica NV

2. Type of asset transferred

The transfer agreement pertains to the following varieties of the long-listed product, for which Janssen Pharmaceutica NV and Janssen Pharmaceutica K.K. had held the rights to manufacture and market in Japan.

Brand name	Therapeutic category
REMINYL® 4 mg tablets REMINYL® 8 mg tablets REMINYL® 12 mg tablets REMINYL® 4 mg orally disintegrating (OD) tablets REMINYL® 8 mg OD tablets REMINYL® 12 mg OD tablets REMINYL® 4 mg/mL oral solution (*Note)	Therapeutic agent for Alzheimer dementia

Note: REMINYL® Oral Solution 4 mg/mL is distributed in three package configurations: 1 mL, 2 mL and 3 mL

3. Transfer date

April 3, 2023

The manufacturing and marketing authorizations will only be transferred after completing the necessary procedures with the Ministry of Health, Labour and Welfare.

4. Transfer price

The contract terms forbid disclosure of the total acquisition cost, acquisition cost by type of consideration, or the transfer price.

5) Consolidated supplementary schedules

Schedule of bonds payable

None.

Schedule of loans payable

Class of shares	Balance at beginning of period (Millions of yen)	Balance at end of period (Millions of yen)	Average interest rate (%)	Repayment period
Short-term borrowings	13,232	5,424	0.97	–
Current portion of long-term borrowings	16,537	12,902	0.28	–
Long-term borrowings other than those we expect to repay within one year	48,383	53,174	0.27	2024-2031
Total	78,153	71,501	–	–

Notes:

1. Average interest rate indicates the weighted average interest rate for the closing balance.
2. We receive interest subsidies for some of the current portion of long-term borrowings.
3. The following table shows the scheduled repayments for long-term borrowings that we do not expect to repay within one year. The repayments are scheduled for the five years following the consolidated settlement date.

(Millions of yen)

	Due between 1 and 2 years	Due between 2 and 3 years	Due between 3 and 4 years	Due between 4 and 5 years	Due after 5 years
Long-term borrowings	30,781	10,529	6,707	4,818	337

Schedule of asset retirement obligations

Our asset retirement obligations were less than one-hundredth of the balance of our liabilities and net assets as of the beginning and end of the current consolidated fiscal year under review. 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

Quarterly consolidated information for the consolidated fiscal year ended March 31, 2023

(Cumulative period)	Q1	Q2	Q3	Consolidated fiscal year ended March 31, 2023
Net sales (Millions of yen)	25,757	52,795	76,772	97,338
Profit before income taxes (Millions of yen)	5,119	10,203	13,910	15,462
Profit attributable to owners of parent (Millions of yen)	3,619	7,489	10,320	11,405
Basic earnings per share (yen)	64.47	133.32	184.09	203.71

(Accounting period)	Q1	Q2	Q3	Q4
Basic earnings per share (yen)	64.47	68.86	50.67	19.47

2. Financial statements, other financial information

(1) Financial statements

1) Balance sheet [Unaudited]

(Millions of yen)

	Fiscal year ended March 31, 2022 (As of March 31, 2022)	Fiscal year ended March 31, 2023 (As of March 31, 2023)
Assets		
Current assets		
Cash and deposits	21,059	12,382
Accounts receivable - trade	*1 762	*1 597
Short-term loans receivable from subsidiaries and associates	11,229	5,079
Income taxes refund receivable	—	1,625
Other	*1 5,147	*1 2,638
Total current assets	38,198	22,323
Non-current assets		
Property, plant and equipment		
Buildings	4,895	4,645
Land	2,735	2,735
Other	660	2,311
Total property, plant and equipment	8,290	9,692
Intangible assets		
Software	418	1,361
Other	1,028	57
Total intangible assets	1,446	1,419
Investments and other assets		
Investment securities	2,957	3,337
Shares of subsidiaries and associates	44,303	42,620
Investments in capital of subsidiaries and associates	2,493	2,727
Prepaid pension costs	291	296
Long-term loans receivable from subsidiaries and associates	30,893	35,446
Other	536	525
Allowance for doubtful accounts	(737)	(1,783)
Total investments and other assets	80,738	83,169
Total non-current assets	90,476	94,281
Total assets	128,674	116,604

(Millions of yen)

