

Annual Securities Report

for the 76th business term (April 1, 2021, to March 31, 2022)

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 20, 2022 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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Company name in Japanese: 太陽ホールディングス株式会社 Taiyō hōrudingusu kabushiki gaisha

Company name in English: TAIYO HOLDINGS CO., LTD.

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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		72nd	73rd	74th	75th	76th
Year ended		Mar 2018	Mar 2019	Mar 2020	Mar 2021	Mar 2022
Net sales	million yen	52,241	59,389	70,627	80,991	97,966
Ordinary income	"	11,199	8,014	8,898	13,819	18,062
Profit attributable to owners of parent	"	4,856	4,396	3,749	9,529	11,803
Comprehensive income	"	5,014	3,869	2,499	12,012	15,611
Net assets	"	73,023	70,520	69,523	76,497	85,466
Total assets	"	111,490	105,666	142,192	179,001	189,273
Net assets per share	yen	1,261.75	1,238.62	1,217.11	1,348.42	1,522.11
Basic earnings per share	"	84.37	76.42	66.01	167.49	209.13
Diluted earnings per share	"	–	–	–	–	–
Equity ratio	%	65.2	66.4	48.7	42.5	45.2
Return on equity	"	6.8	6.2	5.4	13.1	14.6
Price earnings ratio	times	27.1	23.9	30.8	18.0	15.5
Cash flows from operating activities	million yen	8,100	5,907	13,739	16,312	18,308
Cash flows from investing activities	"	(24,161)	(5,487)	(45,912)	(11,603)	(11,258)
Cash flows from financing activities	"	11,319	(12,001)	31,593	19,755	(11,279)
Cash and cash equivalents at end of period	"	41,816	30,101	29,115	54,309	51,152
Number of employees (not including average number of non-fulltime)	persons	1,268	1,614	1,988	2,067	2,137
[Average number of non-fulltime (excluded)]		[–]	[–]	[–]	[–]	[–]

- (Notes)
- 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 have been scrapped after the Articles of Incorporation were revised on June 19, 2021.
 - A 2-for-1 stock split was conducted on October 1, 2021. The net assets per share and basic earnings per share have been calculated on the basis that the stock split was conducted at the start of the 72nd business term.
 - We have not shown diluted earnings per share because there was no dilutive stock.
 - We have omitted the average number of employees who are non-fulltime or temporary because such employees accounted for less than 10% of total employees.
 - We have applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) effective from the start of the consolidated fiscal year under review. Accordingly, the results for the main financial performance indicators are in accordance with the standard.

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

Business term		72nd	73rd	74th	75th	76th
Year ended		Mar 2018	Mar 2019	Mar 2020	Mar 2021	Mar 2022
Operating revenue	million yen	8,108	12,403	12,899	7,830	11,747
Ordinary income	"	4,832	8,318	8,261	2,510	5,002
Profit	"	262	6,771	4,935	4,116	5,468
Share capital	"	9,232	9,331	9,428	9,499	9,612
Total issued shares	shares	57,665,888	57,777,972	57,939,294	57,997,004	58,083,128
Net assets	million yen	51,938	52,115	53,545	52,853	52,715
Total assets	"	77,258	73,080	110,546	134,874	128,674
Net assets per share	yen	901.92	919.76	941.48	936.04	938.85
Dividend per share	"	80.10	65.10	65.10	80.10	69.55
(Interim dividend per share)	(")	(32.55)	(32.55)	(32.55)	(32.55)	(32.55)
Basic earnings per share	"	4.57	117.70	86.87	72.34	96.89
Diluted earnings per share	"	–	–	–	–	–
Equity ratio	%	67.2	71.3	48.4	39.2	41.0
Return on equity	"	0.5	13.0	9.3	7.7	10.4
Price earnings ratio	times	501.0	15.5	23.4	41.7	33.5
Dividend payout ratio	%	1,756.2	55.4	75.0	110.7	71.8
Number of employees (not including average number of non-fulltime)	persons	81	107	112	133	154
[Average number of non-fulltime (excluded)]		[-]	[-]	[-]	[-]	[-]
Total shareholder return	%	97.2	80.9	92.3	135.9	148.4
(Relative to dividend-included TOPIX data)	%	(115.9)	(110.0)	(99.6)	(141.5)	(144.3)
Highest share price	yen	5,790	4,925	5,220	6,690	3,600 (6,300)
Lowest share price	yen	4,315	2,847	3,015	3,690	2,613 (4,820)

- (Notes)
- 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 have been scrapped after the Articles of Incorporation were revised on June 19, 2021.
 - A 2-for-1 stock split was conducted on October 1, 2021. The net assets per share and basic earnings per share have been calculated on the basis that the stock split was conducted at the start of the 72nd business term. The figures for dividend per share and mid-term dividend reflect the impact of the stock split.
 - We have not shown diluted earnings per share because there was no dilutive stock.
 - We have omitted the average number of employees who are non-regular or temporary because such employees accounted for less than 10% of total employees.
 - 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 72nd business term included a 15 yen portion (reflecting the impact of the stock split) commemorating our 65th anniversary.
7. The dividend per share for the 75th business term included a 15 yen portion (reflecting the impact of the stock split) commemorating 20 years of being listed on the First Section of the Tokyo Stock Exchange.
8. Total shareholder return indicates the dividend per share reflecting the impact of the stock split.
9. Highest and lowest share prices indicate the prices on the First Section of the Tokyo Stock Exchange.
10. A 2-for-1 stock split was conducted on October 1, 2021. For the 76th business term, “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) effective from the start of the fiscal year under review. Accordingly, the results for the main management indicators are in accordance with the standard.

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 wiring 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	Exhibited a liquid photoimageable solder resist ink at a JPCA trade fair
September 1988	Established a joint-venture in South Korea—Taiyo Ink Mfg. Co., (Korea) Ltd.
September 1990	Made initial public offering in over-the-counter market
December 1990	Established a sales subsidiary in Nevada, US—Taiyo America, Inc.
March 1992	Relocated head office to Nerima-ku, Tokyo
November 1993	Registered basic patent for an alkaline developable solder resist ink in Japan
February 1995	Transformed Taiyo America, Inc. (sales subsidiary) into a manufacturing and sales subsidiary
September 1996	Established a manufacturing and sales subsidiary in Taiwan—Taiyo Ink Co., Ltd
July 1998	Made Taiyo Ink Mfg. Co., (Korea) Ltd. a consolidated subsidiary and changed its name to Taiyo Ink Co., (Korea) Ltd.
January 1999	Established a sales subsidiary in Singapore—Taiyo Ink International (Singapore) Pte Ltd Established a sales subsidiary in China—Taiyo Ink International (HK) Limited
August 1999	Established a subsidiary in Japan—Taiyo Japan Co., Ltd.
January 2001	Listed on the First Section of Tokyo Stock Exchange
April 2001	Opened production base in Ranzan-machi, Hiki-gun, Saitama (Ranzan-Kitayama Facility)
July 2001	Established a technological support subsidiary in Thailand—Taiyo Ink (Thailand) Co., Ltd.
December 2001	Established a manufacturing and sales subsidiary in China—Taiyo Ink (Suzhou) Co., Ltd.
September 2010	Established a sales subsidiary in China—Taiyo Ink Trading (Shenzhen) Co., Ltd. Adopted holding company structure, changing name to Taiyo Holdings Co., Ltd.
October 2010	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 our subsidiary
December, 2014	Established a solar power generation business subsidiary in Japan—Taiyo Green Energy Co., Ltd.
April 2015	Taiyo Ink Mfg. Co., Ltd. established a sales subsidiary in South Korea—Taiyo Ink Products Co., Ltd.
June 2015	Acquired Japanese company Chugai Kasei Co., Ltd. (now Taiyo Fine Chemicals Co., Ltd.) as our subsidiary
October, 2015	Taiyo Ink Mfg. Co., Ltd. opened a production base (its second) in Kitakyushu, Fukuoka Prefecture (Kitakyushu Facility)
January 2017	Entered a capital and business alliance with DIC Corporation
August 2017	Established a pharmaceuticals development and sales subsidiary Taiyo Pharma Co., Ltd.
January 2018	Relocated head office to Toshima-ku, Tokyo Established a sales company in Thailand—Taiyo Trading (Thailand) Co., Ltd.
April 2018	Acquired Japanese company Micro Network Technologies Corp. (now funlead corp.) as our subsidiary
August 2019	Acquired Mega Solar 23, a special-purpose subsidiary that operates Odaike Hydro-Solar Plant Acquired Mega Solar 28, a special-purpose subsidiary that operates Miyamaike Hydro-Solar Plant
October 2019	Acquired Taiyo Pharma Tech Co., Ltd., whose core business is contract manufacturing of pharmaceuticals
November 2019	Micro Network Technologies Corp. (now funlead corp.) subsumed Thou-Management Corporation
May 2020	Established a manufacturing and sales subsidiary in China—Onstatic New Material (Jiangxi) Co., Ltd.
June 2020	Established a manufacturing and sales subsidiary in Vietnam—Taiyo Ink Vietnam Co., Ltd.

April 2022

Following application, listed on the TSE's new Prime Market

3. Our businesses

(Glossary)

This document uses the following abbreviations.

Abbreviation	Meaning
PWB	Printed wiring board
SR	Solder resists (or solder-resist inks), also known as solder masks
PKG	Semiconductor package
DF	Dry film

Our group comprises Taiyo Holdings (the filing company), 29 subsidiaries, one affiliated company, and one other associate. We primarily engage in the electronics materials business. In this business, we develop, manufacture, purchase, and sell chemicals for PWBs and other electronic components. We also engage in the medical and pharmaceuticals business. In this business, we develop, manufacture, sell, and provide contracted manufacturing services for pharmaceuticals.

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

Our medical and pharmaceutical business kicked off in January 2018, when Taiyo Pharma acquired manufacturing and marketing rights/authorizations for 13 long listed pharmaceutical products. In October 2019, Taiyo Pharma acquired the same rights/authorizations for an additional product. December 2021 saw the completion of the process of transferring to Taiyo Pharma approval to manufacture and market four additional pharmaceutical products. Also in October 2019, our subsidiary Taiyo Pharma Tech started contracted manufacturing of pharmaceuticals after inheriting a spun-off drug-making business.