	Fiscal year ended March 31, 2022 (As of March 31, 2022)	Fiscal year ended March 31, 2023 (As of March 31, 2023)
Liabilities		
Current liabilities		
Short-term borrowings	*1, *2 12,706	*1, *2 7,665
Current portion of long-term borrowings	15,211	9,881
Accounts payable - other	*1 1,398	*1 1,118
Income taxes payable	677	25
Provision for bonuses	240	224
Other	192	128
Total current liabilities	30,427	19,044
Non-current liabilities		
Long-term borrowings	44,961	43,017
Asset retirement obligations	361	364
Deferred tax liabilities	38	74
Other	169	136
Total non-current liabilities	45,531	43,592
Total liabilities	75,958	62,637
Net assets		
Shareholders' equity		
Share capital	9,612	9,761
Capital surplus		
Legal capital surplus	10,580	10,728
Other capital surplus	5,294	5,294
Total capital surplus	15,875	16,023
Retained earnings		
Legal retained earnings	620	620
Other retained earnings		
General reserve	12,700	12,700
Retained earnings brought forward	18,340	20,537
Total retained earnings	31,661	33,858
Treasury shares	(4,752)	(6,107)
Total shareholders' equity	52,396	53,535
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	319	431
Total valuation and translation adjustments	319	431
Total net assets	52,715	53,967
Total liabilities and net assets	128,674	116,604

2) Statement of income [Unaudited]

(Millions of yen)

	Fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)	Fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)
Operating revenue		
Dividends from subsidiaries and associates	8,082	10,492
Royalty income	3,193	3,026
Information system fee revenue	42	68
Real estate lease revenue	429	429
Total operating revenue	^{*1} 11,747	^{*1} 14,016
Operating expenses	^{*1, *2} 6,494	^{*1, *2} 7,227
Operating income	5,252	6,788
Non-operating income		
Interest income	137	322
Dividend income	23	36
Commission income	52	68
Gains from investment partnerships	6	52
Other	47	36
Total non-operating income	^{*1} 266	^{*1} 516
Non-operating expenses		
Interest expenses	204	422
Commission expenses	11	20
Foreign exchange losses	25	37
Loss on valuation of investment securities	199	110
Other	75	162
Total non-operating expenses	516	753
Ordinary income	5,002	6,551
Extraordinary losses		
Provision of allowance for doubtful accounts for subsidiaries and associates	—	997
Total extraordinary losses	—	997
Profit before income taxes	5,002	5,553
Income taxes - current	(456)	(794)
Income taxes - deferred	(9)	(13)
Total income taxes	(465)	(808)
Profit	5,468	6,362

3) Statement of changes in equity [Unaudited]

Fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)

(Millions of yen)

(millions of yen)

	Shareholders' equity									
	Share capital	Capital surplus			Retained earnings			Treasury shares	Total shareholders' equity	
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings				Other retained earnings
						General reserve	Retained earnings brought forward			
Balance at beginning of period	9,499	10,467	5,294	15,762	620	12,700	17,419	30,740	(3,365)	52,636
Changes during period										
Dividends of surplus							(4,547)	(4,547)		(4,547)
Profit							5,468	5,468		5,468
Issuance of new shares	113	113		113						226
Purchase of treasury shares									(1,500)	(1,500)
Disposal of treasury shares									113	113
Net changes in items other than shareholders' equity										
Total changes during period	113	113	—	113	—	—	921	921	(1,387)	(239)
Balance at end of period	9,612	10,580	5,294	15,875	620	12,700	18,340	31,661	(4,752)	52,396

	Valuation and translation adjustments		Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of period	217	217	52,853
Changes during period			
Dividends of surplus			(4,547)
Profit			5,468
Issuance of new shares			226
Purchase of treasury shares			(1,500)
Disposal of treasury shares			113
Net changes in items other than shareholders' equity	101	101	101
Total changes during period	101	101	(137)
Balance at end of period	319	319	52,715

Fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

(Millions of yen)

	Shareholders' equity									
	Share capital	Capital surplus			Retained earnings				Treasury shares	Total shareholder s' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings		
						General reserve	Retained earnings brought forward			
Balance at beginning of period	9,612	10,580	5,294	15,875	620	12,700	18,340	31,661	(4,752)	52,396
Changes during period										
Dividends of surplus							(4,165)	(4,165)		(4,165)
Profit							6,362	6,362		6,362
Issuance of new shares	148	148		148						297
Purchase of treasury shares									(1,500)	(1,500)
Disposal of treasury shares									145	145
Net changes in items other than shareholders' equity										
Total changes during period	148	148	–	148	–	–	2,196	2,196	(1,354)	1,139
Balance at end of period	9,761	10,728	5,294	16,023	620	12,700	20,537	33,858	(6,107)	53,535

	Valuation and translation adjustments		Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of period	319	319	52,715
Changes during period			
Dividends of surplus			(4,165)
Profit			6,362
Issuance of new shares			297
Purchase of treasury shares			(1,500)
Disposal of treasury shares			145
Net changes in items other than shareholders' equity	112	112	112
Total changes during period	112	112	1,251
Balance at end of period	431	431	53,967

Notes

Main accounting policies

1. Basis and method of valuation of assets

(1) Securities

1) Shares in subsidiaries and associates

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

2) Other securities

... with readily discernible value

We state at fair value, as determined by the market price on the year-end date (we process valuation discrepancies by the total direct capitalization method and calculate cost of sales by the moving average method)

...with no readily discernible value

We generally 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. Depreciation methods for non-current assets

(1) Property, plant and equipment

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

3. Basis for allowances

(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) Attributing the projected retirement benefits to periods of service

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

2) Amortization of actuarial gains or losses

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

4. Accounting standard for major revenues and expenses

We follow the five step approach to revenue recognition.

Step 1: Identify the contract with the customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when, or as, the entity satisfies a performance obligation

As the group's holding company, we set the group's broad strategic direction, manage subsidiaries, and organize research and development. The main revenue generated from contracts with customers is royalty income from group companies. We recognize this revenue at the time it is generated, and we recognize it in an amount commensurate with the sales the group company recorded.

5. Other key matters underlying our financial statements

(1) Accounting treatment for retirement benefits

When processing unsettled amounts for retirement benefit-related unrecognized actuarial gains or losses, we use a method that differs from that which we use for the consolidated financial statements.

(2) Treatment of consumption taxes

These are accounted for using the tax-excluded method.

(3) Application of group tax-sharing system

We have adopted the group tax-sharing system.

(4) Translation methods of foreign assets/liabilities

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

Key accounting estimates

1. Valuation of loans to negative-equity subsidiaries

We have established a policy for groupwide asset management with a view to ensuring the effective use of assets held by the parent company. Loans are provided to subsidiaries pursuant to this policy. Some subsidiaries have negative shareholder equity, having received intragroup finance; for business reasons, these subsidiaries required sizeable upfront investment whose returns extend over a long timespan.

Before providing financing to a subsidiary, we perform due diligence by confirming whether the subsidiary has reasonable prospects of repaying the loan according to its business strategy. After providing the loan, we evaluate the subsidiary's capacity to meet its obligations in view of its strategic position, the scale of negative equity, duration of any payment delinquency, the subsidiary's business activities, and the outlooks for revenue and cash flow. Based on this evaluation, we determine the payment periods and recoverability.

(1) Amounts stated in financial statements for year under review

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Balance of loans to negative-equity subsidiaries	7,473	7,296
Allowance for doubtful accounts pertaining to such subsidiaries	(737)	(1,783)

(2) Basis for accounting estimate for recognized item

1) Formula used to calculate book value for year under review

Loans to negative-equity subsidiaries are treated as potentially doubtful accounts. As disclosed in "Main accounting policies, 3. Basis for allowances, (1) Allowance for doubtful accounts," the allowance for doubtful accounts is recorded by estimating amounts of bad debts based on an assessment of the collectability of individual loans.

2) Key assumptions underpinning amounts reported on balance sheet for year under review

When estimating the recoverability of debt from a subsidiary, we refer to subsidiary's business plan. Before providing financing to a subsidiary, we check the subsidiary's business plan to see whether the subsidiary has reasonable prospects of repaying the loan. After providing the loan, we evaluate the subsidiary's capacity to meet its obligations in view of its strategic position, the scale of negative equity, duration of any payment delinquency, the subsidiary's business activities, and the outlooks for revenue and cash flow. Based on this evaluation, we determine the payment periods and recoverability in a given fiscal year.

3) Impact on financial statements for next fiscal year

We may potentially record the allowance for doubtful accounts if we conclude that the subsidiary's business plan has become unachievable in view of missed targets or other factors. Also, the allowance for doubtful accounts may be reserved if the debtor manages to clear its liabilities.

Changes in accounting policies

Implementation of the Accounting Standard for Fair Value Measurement and related guidance

The Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, June 17, 2021; hereafter, “Fair Value Measurement Implementation Guidance”) was implemented from the beginning of the fiscal year ended March 31, 2023. The Company has opted to apply the new accounting policy specified in the Fair Value Measurement Implementation Guidance prospectively, in accordance with the transitional treatment specified in Paragraph 27-2 of the Fair Value Measurement Implementation Guidance. This change has no significant effects on the financial results for the fiscal year under review.