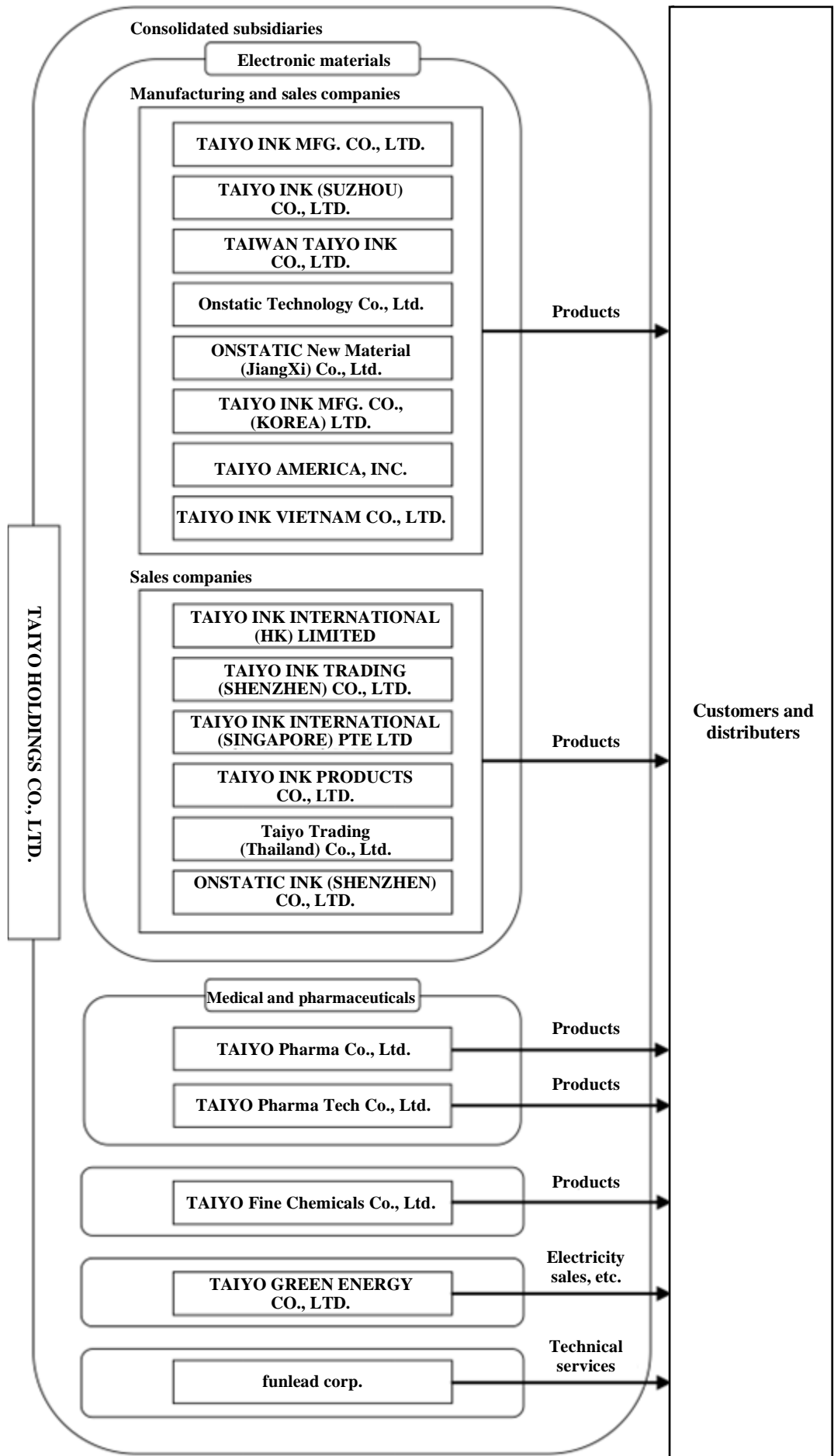
The table below lists our business segments and the relevant subsidiaries/other associate. The segment titles “electronics materials” and “medical and pharmaceuticals” match the titles in <II. Trends and Outlooks, 3. Financial position, operating results, cash flows, (1) Performance overview 2) Operating 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 (facts that could potentially influence an investment decision), we use consolidated rather than non-consolidated figures.

Segment	Business operations	Main company/ies	
– (Notes)	<ul style="list-style-type: none"> • Sets the group’s broad strategic direction • Manages subsidiaries • Researches and develops chemicals for electronic components 	Japan	Filing company
Electronics materials	Develops, manufactures, stocks, and markets chemicals for PWBs and other electronic components	Japan	Taiyo Ink Mfg. Co., Ltd.
		Other	Taiyo Ink (Suzhou) Co., Ltd. Taiwan Taiyo Ink Co., Ltd. Onstatic Technology Co., Ltd. Taiyo Ink Co., (Korea) Ltd. Taiyo America, Inc. Onstatic New Material (Jiangxi) Co., Ltd.
	Stocks and markets associates’ chemicals for PWBs and other electronic components	Other	Taiyo Ink International (HK) Limited Taiyo Ink Trading (Shenzhen) Co., Ltd. Taiyo Ink International (Singapore) Pte Ltd Taiyo Ink Products Co., Ltd. Taiyo Trading (Thailand) Co., Ltd. Onstatic Ink (Shenzhen) Co., Ltd.
Medical and Pharmaceutical	Manufacture and marketing of pharmaceuticals	Japan	Taiyo Pharma Co., Ltd.
	Conducts contracted 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.
	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 (%)	Nature of relationship
Taiyo Ink Mfg. Co., Ltd. (*Note 3)	Ranzan-machi, Hiki-gun, Saitama Prefecture, Japan	450 million yen	Manufactures and markets solder resists for PWBs	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	20 million USD	Manufactures and markets solder resists for PWBs	100.0	<ul style="list-style-type: none"> • We license the company to use our trademarks • 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 PWBs	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 PWBs	100.0	<ul style="list-style-type: none"> • We have interlocking directorates with the company
Onstatic Ink (Shenzhen) Co., Ltd. (*Note 1)	Shenzhen, Guangdong Province, China	56 million CNY	Markets solder resists for PWBs	100.0 (100.0)	<ul style="list-style-type: none"> • We have interlocking directorates with the company
Onstatic New Material (Jiangxi) Co., Ltd.	Xinyu, Jiangxi Province, China	47 million CNY	Manufactures and markets solder resists for PWBs	100.0 (100.0)	<ul style="list-style-type: none"> • 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 PWBs	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 PWBs	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 PWBs	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 4)	Hunghom, Kowloon, Hong Kong, China	10 million HKD	Markets solder resists for PWBs	100.0	

Name	Address	Equity (amount invested in company)	Main business	Ownership ratio (%)	Nature of relationship
Taiyo Ink Trading (Shenzhen) Co., Ltd.	Shenzhen, Guangdong Province, China	800 thousand USD	Markets solder resists for PWBs	100.0	<ul style="list-style-type: none"> We have interlocking directorates with the company
Taiyo Ink International (Singapore) Pte Ltd	Singapore	2 million SGD	Markets solder resists for PWBs	100.0	<ul style="list-style-type: none"> We have interlocking directorates with the company
Taiyo Ink Products Co., Ltd. (*Notes 2 and 5)	Ansan-si, Gyeonggi Province, South Korea	100 million KRW	Markets solder resists for PWBs	100.0 (100.0)	<ul style="list-style-type: none"> We have interlocking directorates with the company
Taiyo Trading (Thailand) Co., Ltd.	Bangkok, Thailand	11 million THB	Markets solder resists for PWBs	100.0	<ul style="list-style-type: none"> We have interlocking directorates with the company
Taiyo Pharma Co., Ltd. (*Note 6)	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 7)	Takatsuki-shi, Osaka, Japan	300 million yen	Conducts contracted manufacturing of pharmaceuticals	100.0	<ul style="list-style-type: none"> We have interlocking directorates with the company
Taiyo Fine Chemicals Co., Ltd.	Nihonmatsu-shi, Fukushima Prefecture, Japan	49 million yen	Manufactures and markets dyes, pigments, pharmaceuticals, and ink	100.0	<ul style="list-style-type: none"> We lend to the company
Taiyo Green Energy Co., Ltd.	Ranzan-machi, Hiki-gun, Saitama Prefecture, Japan	10 million yen	<ul style="list-style-type: none"> Supplies renewable energy, etc. 	100.0	<ul style="list-style-type: none"> We have interlocking directorates with the company We lend to the company
funlead corp.	Nishi-Ikebukuro, Toshima-ku, Tokyo, Japan	80 million yen	<ul style="list-style-type: none"> Provides systems engineering services 	100.0	
Peace Sea Investment Limited (*Note 1)	Apia, Samoa	13 million USD	Investment	100.0 (100.0)	
Good Advance Group Limited (*Note 1)	Apia, Samoa	13 million USD	Investment	100.0 (100.0)	
Pegasus Tech Ventures Company IV, L.P.	California, USA	1,801 thousand USD	Investment	99.0 (49.5)	
The three remaining companies are not shown here					

- (Notes) 1. The indicated company is a specified subsidiary as defined in the Cabinet Office Ordinance on the Disclosure of Corporate Affairs.
2. The parenthesized figure indicates the indirect ownership ratio.
3. Taiyo Ink Mfg. Co., Ltd.'s sales account for more than 10% of the group's consolidated sales (excluding inter-company sales).

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

Sales: 29,917 million yen

Ordinary income: 10,049 million yen

Profit: 6,651 million yen

Net assets: 10,363 million yen

Total assets: 27,301 million yen

4. Taiyo Ink International (HK) Limited's sales account for more than 10% of the group's consolidated sales (excluding inter-company sales).

Taiyo Ink International (HK) Limited.'s financial data

Sales: 16,539 million yen

Ordinary income: 1,348 million yen

Profit: 1,133 million yen

Net assets: 3,527 million yen

Total assets: 7,104 million yen

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

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

Sales: 11,281 million yen

Ordinary income: 1,095 million yen

Profit: 856 million yen

Net assets: 2,231 million yen

Total assets: 4,448 million yen

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

Taiyo Pharma Co., Ltd.'s financial data

Sales: 11,288 million yen

Ordinary income: 2,219 million yen

Profit: 1,318 million yen

Net assets: 1,342 million yen

Total assets: 28,732 million yen

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

Taiyo Pharma Tech Co., Ltd.'s financial data

Sales: 12,178 million yen

Ordinary income: 1,249 million yen

Profit: 1,005 million yen

Net assets: 17,146 million yen

Total assets: 25,834 million yen

(2) Other associates

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	19.95%	<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, 2022

Segment	Number of employees
Electronics materials	1,291
Medical and pharmaceuticals	410
Other and trans-segment i.e., employees of Taiyo Holdings Co., Ltd. (the holding and filing company) (*Notes 3 and 4)	436
Total	2,137

- (Notes)
- Number of employees indicates the number of fulltime employees.
 - We have not stated the average number of non-fulltime employees because such employees account for less than 10% of total employees.
 - “Other and trans-segment” includes other businesses and corporate divisions that are not covered in the two segments (Electronics Materials and Medical and Pharmaceuticals).
 - Starting from the period under review, we have reorganized the business categories so that they more accurately reflect the scope of the businesses.

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

As of March 31, 2022

Number of employees	Average age	Average years of service	Average annual remuneration (yen)
154	39.6	9.4	8,312,238

- (Notes)
- 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).
 - We have omitted the average number of non-fulltime employees because such employees account for less than 10% of total employees.
 - 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.