Additional information

Delivering treasury shares to employees through a trust

For details, see the “Notes, Additional information” in the consolidated financial statements.

COVID-19 pandemic impact

For details, see the “Notes, Additional information” in the consolidated financial statements.

Balance sheet

*1. Monetary claims and obligations with associates

(Millions of yen)

	Fiscal year ended March 31, 2022 (As of March 31, 2022)	Fiscal year ended March 31, 2023 (As of March 31, 2023)
Short-term monetary claims	5,565	2,045
Short-term monetary obligations	1,811	3,028

*2. Overdraft facility

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

(Millions of yen)

	Fiscal year ended March 31, 2022 (As of March 31, 2022)	Fiscal year ended March 31, 2023 (As of March 31, 2023)
Overdraft limit	21,000	21,000
Used portion of overdraft	—	—
Overdraft remaining	21,000	21,000

3. Debt guarantees

We have guaranteed the following loan from an affiliated company to the affiliated company below.

(Millions of yen)

	Fiscal year ended March 31, 2022 (As of March 31, 2022)	Fiscal year ended March 31, 2023 (As of March 31, 2023)
Taiyo Ink Vietnam Co., Ltd	—	267
Total	—	267

Statement of income

*1. The following table shows our transactions with associates.

(Millions of yen)

	Fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)	Fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)
Volume of operating transactions		
Operating revenue	11,740	14,008
Operating expenses	688	796
Volume of non-operating transactions		
Non-operating income	186	373

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

(Millions of yen)

	Fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)	Fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)
Lease costs	247	266
Wages	623	539
Officer compensation	844	786
Accrued employees' bonuses	144	118
Commission expenses	1,218	1,455
Depreciation	267	309
R&D expenses	1,009	1,233
Advertising and promotional expenses	533	950

Securities

Fiscal year ended March 31, 2022 (As of March 31, 2022)

We have omitted our shares in subsidiaries (44,303 million yen in shares of subsidiaries and associates on the balance sheet). This item lacks a readily determinable fair value because it has no market value.

Fiscal year ended March 31, 2023 (As of March 31, 2023)

We have omitted our shares in subsidiaries (42,620 million yen in shares of subsidiaries and associates on the balance sheet). This item lacks a readily determinable fair value because it has no market value.

Tax effect accounting

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

(Millions of yen)

	Fiscal year ended March 31, 2022 (As of March 31, 2022)	Fiscal year ended March 31, 2023 (As of March 31, 2023)
Deferred tax assets		
Denial of accrued employees' bonuses	73	68
Asset retirement obligations	110	111
Allowance for doubtful accounts	225	546
Loss on valuation of shares of subsidiaries and associates	2,666	2,663
Impairment loss	291	315
Loss carried forward	476	681
Deemed distribution	112	112
Other	419	491
Deferred tax assets subtotal	4,377	4,992
Valuation allowance for tax loss carried forward	(476)	(681)
Valuation allowance for total future deductible temporary differences	(3,617)	(4,015)
Valuation allowance subtotal	(4,094)	(4,697)
Deferred tax assets total	282	294
Deferred tax liabilities		
Valuation difference on available-for-sale securities	140	190
Prepaid pension cost	89	90
Other	91	87
Deferred tax liabilities total	321	369
Net deferred tax liabilities	38	74

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

	Fiscal year ended March 31, 2022 (As of March 31, 2022)	Fiscal year ended March 31, 2023 (As of March 31, 2023)
Legally effective tax rate	30.62%	30.62%
(Adjusting entries)		
Items such as withholding tax on dividends that are permanently excluded from deductible expenses	7.30	5.07
Items such as dividend income that are permanently excluded from earnings	(48.55)	(56.89)
Inhabitant tax on per capita basis	0.16	0.15
Tax deductions for testing and research expenses	(2.25)	(1.83)
Valuation allowance	9.00	10.61
Tax sparing credits	(1.73)	(1.69)
Other	(3.86)	(0.60)
Actual effective tax rate after applying tax effect accounting	(9.31)	(14.56)

3. Accounting treatment of corporate and local income taxes and tax effect accounting for them

We have adopted the Group tax sharing system from the fiscal year under review. We are disclosing our accounting treatment of and tax effect accounting for national and local corporate taxes, in accordance with the Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System (Practical Solution No. 42, August 12, 2021).