II. Trends and Outlooks

1. Policies, business climate, challenges

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

(1) Business policies

We remain steadfastly committed to our goal of creating a pleasant 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.

Our management philosophy

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

Our basic management policies

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

(2) Key performance indicators

The following key performance indicators are outlined in “Beyond Imagination 2030”, our long-term management plan that runs from FYE March 2022 to FYE March 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 period under review (April 1, 2021, to March 31, 2022), the business climate remained tough. The economy was stagnant amid an increasingly gloomy economic and fiscal outlook, with the ongoing COVID-19 situation (since the coronavirus spread in January 2020) and, in 2022, the situation in the Russian Federation and Ukraine.

1) Electronics materials

This segment is sensitive to trends in the electronics sector as a whole. Demand for data gathering and analytics is mounting amid the rollout of IoT and AI-driven technologies and the metaverse, which should drive technological innovation in electronics 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.

2) Medical and pharmaceuticals

Mounting pressure on Japan's healthcare system has prompted a revision of drug pricing, leading to structural changes in the drug industry and increasingly diverse healthcare needs. Pharmaceutical drug discovery will likely be transformed by technological innovation and collaboration between industry, academia, and government. Meanwhile, however, with mounting financial pressure on its health insurance system, Japan is eyeing further cost-control measures, such as introducing price controls on original drugs and encouraging the use of generics.

Our strategies

Amid the present business climate, we focus on our Group's strengths in chemistry to propel ourselves towards becoming a comprehensive chemical company. Especially, we are working on the following actions in line with our long-term management plan.

Group-wide actions

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

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

To ensure global competitiveness in a rapidly changing business landscape, we must commit to continually improving workflows, processes, and 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

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 (electronic materials, medical and pharmaceuticals, energy, and food).

4) Execute strategic M&As

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

5) Strengthen efforts for SDGs (Sustainable Development Goals)

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. Our mainstay product, solder resists, has a crucial role to play in this agenda, in that it underpins technological and industrial innovation. Aside from this, we are switching to eco-friendly renewable energy sources across the group, and running programs for farming vegetables, fruits, and insects to offset the risk of future food crises. Additionally, we provide medical and pharmaceutical products.

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.

Electronics materials segment

The segment's mainstay is solder resists. We hold a global top share in the SR market, and over 90% of solder resist sales are in overseas countries. To further increase our SR share, we are pursuing a threefold strategy: 1. strengthen our existing assets (existing clientele + existing tech), 2. accelerate the process of launching new products (existing clientele + new tech), and 3. promote new applications (new clientele + existing tech). We are also working to swiftly establish other growth-driving electronics businesses to complement the SR business, believing that this will lead to sustained growth.

In the fiscal year under review, a global ICT platform firm ordered our white Dry Film Type SR with high reflectivity for use as a backlight unit in its mini LED displays. The deal contributed significantly to earnings.

Described below are the key actions taken in this segment.

1) Strengthening R&D

We understand that if we are to keep generating new business ideas, we need an effective research & development structure. Our strategy is to divide R&D operations between basic research and product development based on timelines. To enable more effective basic research, a basic research team will dedicate itself to the mid to long term scope, rather than focusing only on a particular project. Meanwhile, a product development will focus on bringing our innovations to market and adding new applications to existing technologies. This R&D structure will enhance our ability to translate the outcomes of basic research into new products.

We will also invest aggressively in R&D facilities and make a determined effort to hire and train the very best researchers and technicians from Japan and around the world. Additionally, we will 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 gain profits. When we have a potentially marketable product on our hands, we will make a concerted effort to clear all the hurdles toward commercial production. We will set up a taskforce consisting of hand-picked personnel from marketing, manufacturing, and product development, and assign this taskforce powers and duties in such a way that it can fully devote itself to a successful market launch. We have extended our attention to the display sector and recently launched the Display Business Project.

3) Managing exchange rate risk

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

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

Medical and pharmaceuticals segment

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

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 new drugs that will meet the needs of medical institutions and patients.

1) Further progress in the manufacture of pharmaceuticals on consignment

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 medicine and genetic medicine, 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 medicine and genetic medicine.

2) Steady progress in manufacture and marketing of pharmaceuticals

The consolidated fiscal year under review saw the completion of the process for transferring to Taiyo Pharma approval and rights to manufacture and market four more long-listed products. These drugs continue to see steady sales among medical organizations. To expand our lineup, we will aggressively seek approvals for other long-listed products.

3) Side-effects of pharmaceuticals

As a manufacturer of pharmaceuticals, the subsidiary faces the risk that it will be held liable for damages caused by product recalls, production stoppages, 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. Business risks

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

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 apply loss accounting and record impairment loss 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 the asset's contribution to synergy, and we monitor the asset's macroeconomic context.
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 PWBs). Manufacturing techniques that do not rely on solder resists. 	<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. We might violate an organization's intellectual property rights. 	<ul style="list-style-type: none"> We manage risks related to intellectual property rights.
Client bankruptcy	<ul style="list-style-type: none"> Clients in Japan or overseas might unexpectedly go bust. 	<ul style="list-style-type: none"> We monitor clients' performance and creditworthiness to protect the recoverability of our receivables.
Exchange rate risk	<ul style="list-style-type: none"> Exchange rate fluctuations may force us to suspend overseas business. Due to fluctuations in exchange or interest rates, we may incur losses when converting foreign-denominated assets of overseas subsidiaries into yen. 	<ul style="list-style-type: none"> We use forward exchange contracts and fixed-for-floating interest rate swaps. For financing, group companies (and the holding company, too) use lenders based in countries where exchange rate risk is minimal.
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.
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 have dispersed supply chains.
Price war risk	<ul style="list-style-type: none"> We might need to repeatedly lower sales prices below those of competitors. 	<ul style="list-style-type: none"> We offer low-end goods. We monitor the competition.
Side-effects of pharmaceuticals	<ul style="list-style-type: none"> Users might experience unanticipated side-effects or other incidents. 	<ul style="list-style-type: none"> We comply with the Pharma-Med Act and applicable standards, and subscribe to 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 the government's health policy. 	<ul style="list-style-type: none"> We have a robust system of procedures with effective oversight.
Infection risk	<ul style="list-style-type: none"> We might need to suspend business if executives 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. We provide a vaccination program to employees in Japan who desire vaccination.
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 tax regime. We consult external experts.

3. Financial position, operating results, cash flows

(1) Performance overview

This section describes the financial position, operating results, and cash flows of the group (Taiyo Holdings and our consolidated subsidiaries) in the consolidated year under review.

1) Financial position

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

	Previous consolidated fiscal year (millions of yen)	Consolidated fiscal year under review (millions of yen)	Change (millions of yen)	Main factors (Comparison with the end of the previous fiscal year)
Current assets	92,937	98,766	5,828	Increases of 5,030 million yen in notes and accounts receivable - trade, 1,474 million yen in merchandise and finished goods, and 1,416 million yen in raw materials and supplies Decrease of 3,147 million yen in cash and deposit
Non-current assets	86,063	90,507	4,443	Increases of 4,109 million yen in buildings and structures, and 2,142 million yen in land Decrease of 2,024 million yen in sales rights
Total assets	179,001	189,273	10,271	
Total liabilities	102,504	103,806	1,301	Increases of 1,348 million yen in notes and accounts payable - trade, 2,738 million yen in short-term borrowings, 1,168 million yen in accounts payable - other, 1,106 million yen in income taxes payable, and 640 million yen in deferred tax liabilities Decrease of 5,804 million yen in long-term borrowings (including current portion of long-term borrowings)
Total net assets	76,497	85,466	8,969	Positive factors: Recorded 11,803 million yen in profit attributable to owners of parent, and 3,436 million yen increase in the foreign currency translation adjustment account Negative factors: 4,547 million yen decrease in dividends of surplus and 1,500 million yen in treasury share purchases
Total liabilities and net assets	179,001	189,273	10,271	

2) Operating results

Net sales for the consolidated fiscal year ended March 31, 2022 were 97,966 million yen (up 21.0% year on year). Operating income was 17,958 million yen (up 28.8% year on year), ordinary income was 18,062 million yen (up 30.7% year on year), and profit attributable to owners of parent was 11,803 million yen (up 23.9 % year on year).

The results for each segment were as follows.

Electronics materials

Many rigid board materials sold better than they did last year. Examples include display components, automotive related products, components for B2C applications, and smartphone components. Of these, display components contributed significantly to an overall growth in sales volume following an order for white Dry Film Type SR with high reflectivity for use as a backlight in mini LED displays. Another contributor was automotive related products. Sales volume grew with demand recovering from a low point in the previous year, when auto sales slumped amid the Covid-driven economic malaise. Much of the upturn in demand came in the Q3, when automakers faced a supply crunch in auto parts. Consequently, sales volume increased year on year.

Semiconductor package board materials sold well, as they did in the previous fiscal year, with global demand for semiconductors continuing to increase. Sales volume grew year on year amid strong growth in semiconductor markets. This market growth was driven by further advances in performance and functionality in electronic devices and by higher capital investment in data centers amid the shift toward 5G (5th-generation mobile communication systems). Another factor behind the market growth was the massive spike in network traffic following the Covid-driven worldwide rise in remote working.

The average USD/JPY exchange rate during the consolidated fiscal year under review was 1/112.9, compared to a rate of 1/106.2 in the previous year. With the yen depreciating 6.7 against the dollar, our profitability improved.

The segment posted net sales of 71,093 million yen (up 33.9% year on year) and segment profit of 17,082 million yen (up 52.4%).

Medical and pharmaceuticals

Taiyo Pharma Co., Ltd. achieved year-on-year net sales growth in its manufacture and sale of pharmaceuticals. Sales volume grew following the completion of the process in which AstraZeneca PLC's Japanese subsidiary, AstraZeneca K.K., transferred to Taiyo Pharma Co., Ltd. rights to manufacture and market four long-listed products in Japan. Additionally, sales of some of the products affected from the fact that some of Taiyo Pharma Co., Ltd.'s peers stopped producing generic drugs. These factors more than offset the impact of drug pricing reform.

On the other hand, Taiyo Pharma Tech Co., Ltd., experienced a downturn in its contracted pharmaceutical manufacturing of therapeutic pharmaceuticals. One reason was that orders for infection-related drugs fell amid shifts in consumer behavior associated with Covid curbs. Another reason was the impact of production adjustments following changes in customers' production schedules.

The segment posted net sales of 23,467 million yen (down 4.4% year on year) and segment profit of 2,400 million yen (down 37.4%).

3) Cash flows

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

	Previous consolidated fiscal year (millions of yen)	Consolidated fiscal year under review (millions of yen)	Main factors
Net cash provided by (used in) operating activities	16,312	18,308	Cash inflows included 16,959 million yen in profit before income taxes, depreciation of 7,497 million yen; Cash outflows included an increase in inventories of (2,407) million yen and an increase in trade receivables of (2,504) million yen
Net cash provided by (used in) investing activities	(11,603)	(11,258)	Cash outflows included (9,134) million yen for purchase of property, plant and equipment and (1,211) million yen for purchase of intangible assets.
Net cash provided by (used in) financing activities	19,755	(11,279)	The cash inflow resulted from 5,600 million yen in long-term borrowings. Cash outflows included (11,469) million yen in repayment of long-term borrowings and (4,543) million yen in dividends paid.
Net increase (decrease) in cash and cash equivalents	25,194	(3,157)	
Cash and cash equivalents at end of period	54,309	51,152	

4) Production, sales contracts, sales results

a. Production volume

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

(Millions of yen)

Segment	Consolidated fiscal year under review (April 1, 2021, to March 31, 2022)	Year-on-year (%)
Electronics materials	57,242	148.8
Medical and pharmaceuticals	12,992	92.4
Segments combined	70,235	133.7
Other	1,472	98.8
Total	71,707	132.7

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

2. The figure for the medical and pharmaceuticals segment excludes consigned production.

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 year under review.

(Millions of yen)

Segment	Consolidated fiscal year under review (April 1, 2021, to March 31, 2022)	Year-on-year (%)
Electronics materials	71,093	133.9
Medical and pharmaceuticals	23,467	95.6
Segments combined	94,560	121.8
Other	3,405	102.0
Total	97,966	121.0

(Notes) 1. The monetary amounts above exclude inter segment transactions.

(2) How we appraise consolidated performance

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

The forward-looking statements are based on information available to us as of the end of the consolidated 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."

In our accounting, we have assumed that the COVID-19 impact will persist for some time. We assume that there will be no significant impact at present. However, given the plethora of uncertainties, the pandemic may potentially impact our financial position and business performance in the next consolidated fiscal period.

2) Consolidated results and outlook

a. Consolidated results

See the "operating results" section in II. Trends and Outlooks 3. Financial position, operating results, cash flows: (1) Performance overview.

b. Factors that significantly affect consolidated results

See "II. Trends and Outlooks 2. Business risks."

c. Reserves and fluidity

Our financial policy is to maintain reasonable reserves for business activities, reasonable fluidity, and a healthy balance sheet. We acquired our reserves from regular business operations, bank loans, and other sources, and we feel that we have enough reserves for now. As of the end of the consolidated year under review, our short-term and long-term borrowings amount to 78,153 million yen. There is no significant seasonal change in the amount of loans that our group requires.

As of the end of the period under review, we have retained a sum of 51,152 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 6.2 months of sales revenue. We feel that this level provides sufficient fluidity to enable our group to conduct business. However, we understand we may lose some of our fluidity if a recession occurs and causes markets to shrink or causes financial or currency markets to experience chaos. To prepare for such an eventuality, we have signed an agreement for an overdraft facility of up to 24,147 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 FYE March 2022 to FYE March 2031. The strategy is titled Beyond Imagination 2030. The following table shows the key performance indices and whether we met these targets.

KPI	Target	FYE Mar 2021 (reference)	FYE Mar 2022
Return on equity ratio (ROE)	18% or higher	13.1%	14.6%
Dividend on equity ratio (DOE)	5% or higher	6.3% (-)	5.1% (achieved)

In the consolidated year under review, DOE, at 5.1%, surpassed 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). On the other hand, ROE, at 14.6%, marked an improvement from the previous year’s result (13.1%). The ROE target for 2030, as set out in Beyond Imagination 2030, is “18% or higher.” To achieve this benchmark, we continue to grow our existing segments (Electronic Materials, Medical and Pharmaceuticals) and expand into sectors such as food and energy. Our efforts to build enterprise value will continue. Guided by Beyond Imagination 2030, we will make our SR business more profitable, expand in non-SR PWB sectors, and accomplish our strategic objectives for the medical and pharmaceuticals business. We will also manage our capital dynamically, balancing generous shareholder returns with the need to maintain the reserves necessary for adapting to market changes.

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

See the “operating results” section in II. Trends and Outlooks 3. Financial position, operating results, cash flows: (1) Performance overview.

4. Key agreements

Nothing to disclose.

5. Research & development

Guided by our management philosophy, we conduct our electronics materials business with the aim of contributing toward an advanced information society and a more pleasant environment. To this end, we facilitate research & development activities on insulating materials, conductive materials, and display materials.

In the consolidated year under review, we spent a total of 3,611 million yen on research & development—289 million yen more than in the previous year. The R&D spend in each segment was as follows:

Electronics materials: 3,312 million yen

Medical and pharmaceuticals: 122 million yen

Other: 176 million yen

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

(1) SR

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

Rigid boards

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

-SRs for high-density interconnection (HDI) substrates used in smartphones

Capitalizing on the rising demand for 5G telecom equipment, we have developed new materials with low transmission loss ahead of our peers and we should start receiving orders from telecoms manufacturers soon. Looking ahead, we anticipate that manufacturers will shift their preference from liquid to dry film solder resists in an attempt to produce thinner materials. We have therefore started developing a dry film solder resist and introducing it to customers.

-SRs for vehicle installation substrates

Across the globe, we see a rapid shift from conventional vehicles to hybrid and electric vehicles.

Amid this shift, solder resists for vehicle installation substrates are expected to perform an increasingly diverse array of functions. They must withstand harsh conditions, and their thermal cycling—the ability to cycle through two temperature extremes—is particularly important. By altering the raw materials, we succeeded in producing a solder resist with the desired characteristics for next-generation vehicle installation substrates. We managed to get this solder resist approved by the end customer. We will also engage in open innovation by joining consortia.

SRs for package substrates

Package substrates are crucial for protecting semiconductor chips and ensuring the solid connections with the semiconductors and performance. The package substrate market has grown, particularly for PCs, smartphones and tablets, 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. Our solder resists are widely used in package substrates for major semiconductor devices. These include central processing units, graphics processing units, application processors that control smartphones, and DRAM and NAND flash memory. As smartphones become thinner, their parts are getting smaller and more efficient. Amid this trend, a smartphone's reliability will increasingly hinge upon the solder resists used on its chips and other parts. A solder resist must demonstrate sufficient opening accuracy to be compatible with the latest chips. It is 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. To meet these requirements, companies are increasingly using DF solder resists. 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. Our DF solder resists can contribute to the development of circuit technology for the 5G and IoT applications set to expand globally. Leveraging our core technology, we aim to generate new value and to forge new markets by developing products with

added function. In recent product development, for example, we are creating DF matt products with an embossed surface that processes concavity and convexity on the surface.

(2) Interlayer insulating materials

We have launched a range of dry interlayer insulation films that enable 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 knowhow in interlayer insulation materials. Such efforts are increasing the uptake rate among customers. In this way, we will continue to develop and market products that address emerging needs.

(3) Photoimageable coverlay

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

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

(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 such as skin patchables. Such devices must be stretchable. Hence, our stretchable conductive materials have started being used in the devices.

(6) Inkjet solder resist

We have started mass producing an inkjet coater-compatible solder resist after a customer decided to use the product in its automotive rigid boards. An inkjet coater significantly streamlines the coating process, thus minimizing substrate production costs as well as carbon footprint. We will continue to develop applications for flexible boards, the markets for which are set to expand. We are 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 and micro LED displays to meet the demand for displays that are high resolution, high brightness, and energy efficient. Our group has developed reflective material for backlight units in 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 high-gloss dry film and high-gloss liquid film 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. Our stretchable conductive materials have garnered interest for their potential application in foldable displays.

III. Our Facilities

1. Capital investment overview

In the consolidated year under review, we invested a total of 11,511 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.

Segment	Year under review (millions of yen)
Electronics materials	3,222
Medical and pharmaceuticals	6,279
Other	331
Trans segment (Note)	1,678
Total	11,511

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

2. Key facilities

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

As of March 31, 2022

Facility (Address)	Segment	Facility description	Carrying amount (millions of yen)				Employees	
			Buildings and structures	Machinery, equipment, and vehicles	Land (m ²)	Other *Note 4		Total
Ranzan-Kitayama Facility (Ranzan-machi, Hiki- gun, Saitama) *Note 3	– *Note 2	Rented office, factory	2,696	–	2,025 (33,410)	21	4,743	18
Ranzan Facility (Ranzan-machi, Hiki- gun, Saitama)	– *Note 2	R&D facility	1,662	0	296 (12,528)	110	2,069	51
Head Office (Toshima-ku, Tokyo)	– *Note 2	General headquarters	449	–	–	87	537	85
Marunouchi Kitaguchi Building (Chiyoda-ku, Tokyo) *Note 3	– *Note 2	Office	209	–	–	31	241	–
Former Head Office Building (Nerima-ku, Tokyo)	– *Note 2	Office	137	–	370 (801)	0	507	–
Other	– *Note 2	Land, etc.	48	–	43 (2,387)	13	105	–

(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, 2022

Company name	Facility (Address)	Segment	Facility description	Carrying amount (millions of yen)					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)	Electronics materials	Office, factory, R&D facility	262	469	–	404	1,136	237
	Kitakyushu Plant (Kitakyushu-shi, Fukuoka)	Electronics materials	Factory	2,569	392	–	108	3,071	38
	Ranzan Facility (Ranzan-machi, Hiki-gun, Saitama)	Electronics materials	R&D facility, etc.	–	8	–	0	8	19
Taiyo Fine Chemicals Co., Ltd.	Head Office (Nihonmatsu-shi, Fukushima)	Other	Office, factory, R&D facility	493	141	306 (62,260)	20	963	49
	Urawa Plant (Saitama-shi, Saitama)	Other	Factory	38	52	50 (989)	4	145	10
	Tokyo Sales Office (Toshima-ku, Tokyo)	Other	Office	–	–	–	0	0	6
Taiyo Green Energy Co., Ltd.	Head Office (Ranzan-machi, Hiki-gun, Saitama)	Other	Office, factory, power generation facility	9	25	–	2	37	36
	Ranzan Floating Solar Plant (Ranzan-machi, Hiki-gun, Saitama)	Other	Power generation facility	0	324	–	–	325	–
	Ranzan Onuma Floating Solar Plant (Ranzan-machi, Hiki-gun, Saitama)	Other	Power generation facility	0	72	–	–	72	–
	Anazawaike Floating Solar Plant (Inami-cho, Kako-gun, Hyogo)	Other	Power generation facility	–	215	–	–	215	–
	Uozumiike-Kusatani Floating Solar Plant (Inami-cho, Kako-gun, Hyogo)	Other	Power generation facility	–	348	–	–	348	–
	Kobayashiike Floating -Solar Plant (Yamatokoriyama-shi, Nara)	Other	Power generation facility	–	122	–	–	122	–
	Hosoike Floating Solar Plant (Yoro-cho, Yoro-gun, Gifu)	Other	Power generation facility	–	494	–	–	494	–