Revenue recognition

Our basis for recognizing revenue generated by customer contracts is disclosed in “Main accounting policies, 4. Accounting standard for major revenues and expenses.”

Material subsequent events

None.

4) Supplementary schedules

Schedule of property, plant and equipment

(Millions of yen)

Class of shares	Type of asset	Balance at beginning of period	Increase	Decrease	Amortization for the previous fiscal year	Balance at end of period	Accumulated amortization
Property, plant and equipment	Buildings	4,895	101	0	350	4,645	8,221
	Land	2,735	–	–	–	2,735	–
	Other	660	1,856	64	140	2,311	2,143
	Total	8,290	1,958	64	491	9,692	10,364
Intangible assets	Software	418	1,131	–	188	1,361	521
	Other	1,028	278	1,249	0	57	144
	Total	1,446	1,410	1,249	188	1,419	665

Notes:

1. The main increase for Other in Property, plant and equipment is 1,548 million yen in construction in progress for building the new Ranzan Facility.
2. The main increase for Software is 1,063 million yen in investment related to the DX business.

Schedule of provisions

(Millions of yen)

Entry	Balance at beginning of period	Increase	Decrease	Balance at end of period
Allowance for doubtful accounts	737	1,046	–	1,783
Provision for bonuses	240	224	240	224

(2) Main assets and liabilities

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

(3) Other

None.

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	March 31 September 30
Number of shares constituting one unit	100
Purchase and sale of fractional shares	
Transfer agent	(Special account) 4-5, Marunouchi 1-Chome, Chiyoda-ku, Tokyo Stock Transfer Agency Department, Mitsubishi UFJ Trust and Banking Corporation
Shareholder registrar	(Special account) 4-5, Marunouchi 1-Chome, Chiyoda-ku, Tokyo Mitsubishi UFJ Trust and Banking Corporation
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: https://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 fiscal year under review and the date we filed the present report.

(1) Annual securities report with accompanying documents and certificate

The 76th business term (April 1, 2021 to March 31, 2022):

Filed with the director-general of the Kanto Local Finance Bureau on June 20, 2022

(2) Internal control report with accompanying documents

Filed with the director-general of the Kanto Local Finance Bureau on June 20, 2022

(3) Quarterly report with certificate

The 1st quarter of the 77th business term (April 1, 2022, to June 30, 2022):

Filed with the director-general of the Kanto Local Finance Bureau on July 27, 2022

The 2nd quarter of the 77th business term (July 1, 2022, to September 30, 2022):

Filed with the director general of the Kanto Local Finance Bureau on November 7, 2022

The 3rd quarter of the 77th business term (October 1, 2022, to December 31, 2022):

Filed with the director-general of the Kanto Local Finance Bureau on February 10, 2023

(4) Extraordinary report

Filed with the director-general of the Kanto Local Finance Bureau on June 20, 2022

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.

(5) Share buyback report

Reporting period (June 1-30, 2022): Filed with the director-general of the Kanto Local Finance Bureau on July 8, 2022

Reporting period (July 1-31, 2022): Filed with the director-general of the Kanto Local Finance Bureau on August 10, 2022

Reporting period (August 1-31, 2022): Filed with the director-general of the Kanto Local Finance Bureau on September 9, 2022

Reporting period (September 1-30, 2022): Filed with the director-general of the Kanto Local Finance Bureau on October 7, 2022

Reporting period (October 1-31, 2022): Filed with the director-general of the Kanto Local Finance Bureau on November 10, 2022

Reporting period (November 1-30, 2022): Filed with the director-general of the Kanto Local Finance Bureau on December 9, 2022

Reporting period (December 1-31, 2022): Filed with the director-general of the Kanto Local Finance Bureau on January 10, 2023

Reporting period (January 1-31, 2023): Filed with the director-general of the Kanto Local Finance Bureau on February 10, 2023

Reporting period (February 1-28, 2023): Filed with the director-general of the Kanto Local Finance Bureau on March 10, 2023

Reporting period (March 1-31, 2023): Filed with the director-general of the Kanto Local Finance Bureau on April 10, 2023

(6) Securities registration statement

Filed with the director-general of the Kanto Local Finance Bureau on June 30, 2022

Part II Taiyo Holdings' (filing company's) Guarantors

None.