Company name	Facility (Address)	Segment	Facility description	Carrying amount (millions of yen)					Employees
				Buildings and structures	Machinery, equipment, and vehicles	Land (m ²)	Other *Note 2	Total	
	Hayashiike Floating Solar Plant (Nissin-shi, Aichi)	Other	Power generation facility	–	158	–	–	158	–
	Hiraike Floating Solar Plant (Yoro-cho, Yoro-gun, Gifu)	Other	Power generation facility	–	235	–	–	235	–
Taiyo Green Energy Co., Ltd.	Sijukusinnike Floating Solar Plant (Iga-shi, Mie)	Other	Power generation facility	–	269	–	0	269	–
	Shirainuma Reservoir Floating Solar Plant (Kawajima, Hiki-gun, Saitama)	Other	Power generation facility	–	124	–	–	124	–
	Asama Reservoir Floating Solar Plant (Kawajima, Hiki-gun, Saitama)	Other	Power generation facility	–	124	–	–	124	–
Taiyo Pharma Tech Co., Ltd.	Head Office (Takatsuki-shi, Osaka)	Medical and pharmaceuticals	Office, factory	5,983	2,807	9,796 (65,865)	543	19,130	347
Mega Solar 23	Odaike Hydro-Solar Plant (Takamatsu-shi, Kagawa)	Other	Power generation facility	–	791	–	–	791	–
Mega Solar 28	Miyamaike Hydro-Solar Plant (Takamatsu-shi, Kagawa)	Other	Power generation facility	–	805	–	–	805	–

- (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, 2022

Company name	Facility (Address)	Segment name	Facility description	Carrying amount (millions of yen)					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 materials	Office, factory, R&D facility	454	1,323	–	136	1,914	246
Taiwan Taiyo Ink Co., Ltd.	Guanyin District, Taoyuan City, Taiwan	Electronics materials	Office, factory, R&D facility	2,711	385	746 (11,846)	76	3,919	128
Onstatic Technology Co., Ltd.	Yingge District, New Taipei City, Taiwan	Electronics materials	Office, factory, R&D facility	11	11	39 (170)	4	67	94
Onstatic New Material (Jiangxi) Co., Ltd.	Xinyu, Jiangxi Province, China	Electronics materials	Office, factory, R&D facility	948	187	–	63	1,199	91
Taiyo Ink Mfg. Co., (Korea) Ltd.	Ansan-si, Gyeonggi Province, South Korea	Electronics materials	Office, factory, R&D facility	1,130	102	209 (10,185)	224	1,666	128
Taiyo America, Inc.	Carson City, Nevada, United States	Electronics materials	Office, factory, R&D facility	67	39	44 (17,038)	3	154	39
Taiyo Ink Vietnam Co., Ltd.	Hanoi, Vietnam	Electronics materials	Office, factory, R&D facility	520	377	–	12	911	23

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

3. Capital investment plans

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

For the one-year period following the consolidated year under review, we plan to invest in property, plant and equipment, as well as in software (building new facilities or developing existing ones) totaling 13,300 million yen. The following table shows the segment breakdown.

Segment	Planned investments (fiscal year ended March 31, 2023) (millions of yen)	Main purposes	Source of funds
Electronics materials	3,400	Acquire facilities and other physical assets	Self-funded, borrowings
Medical and pharmaceuticals	8,100	Acquire facilities and other physical assets	Self-funded, borrowings
Other	200	Acquire facilities and other physical assets	Self-funded, borrowings
Trans segment (primarily Taiyo Holdings Co., Ltd.—i.e., the holding and filing company)	1,600	Acquire facilities and other physical assets	Self-funded, borrowings
Total	13,300		

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

IV. The Filing Company

1. Share information

(1) Number of shares

1) Total shares

Class	Total shares authorized to be issued
Common shares	100,000,000
Total of shares held	100,000,000

2) Issued shares

Class	Issued shares (as of March 31, 2022)	Shares outstanding as of filing date (as of June 20, 2022)	Stock exchanges where the shares are listed (or authorized financial instruments associations)	Description
Common shares	58,083,128	58,083,128	Tokyo Stock Exchange (TSE) First section (as of end of year under review) Prime market (as of date filed)	Number of shares per unit: 100 (*Note 1)
Total of shares held	58,083,128	58,083,128	—	—

(Notes) As resolved by the Board of Directors on July 1, 2021, we issued 43,062 new shares on July 16, 2021, to provide for the restricted stock system and performance linked remuneration. The details are as follows.

(1)	Pay-in date	July 16, 2021
(2)	Number and class of shares	43,062 shares of common stock
(3)	Issued price of shares	5,250 yen per share
(4)	Amount of funds raised	226,075,500 yen
(5)	Offering / allotment method	15,862 shares for the transfer-restricted stock compensation will be allotted with specified transfer restrictions 27,200 shares for performance-linked stock compensation will be allotted in third party allotment
(6)	Contribution method	Allotment with specified transfer restrictions: Allottees exchange monetary claims for the shares Third party allotment: Allottees purchase the shares by cash
(7)	Allottees	<u>Allotment with specified transfer restrictions:</u> Three executive directors of Taiyo Holdings to receive total of 15,862 shares <u>Third-party allotment:</u> Three executive directors of Taiyo Holdings to receive total of 27,200 shares

- (2) Stock options
- 1) System of stock options
Nothing to disclose.
 - 2) Shareholder rights plan
Nothing to disclose.
 - 3) Other stock options-related information
Nothing to disclose.
- (3) Convertible bonds with equity purchase warrants
Nothing to disclose.

(4) Outstanding shares and share capital

Date	Increase (decrease) in total outstanding shares	Balance 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 14, 2017 *Note 1	24,094	28,865,194	60	9,232	60	10,199
July 20, 2018 *Note 2	45,242	28,910,436	99	9,331	99	10,299
July 16, 2019 *Note 3	59,211	28,969,647	96	9,428	96	10,395
July 16, 2020 *Note 4	28,855	28,998,502	71	9,499	71	10,467
July 16, 2021 *Note 5	43,062	29,041,564	113	9,612	113	10,580
October 1, 2021 *Note 6	29,041,564	58,083,128	–	9,612	–	10,580

- (Notes)
1. Share capital and capital surplus both increased by 60 million yen after we offered additional shares as part of specified transfer restricted share compensation.
Specified transfer restricted share compensation
Issue price: 5,060 yen
Paid in capital: 2,530 yen
Allottee (title): Eiji Sato (President and CEO), Takayuki Morita *Note 1, Eiji Takehara (Director), Hitoshi Saito (Director), Takao Miwa *Note 1
 2. Share capital and capital surplus both increased by 99 million yen after we offered additional shares as part of specified transfer restricted share compensation and performance linked remuneration.
Specified transfer restricted share compensation, third party allotment method
Issue price: 4,410 yen
Paid in capital: 2,205 yen
Allottee (title): Eiji Sato (President and CEO), Takayuki Morita *Note 1, Eiji Takehara (Director), Hitoshi Saito (Director), Takao Miwa *Note 1
 3. Share capital and capital surplus both increased by 96 million yen after we offered additional shares as part of specified transfer restricted share compensation and performance linked remuneration.
Specified transfer restricted share compensation, third party allotment method
Issue price: 3,250 yen
Paid in capital: 1,625 yen
Allottee (title): Eiji Sato (President and CEO), Takayuki Morita *Note 1, Eiji Takehara (Director), Hitoshi Saito (Director), Takao Miwa *Note 1

4. Share capital and capital surplus both increased by 71 million yen after we offered additional shares as part of specified transfer restricted share compensation and performance linked remuneration.
Specified transfer restricted share compensation, third party allotment method
Issue price: 4,970 yen
Paid in capital: 2,485 yen
Allottee (title): Eiji Sato (President and CEO), Takayuki Morita *Note 1,
Eiji Takehara (Director), Hitoshi Saito (Director), Takao Miwa *Note 1
* Note 1: The allottee resigned as director on June 20, 2020.
5. Share capital and capital surplus both increased by 113 million yen after we offered additional shares as part of specified transfer restricted share compensation and performance linked remuneration.
Specified transfer restricted share compensation, third party allotment method
Issue price: 5,250 yen
Paid in capital: 2,625 yen
Allottee (title): Eiji Sato (President and CEO), Eiji Takehara (Director), Hitoshi Saito (Director)
6. This was a result of a 2-for-1 stock split.

(5) Share ownership

As of March 31, 2022

Class of shares	Number of shareholders (100 share units)							Total of shares held	Fractional shares
	National or local public organizations	Financial institutions	Financial instruments operators	Other organizations	Overseas		Individuals, Other		
					Organizations	Individuals			
Number of shareholders	–	38	28	61	175	10	5,273	5,585	–
Total share units held	–	142,281	3,787	222,959	98,093	68	113,283	580,471	36,028
Ownership ratio (%)	–	24.51	0.65	38.41	16.90	0.01	19.52	100.00	–

- (Notes)
1. Of the 1,728,465 treasury shares, 17,284 share units are under “Individuals, Other,” and 65 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, 2022

Name of individual or organization	Address	Shares held (1,000 share units)	% of outstanding shares (excluding treasury shares)
DIC Corporation	35-58 Sakashita 3-chome, Itabashi-ku, Tokyo, Japan	11,234	19.94
Kowa Co., Ltd.	4-8 Nakamura-kita 3-chome, Nerima-ku, Tokyo, Japan	7,273	12.91
The Master Trust Bank of Japan, Ltd. (manages our trust account)	MTBJ Building, 2-11-3 Hamamatsucho, Minato-ku, Tokyo, Japan	6,165	10.94
Misaki Engagement Master Fund	190 Elgin Avenue, George Town, Grand Cayman, KY 1 9005, Cayman Islands	3,095	5.49
Custody Bank of Japan, Ltd. (manages our trust account)	8-12 Harumi 1-chome, Chuo-ku, Tokyo, Japan	2,885	5.12
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	3.96
Shikoku Chemicals Corporation	8-537-1 Doki-cho-higashi, Marugame-shi, Kagawa, Japan	1,490	2.64
Toshin Yushi Co., Ltd.	5-14-11 Umeda, Adachi-ku, Tokyo, Japan	1,077	1.91
The Bank of New York Mellon 140042	240 Greenwich Street, New York, NY 10286, U.S.A.	1,052	1.87
Takato Kawahara	Nerima-ku, Tokyo, Japan	804	1.43
Total of shares held	—	37,310	66.21

- (Notes) 1. Of the 6,165 thousand shares held by The Master Trust Bank of Japan, Ltd., 6,034 thousand pertain to the trust account we keep with this bank.
2. Of the 2,885 thousand shares held by Custody Bank of Japan, Ltd., 2,869 thousand pertain to the trust account we keep with this bank.

(7) Voting rights

1) Issued shares

As of March 31, 2022

Class of shares	Number		Voting rights	Description
Non-voting shares	-		-	-
Voting shares: treasury shares	-		-	-
Voting shares: other	-		-	-
Full-voting shares: treasury, etc.	Common shares	1,933,800	2,054	*Note 1
Full-voting shares: other	Common shares	56,113,300	561,133	*Note 2
Fractional shares	Common shares	36,028	-	*Note 3
Total issued shares	58,083,128		-	-
Total voting rights	-		563,187	-

- (Notes)
1. We hold 1,728,400 of these shares directly. The remaining 205,400 are held by The Master Trust Bank of Japan, Ltd. (in the ESOP trust).
 2. Of the 56,113,300 common shares, 200 are held in the name of Japan Securities Depository Center, Inc. The center holds 2 of the 561,133 voting rights pertaining to the 56,113,300 common shares.
 3. Of the 36,028 fractional shares, we hold 65 and The Master Trust Bank of Japan, Ltd., holds 20 (in the ESOP trust).

2) Treasury shares

As of March 31, 2022

Name of person or organization	Address	Shares held in own name	Shares held in trust	Total shares held	% of outstanding shares
Taiyo Holdings Co., Ltd.	388 Ohkura, Ranzan-machi, Hiki-gun, Saitama 355-0222, Japan	1,728,400	205,400	1,933,800	3.33
Total of shares held	-	1,728,400	205,400	1,933,800	3.33

- (Notes)
1. The above amounts exclude 85 fractional shares (20 of which are treasury shares that we have entrusted to The Master Trust Bank of Japan, Ltd. for the ESOP trust).
 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 ESOP and a trust to administer it.

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

The Company will establish a trust into which it will contribute funds for the acquisition of the Company's stock, of which the beneficiaries will be employees of the Company who meet certain criteria. The trust will acquire stock of the Company from the Company or from the market in the number expected to be delivered to employees of the Company based on the regulations for the delivery of stock established in advance. Following this, the trust will deliver stock of the Company to employees for no consideration, in accordance with the regulations for the delivery of stock, based on the eligibility of the Company's employees during the trust period and other such criteria, during the period in service of such employees. As the full amount of the acquisition funds for the stock of the Company to be acquired through the trust will be contributed by the Company, there will be no contribution to be made by employees of the Company.

With an ESOP trust, our employees benefit financially when our stock price rises. Therefore, they will keep our stock price in mind as they go about their duties and work all the harder. Another benefit of an ESOP trust is that the voting rights from the shares underlying the trust property are exercised in way that reflects the will of the recipient employees. In this way, the ESOP trust encourages the employees to participate in management and thus help boost the corporate value.

2) Total number of shares we expect employees to receive

205,420 shares

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

Employees who meet the beneficiary requirements.

2. Treasury share purchases

Classes of shares

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

(1) Purchases approved by General Shareholders' Meeting

Nothing to disclose.

(2) Purchases approved by Board of Directors

Class of shares	Number	Total purchase price (yen)
Purchase plan approved on March 22, 2021 (Purchase period: March 23, 2021 to March 17, 2022)	550,000	1,500,000,000
Treasury stock purchased before the fiscal year under review	–	–
Treasury stock purchased during the fiscal year under review	464,400	1,499,689,985
Outstanding approved purchases	85,600	310,015
Unexercised portion as of end of the fiscal year under review (%)	15.6	0.0
Treasury stock purchased during purchase period	–	–
Unexercised portion as of filing date (%)	15.6	0.0

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 stock purchased before the fiscal year under review	–	–
Treasury stock purchased during the fiscal year under review	–	–
Outstanding approved purchases	1,000,000	1,500,000,000
Unexercised portion as of end of the fiscal year under review (%)	100.0	100.0
Treasury stock 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 stock purchased during the fiscal year under review	287	868,789
Treasury stock purchased during purchase period	–	–

- (Notes)
1. The number and purchase price reflect the impact of the 2-for-1 stock split enacted on October 1, 2021.
 2. Treasury purchased during purchase period excludes fractional share purchases occurring between June 1, 2022, and the date we filed this annual securities report.
 3. The amount of treasury shares purchased excludes treasury shares that the ESOP trust acquired.

(4) Treasury shares disposed, treasury shares held

Class of shares	Fiscal year under review		Purchase period	
	Number	Total disposition value (yen)	Number	Total disposition value (yen)
Treasury stock for which we solicited subscriptions	–	–	–	–
Treasury stock we disposed of	–	–	–	–
Treasury stock we transferred as part of a merger, stock swap, or split	–	–	–	–
Other: Treasury stock we purchased for ESOP trust	62,240	113,294,845	620	1,128,579
Treasury shares we continue to hold *Note 1	1,933,885	–	1,933,265	–

- (Notes)
1. The number and purchase price reflect the impact of the 2-for-1 stock split enacted on October 1, 2021.
 2. “Treasury shares we continue to hold” includes shares in our ESOP trust, which we purchased as follows:
Year under review: 205,420 Purchase period: 204,800
The amount of treasury shares held in the ESOP trust during the Purchase period includes those shares that we transferred from the trust to employees between June 1, 2022, and the date we filed this annual securities report.
 3. 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, 2022, 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. With dividend on equity ratio as our long-term benchmark for shareholder returns, we aim to maintain a dividend on consolidated equity ratio of 5% or more over the long term.

Guided by this policy, we have set the dividend for the fiscal year under review at 69.55 yen per share (139.10 yen *), with a dividend on equity of 5.1%. This includes a mid-term (end of second quarter) dividend of 32.55 yen per share (65.10 yen*) and an end-of-term dividend of 37.00 yen per share (74.00 yen*).

For the next fiscal year, we plan to pay a dividend of 74.00 yen per share (148.00 yen *), 4.45 yen higher than that for the year under review. This includes a mid-term dividend of 37.00 yen (74.00 yen *) and an end-of-term dividend of 37.00 yen (74.00 yen).

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

Date resolved	Total dividend (millions of yen)	Dividend per share (yen)
November 5, 2021 (resolved by Board of Directors)	1,849	32.55 (65.10*)
June 18, 2022 (resolved at AGM)	2,085	37.00 (74.00*)

(Notes) A 2-for-1 stock split was conducted on October 1, 2021.

The figures marked with an asterisk indicate the value when the impact of the stock split is discounted.

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 keep improving the quality of our technologies in an effort to make a better, more pleasant 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:
In pursuing our corporate values, we will also fulfill our corporate social responsibility—this includes complying with the law, protecting the environment, developing a thorough quality management system, and contributing to society. In other words, we make corporate social responsibility, as well as making a profit, a core part of our corporate values.
- A listed company will only achieve sustained growth if it enjoys the trust and support of its stakeholders. We understand that we can only realize our management philosophy and basic management policies if we make our business processes transparent, clearly delineate responsibilities, and disclose information forthrightly.

2) Corporate governance structures and the reasons for adopting them

- Outline of corporate governance structures

Boards

Our Board of Directors and our Audit and 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 resolve business matters
- Supervises the CEO's execution of business

Executive officers

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

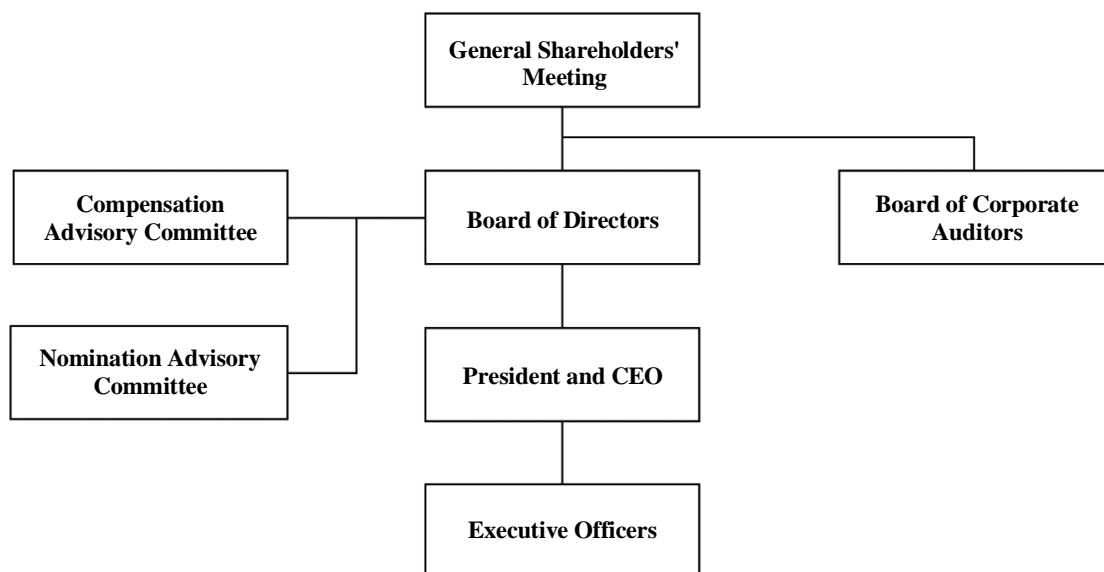
Compensation Advisory Committee

Advises the Board of Directors and the Audit and Supervisory Board on how much compensation to pay to directors and executive officers.

Nomination Advisory Committee

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

To ensure the independence of both committees, the majority of members are independent outside directors, and the chair is appointed from among the independent outside 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 director) Eiji Sato (President and CEO) Masayuki Hizume (outside director)	Chair Keiko Tsuchiya (outside director) Eiji Takehara (director) Yumiko Kamada (outside director) Ikumi Sato (outside audit)

- Why we have this system

We aim for a modern, advanced form of corporate governance, and we always look for ways to improve our system including considering “companies with an audit and supervisory committee” (*kansa-tō-i'inkai secchi kaisha*). At this point in time, the traditional Japanese *kansayaku* system can function more reliably for us, but we will keep open the possibility of adopting the 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 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 directors and employees fully understand the contents.
- We have provided the following rules to delineate the duties and authority of 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 Office of Internal Audits, which is independent of executive influence. The office reports the results of its audits to the Board of Directors, the Board of Corporate Auditors, and, if necessary, to our accounting auditors.
- We provide a whistleblowing system through which employees can contact an internal officer or external attorney.

- e. We designate one of our directors as compliance officer. An ethics committee (consisting of directors, Audit & Supervisory Board members, and employees) reviews important matters involving ethical and legal compliance. We also elect ethics officers from among employees.
- 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 directors perform

In accordance with our record-keeping rules, we keep physical and digital records of the duties our directors perform. Directors and Audit and 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 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 guidelines and risk escalation procedures. If necessary for minimizing damage and loss, we will establish an emergency taskforce to coordinate emergency responses.