Filing Notes

Document filed:	Certificate
Applicable law:	Article 24-4-2-(1) of the Financial Instruments and Exchange Act of Japan
Filed with:	The director general of the Kanto Local Finance Bureau
Date filed:	June 19, 2023
Company name in Japanese:	TAIYO HOLDINGS Kabushiki Kaisha
Company name in English	TAIYO HOLDINGS CO., LTD.
Representative (title):	Eiji Sato (President and CEO)
Chief financial officer:	None.
Address of head office:	388 Ohkura, Ranzanmachi, Hiki-gun, Saitama 355-0222, Japan
Document available at:	Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabuto-cho, Chuo-ku, Tokyo 103-8220, Japan)

1. Appropriateness of Statements in the Annual Securities Report

Eiji Sato, President & CEO of Taiyo Holdings, Co., Ltd., has confirmed that the statements in the Annual Securities Report for the 77th business term (April 1, 2022 to March 31, 2023) fulfill the integrity requirements of the Financial Instruments and Exchange Act.

2. Special notes

None.

Filing Notes

Document filed:	Internal control report
Applicable law:	Article 24-4-4-(1) of the Financial Instruments and Exchange Act of Japan
Filed with:	The director general of the Kanto Local Finance Bureau
Date filed:	June 19, 2023
Company name in Japanese:	TAIYO HOLDINGS Kabushiki Kaisha
Company name in English	TAIYO HOLDINGS CO., LTD.
Representative (title):	Eiji Sato (President and CEO)
Chief financial officer:	None.
Address of head office:	388 Ohkura, Ranzanmachi, Hiki-gun, Saitama 355-0222, Japan
Document available at:	Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabuto-cho, Chuo-ku, Tokyo 103-8220, Japan)

1. Basic framework for internal controls relating to financial reporting

Eiji Sato, President & CEO of Taiyo Holdings, Co., Ltd., is responsible for developing and operating internal controls relating to financial reporting. He does so according to the basic framework for internal controls relating to financial reporting set forth in the Business Accounting Council's revised opinion titled "On the Revision of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting (Council Opinions)."

Internal controls are supposed to work as part of an integrated whole to achieve the objectives for which they were designed, as far as is reasonably practical. As such, internal controls relating to financial reporting cannot absolutely guarantee success in preventing or detecting misstatements in financial reporting.

2. Evaluation scope, date, and procedures

We evaluated our internal controls relating to financial reporting on March 31, 2023, the last day of the fiscal year under review. We based this evaluation on standards for such evaluations that are generally accepted in Japan as fair and valid.

We first evaluated those organization-wide internal controls that significantly influence financial reporting as a whole, on a consolidated basis. We then selected the processes to evaluate based on the results. Having selected the business processes to evaluate, we analyzed these processes to identify the key controls relevant to the integrity of our financial reporting. We then evaluated the adequacy and operational effectiveness of these key controls. From this evaluation, we concluded that the internal controls are effective.

In determining the scope of our evaluation of internal controls related to financial reporting, we sought to cover all matters that are materially relevant to the integrity of our (Taiyo Holdings and our consolidated subsidiaries) consolidated financial reporting, considering both monetary/quantitative and qualitative relevance. After considering the results of our organization-wide evaluation, which covered Taiyo Holdings and 13 consolidated subsidiaries, we determined a reasonable scope of financial reporting processes to target in the evaluation. In this organization-wide evaluation, we did not consider those business sites that we deemed to have negligible monetary/quantitative and qualitative relevance.

We determined the financial reporting processes to target as follows. First, we ranked all business entities in descending order of their forecasted net sales for the consolidated fiscal year under review (discounting inter-company transactions), which we forecasted in view of their actual net sales for the previous consolidated fiscal year (again, discounting inter-company transactions). Next, we extracted the entities in order of rank (working from the top-ranking entity downward) until we had extracted a group of entities collectively representing two-thirds of the consolidated net sales. We defined this group as "monetarily/quantitatively and qualitatively relevant business entities." There were eight such entities (Taiyo Holdings and seven consolidated subsidiaries) in this group. We focused on evaluating the business processes of these eight entities related to accounting categories that constitute significant indicators of our corporate objectives—namely, net sales, accounts receivables, and inventories. We also evaluated some other business and workflow processes of other business locations that we deemed materially relevant to financial reporting because they constitute a significant risk factor of material misstatements, even though these locations were not among the selected significant business locations. These additional processes included those that pertain to the key accounting categories underlying estimates and projections, and that involve high-risk transactions.

3. Evaluation outcome

Having conducted the above evaluation, we concluded that our internal controls relating to financial reporting are effective as of the last day of the fiscal year under review (March 31, 2023).

4. Supplementary notes

None.

5. Notes on special matters

None.