Rules and measures for ensuring that 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. 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 directors accountable for achieving our annual and medium-term business plans as well our organization-specific missions and medium short-term goals.

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

- a. We assign a 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 Office of Internal Audits, 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 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 and Supervisory Board) if it requests such assistants and rules and measures for ensuring that such employees are independent of directors

- a. We designate employees to assist the Audit and 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 and Supervisory Board toward any performance evaluations of these assistants.

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

- a. Directors, in addition to their mandatory reporting, report to the Audit and Supervisory Board any breaches of a law or the Articles of Incorporation, or any material circumstances that impact our performance or that of a group company.
- b. Employees can report directly to the Audit and 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 and 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 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 Office of Internal Audits (which is independent of executive influence) cooperates closely with the Audit & Supervisory Board members. For example, it reports the results of its internal audits to the members and discusses the results with the members.
- d. We provide an annual reserve to cover expenses that Audit and 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 apposite. 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) measures for achieving this policy

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

- Agreements limiting personal liability for damages

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

- Number of directors

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

- Stipulations on electing directors

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

- Acquiring treasury shares

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

- Mid-term dividend

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

(2) Corporate officers

1) List of corporate officers

We have eight male and five female corporate officers (percentage of corporate officers who are female: 38.5%).

Title	Name	Date of birth	Career history		Term of office	Shares held (thousand)	
President Group CEO	Eiji Sato (Male)	May 3, 1969	April 1992	Tohmatsu & Co. (currently Deloitte Touche Tohmatsu LLC)	(Joined)	*Note 4	(Common) 388
			October 1999	es Networks Co., Ltd.	President		
			June 2008	Taiyo Holdings Co., Ltd.	Board Director		
			April 2010	Taiyo Holdings Co., Ltd.	Executive Vice President and Representative Director		
			July 2010	Taiyo Ink International (Singapore) Pte Ltd	Director		
			March 2011	es Holdings Co., Ltd. (currently es Networks Co., Ltd.)	Director		
			April 2011	Taiyo Holdings Co., Ltd.	President, Chief Executive Officer, Group Chief Executive Officer		
			April 2012	Taiyo Ink (Suzhou) Co., Ltd.	Director (present post)		
			December 2012	Onstatic Technology Co., Ltd.	Director (present post)		
			April 2014	Taiyo Ink Mfg. Co., Ltd.	President and Representative Director		
			December 2014	Taiyo Green Energy Co., Ltd.	President and Representative Director		
			June 2016	Taiyo Holdings Co., Ltd.	In charge of risk management		
			August 2017	Taiyo Pharma Co., Ltd.	Chairman of the Board and Representative Director (present post)		
			June 2018	Taiyo Ink Mfg. Co., Ltd.	Director (present post)		
April 2019	Taiyo Pharma Tech Co., Ltd.	Director					
October 2019	Taiyo Pharma Tech Co., Ltd.	President and Representative Director (present post)					
May 2022	Taiyo Holdings Co., Ltd.	President, Group Chief Executive Officer, Officer (Risk Management), CEO (Medical & Pharmaceutical Company) (present post)					

Title	Name	Date of birth	Career history		Term of office	Shares held (thousand)	
Director Deputy President	Hitoshi Saito (Male)	April 21, 1965	November 1995	Win System Inc. (Win System Europe)	Marketing Manager	*Note 4	(Common) 60
			September 1996	Taiyo Ink Mfg. Co., Ltd. (currently Taiyo Holdings Co., Ltd.)	(Joined)		
			June 2001	Taiyo Ink International (Singapore) Pte Ltd	Managing Director		
			July 2010	Taiyo Ink (Thailand) Co., Ltd.	General Manager/Director		
			July 2010	Taiyo Ink Mfg. Co., Ltd. (currently Taiyo Holdings Co., Ltd.)	General Manager of International Business Department		
			June 2012	Taiyo Ink Mfg. Co., Ltd.	Director (present post)		
			April 2015	Taiyo Ink Products Co., Ltd.	President and CEO		
			May 2016	Taiyo Ink Mfg. Co., (Korea) Ltd.	President and CEO		
			June 2016	Taiyo Holdings Co., Ltd.	Board Director		
			July 2016	Taiyo Holdings Co., Ltd.	Board Director and Senior Executive Officer		
			April 2019	Taiyo America, Inc.	Director (present post)		
			October 2019	Taiyo Ink International (Singapore) Pte Ltd	Director (present post)		
			February 2020	Taiyo Trading (Thailand) Co., Ltd.	Director (present post)		
			April 2020	Taiyo Ink Mfg. Co., (Korea) Ltd.	Chairman and CEO		
			April 2020	Taiyo Ink Products Co., Ltd.	Chairman and CEO		
			May 2020	Taiwan Taiyo Ink Co., Ltd.	Chairman of the Board (present post)		
			May 2020	Onstatic New Material (Jiangxi) Co., Ltd.	Director (present post)		
			June 2020	Onstatic Ink (Shenzhen) Co., Ltd.	Director		
			June 2020	Taiyo Circuit Automation, Inc.	Director (present post)		
			June 2020	Taiyo Ink Vietnam Co., Ltd	Chairman (present post)		
			October 2021	Onstatic Technology Co., Ltd. Director	Chairman of the Board (present post)		
			December 2021	Taiyo Ink (Suzhou) Co., Ltd.	Chairman of the Board (present post)		
			December 2021	Onstatic Ink (Shenzhen) Co., Ltd.	Chairman of the Board (present post)		
			January 2022	TBF Semiconductor Material (Shenzhen) Co., Ltd.	Director (present post)		
			January 2022	Taiyo Ink Trading (Shenzhen) CO., LTD.	Chairman of the Board (present post)		
			January 2022	Taiyo Ink Mfg. Co., (Korea) Ltd.	Director (present post)		
January 2022	Director of Taiyo Ink Products Co., Ltd. (present post)	Director (present post)					
May 2022	Taiyo Holdings Co., Ltd.	CEO of Electronics Company					
June 2022	Taiyo Holdings Co., Ltd.	Executive Vice President (present post)					

Title	Name	Date of birth	Career history			Term of office	Shares held (thousand)
Director	Eiji Takehara (Male)	September 7, 1963	April 1986 May 1999 November 2001 October 2010 June 2012 April 2013 June 2014 May 2016 June 2016 June 2016 June 2016 April 2017 May 2017 April 2018 June 2018 July 2018 April 2019 June 2022	Taiyo Holdings Co., Ltd. Taiyo Ink Mfg. Co., (Korea) Ltd. Taiyo Holdings Co., Ltd. Taiyo Ink Mfg. Co., Ltd. Taiyo Ink Mfg. Co., Ltd. Taiyo Holdings Co., Ltd. Taiyo Holdings Co., Ltd. Onstatic Technology Co., Ltd. Taiyo Ink Mfg. Co., Ltd. Taiwan Taiyo Ink Co., Ltd. Taiyo Green Energy Co., Ltd. Taiyo Green Energy Co., Ltd. Onstatic Ink (Shenzhen) Co., Ltd. Taiwan Taiyo Ink Co., Ltd. Taiyo Holdings Co., Ltd. Taiwan Taiyo Ink Co., Ltd. Taiyo Holdings Co., Ltd. Taiyo Holdings Co., Ltd.	(Joined) Director General Manager of Development Department I Director Executive Vice President and Representative Director Managing Director Board Director and Senior Executive Officer, Compliance Officer Director Director Chairman of the Board President and Representative Director Director (present post) Director Chairman of the Board and General Manager In charge of Taiyo Green Energy Co., Ltd. Chairman of the Board Officer in charge of Research Dept. Chairman of the Board, Senior Executive Officer, Compliance Officer, Officer in charge of Research Dept. (present post)	*Note 4	(Common) 81
Director	Masao Arima (Male)	January 24, 1969	April 1993 April 2010 April 2012 April 2014 April 2015 April 2015 April 2017 August 2017 January 2018 June 2021 May 2022 June 2022	Taiyo Holdings Co., Ltd. Japan Taiyo Company Taiyo Ink Mfg. Co., Ltd. Taiyo Ink Mfg. Co., Ltd. Taiyo Holdings Co., Ltd. Chugai Kasei Co., Ltd. (currently Taiyo Fine Chemicals Co., Ltd.) Taiyo Holdings Co., Ltd. Taiyo Pharma Co., Ltd. Taiyo Holdings Co., Ltd. Taiyo Pharma Tech Co., Ltd. Taiyo Holdings Co., Ltd. Taiyo Holdings Co., Ltd.	(Joined) General Manager of Technology Headquarters Development Department II Executive General Manager of Technology Development Department Executive General Manager of Sales Department, Senior Director of Research Dept. Director (present post) Head of New Business Office President and Representative Director (present post) Managing Director Director (present post) Managing Director, Chief Business Development Officer (Medical & Pharmaceutical Company) (present post) Director, CBDO of Medical and Pharmaceutical Company (present post)	*Note 4	(Common) 22

Title	Name	Date of birth	Career history		Term of office	Shares held (thousand)	
Director	Tomoyuki Tanaka	November 25, 1964	April 1988	Dainippon Ink and Chemicals, Incorporated (currently DIC Corporation)	(Joined)	*Note 4	-
			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.	Director (present post)		
Director	Masayuki Hizume (Male)	March 2, 1963	October 1988	Tohmatsu Awoki & Sanwa (currently Deloitte Touche Tohmatsu LLC)	(Joined)	*Note 4	(Common) 1
			January 1994	Hizume Certified Public Accounting Office	(Joined)		
			June 1994	Taiyo Holdings Co., Ltd.	Outside Audit & Supervisory Board Member		
			January 2001	Masayuki Hizume Certified Public Accounting Office (present post)	Head (present post)		
			June 2012	Taiyo Holdings Co., Ltd.	Outside Director (present post)		
			July 2012	Taiyo Ink Mfg. Co., (Korea) Ltd.	Director		
			April 2020	Hizume Tax Accounting Office	Representative Partner (present post)		
Director	Keiko Tsuchiya (Female)	May 13, 1960	April 1981	Dentsu Inc.	(Joined)	*Note 4	(Common) 0
			April 1989	Ferag Japan Co., Ltd.	(Joined)		
			April 1991	Australian Trade Commission, Tokyo	(Joined)		
			January 1994	Becton Dickinson Co., Ltd.	HR Planning & Organizational Effectiveness Director		
			July 2004	Human Value Inc.	Chief Researcher & Producer		
			October 2005	GE Toshiba Silicones Co., Ltd. (currently Momentive Performance Materials Japan LLC)	Executive Officer and General Manager, Human Resources for Pacific Region		
			January 2009	Cisco Systems LLC	Senior HR Manager		
			February 2011	Johnson & Johnson Medical Company	Vice President, Human Resources		
			August 2015	Adecco Ltd., Japan	CHRO		
			January 2016	Adecco Ltd., Japan	General Manager of People Value (present post)		
			June 2017	Taiyo Holdings Co., Ltd.	Outside Board Director (present post)		
			June 2019	Teachers Initiative	Director (present post)		
			June 2020	Nippon Light Metal Holdings Company, Ltd.	Outside Director (present post)		

Title	Name	Date of birth	Career history		Term of office	Shares held (thousand)
Director	Asako Aoyama (Female)	March 14, 1972	April 1994	Tohmatsu & Co. (currently Deloitte Touche Tohmatsu LLC) (Joined)		
			September 2001	Merrill Lynch Japan Securities Co., Ltd. (Joined)		
			October 2004	Coca-Cola (Japan) Company, Limited (Joined)		
			August 2008	Coca-Cola (Japan) Company, Limited	General Manager of Business Strategy Promotion	
			October 2010	Coca-Cola (Japan) Company, Limited	Manager of Commercial Finance CCL & Franchise Finance, Finance Headquarters	
			March 2011	Tokyo Coca-Cola Bottling Co., Ltd.	Director and CFO	
			July 2013	Coca-Cola East Japan Co., Ltd.	Executive Officer, Finance and Accounting General Manager	
			January 2016	Coca-Cola East Japan Co., Ltd.	Executive Officer, Commercial Finance General Manager	*Note 4
			May 2017	Coca-Cola Bottlers Japan Inc.	Executive Officer, Transformation Project Leader	(Common) 0
			June 2018	Taiyo Holdings Co., Ltd.	Outside Audit & Supervisory Board Member	
			February 2019	Coca-Cola Bottlers Japan Holdings Inc.	Executive Officer, Head of Business Development	
			January 2020	NEC Corporation	General Manager, Global Finance Division	
			June 2020	Taiyo Holdings Co., Ltd.	Outside Board Director (present post)	
			February 2021	Business Accounting Council	Provisional Member (present post)	
			April 2022	NEC Corporation	Executive Officer (present post)	
Director	Yumiko Kamada (Female)	February 23, 1966	April 1989	East Japan Railway Company (Joined)		
			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	*Note 4
			February 2015	Lumine Co., Ltd.	Part-time Director (present post)	(Common) 0
			March 2015	Pola Orbis Holdings Inc.	Outside Director	
			June 2015	The Michinoku Bank, Ltd.	Outside Director (present post)	
			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)	

Title	Name	Date of birth	Career history		Term of office	Shares held (thousand)	
Full-time Audit and Supervisory Board Member (outside)	Akihito Sakai (Male)	January 2, 1953	April 1975	Tokio Marine Insurance Co., Ltd (currently Tokio Marine & Nichido Fire Insurance Co., Ltd.)	(Joined)	*Note 3	-
			July 2003	Tokio Marine Anshin Life Insurance Co., Ltd. (currently Tokio Marine & Nichido Anshin Life Insurance Co., Ltd.)	(Seconded to)		
			July 2007	Tokio Marine Anshin Life Insurance Co., Ltd. (currently Tokio Marine & Nichido Anshin Life Insurance Co., Ltd.)	J-SOX Officer (Human Resources and General Affairs Department)		
			July 2008	Tokio Marine Anshin Life Insurance Co., Ltd. (currently Tokio Marine & Nichido Anshin Life Insurance Co., Ltd.)	J-SOX Officer (Legal Compliance Department)		
			January 2011	Taiyo Holdings Co., Ltd.	Management Consultant		
			June 2011	Taiyo Holdings Co., Ltd.	Outside Audit & Supervisory Board Member (present post)		
			May 2012	Taiyo Ink Mfg. Co., (Korea) Ltd.	Auditor		
Full-time Audit and Supervisory Board Member (outside)	Hidenori Sugiura (Male)	March 20, 1961	April 1984	The Long-Term Credit Bank of Japan, Limited	(Joined)	*Note 5	-
			July 1998	UBS Trust & Banking (Japan) Ltd	(Joined)		
			July 2000	IBJ Securities Co., Ltd. (currently 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)					

Title	Name	Date of birth	Career history			Term of office	Shares held (thousand)
Full-time Audit and Supervisory Board Member	Kaori Terunuma (Female)	December 29, 1982	April 2005	Mitsui & Co., Ltd.	(Joined)	*Note 5	(Common) 0
			August 2013	CROSS FIELDS	(Joined)		
			March 2016	coconala Inc.	(Joined)		
			June 2019	Taiyo Holdings Co., Ltd.	(Joined)		
			January 2020	Taiyo Holdings Co., Ltd.	Director of the Accounting Department (present post)		
			July 2020	Taiyo Ink (Suzhou) Co., Ltd.	Auditor (present post)		
			October 2020	Taiyo Ink Products Co., Ltd.	Auditor (present post)		
			June 2022	Taiyo Ink Mfg. Co., Ltd.	Audit & Supervisory Board Member		
Audit and Supervisory Board Member (outside)	Ikumi Sato (Female)	December 25, 1963	April 1990	Tokyo Bar Association	Registered as an attorney at law	*Note 5	-
			March 1992		Cancellation of registration in Tokyo Bar Association for travel to the United States		
			September 1995		Registered as an attorney, State of New York, USA		
			September 1995	Daini Tokyo Bar Association	Re-registered as an attorney at law		
			March 2013	Yabuki Law Offices	(Joined)		
			April 2017	Daini Tokyo Bar Association	Deputy Chair		
			April 2018	Japan Federation of Bar Associations	Executive Governor		
			April 2019	Ministry of Internal Affairs and Communications	Information Disclosure and Personal Information Protection Commission Member		
			June 2019	DAI-DAN Co., Ltd.	Audit & Supervisory Board Member		
			January 2021	Nozomi Sogo Attorneys at Law (present post)	Partner and Attorney (present post)		
			April 2021	Executive Governor, Japan Attorneys National Pension Fund	Executive Governor (present post)		
			June 2021	DAI-DAN Co., Ltd.	Outside Director (present post)		
	June 2022	Taiyo Holdings Co., Ltd.	Outside Audit and Supervisory Board Member (present post)				
Total of shares held							(Common) 556

- (Notes)
- Masayuki Hizume, Keiko Tsuchiya, Asako Aoyama, and Yumiko Kamada are outside directors.
 - Akihito Sakai, Hidenori Sugiura, and Ikumi Sato are outside members of the Audit and Supervisory Board.
 - Four years from the close of the 73rd Ordinary General Shareholders' Meeting (June 22, 2019)
 - Two years from the close of the 76th Ordinary General Shareholders' Meeting (June 18, 2022)
 - Four years from the close of the 76th Ordinary General Shareholders' Meeting (June 18, 2022)
 - We introduced an executive officer system to energize the Board of Directors and streamline work processes. There are 17 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	Fumihiko Kojin
Executive Officer	Sayaka Tomioka
Executive Officer	Kazuyuki Nishikawa
Executive Officer	Takuji Maekawa
Executive Officer	Bae Hyunki
Executive Officer	Cho Kyunsu
Executive Officer	Yukiko Yoshino
Executive Officer	Taisuke Ikeda

2) Outside board members

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

- Masayuki Hizume (outside director)
Masayuki Hizume is a representative partner of Masayuki Hizume Certified Public Accounting Office and Hizume Tax Accounting Office. We have no special relationship with either organization.
- Keiko Tsuchiya (outside director)
Keiko Tsuchiya 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 director)
Asako Aoyama heads the Global Finance Division of NEC Corporation and serves as a temporary member of the Business Accounting Council. We have no special relationship with either organization.
- Yumiko Kamada (outside director)
Yumiko Kamada serves as representative director of ONE · GLOCAL, as a part-time director of Lumine Co., Ltd., and as an outside director of The Michinoku Bank, Ltd. We have no special relationship with any of those organizations.
- Hidenori Sugiura (outside Audit and Supervisory Board member)
Hidenori Sugiura serves on the Audit and Supervisory Board of Taiyo Pharma Tech 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.

We have established a set of criteria for confirming the independence of outside directors and outside Audit and Supervisory Board members. The criteria are based on the TSE Independence standards and qualification for independent directors. We have deemed all of our outside directors and outside Audit and 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 Directors and Outside Audit and Supervisory Board Members

A director or Audit and 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 in each of 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 in each of 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) The person provides or represents an organization that provides business consulting services, accounting services, legal services, or similar professional services, and the person or

organization the person represents receives from Taiyo Holdings a certain amount or non-monetary property other than executive compensation. If the person is the receiver, “a certain amount or non-monetary property other than executive compensation” means property that has a three-year average value of at least 10 million yen. If the organization is the receiver, it means 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 and 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 at least 10 million yen over the most recent three years.
 - (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 director.
- 3) How outside directors and outside Audit and Supervisory Board members coordinate with internal auditors and the accounting auditor, and how they interact with the Office of Internal Audits

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

(3) Auditing and supervision

1) Corporate auditors

- Audit and Supervisory Board

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

- Tripartite audits

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

- Board meetings

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

- Board members

As of end of the period under review, the Audit and Supervisory Board has three members, two of whom are from outside the company. Akihito Sakai (outside member) has extensive insight in finance, accounting, and legal affairs, which he gained from his experience in the business world. Hidenori Sugiura (outside 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. Masaru Oki (internal member) has broad business knowledge and experience, which he developed during his service as an executive officer for Taiyo Holdings.

- During the period under review, the Audit and Supervisory Board met 11 times. The attendance of each member is reported below.

Title	Name	Total meetings held	Number of meetings attended
Full-time Audit and Supervisory Board Member (outside)	Akihito Sakai	11	11
Full-time Audit and Supervisory Board Member (outside)	Hidenori Sugiura	11	11
Audit and Supervisory Board Member	Masaru Oki	11	11

The main topics discussed at meetings include the general audit/supervisory plan, the actions members take under this plan, how effectively internal controls are functioning, the accounting auditor's approach, and whether the accounting auditor's results are valid.

Full-time members undertake the following actions: They liaise with 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 directors and with their audit/supervisory counterparts and review the subsidiary's business report. Additionally, the full-time members review the accounting auditor's actions and its report.

2) Office of Internal Audits

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

3) Accounting auditor

a. Name of accounting auditor

PricewaterhouseCoopers Aarata LLC

b. Period of continuous auditing

3 years

c. Certified accountants who conduct the accounting audits

Tsuyoshi Saito

Yoshihiro Shiribiki

d. Accounting auditor's assistants

The accounting auditor is assisted by four certified public accountants, five persons who have passed the certified public accountant exam, and 12 other assistants.

e. Why we chose this firm as our 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 and Supervisory Board, if it falls under any of items in Article 340-1 of the Companies Act. If the accounting auditor is dismissed in this way, the Audit and 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 and 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 general shareholders' meeting to dismiss, or to not re-elect, the accounting auditor.

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

Audit and 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

Classification	Previous consolidated fiscal year (millions of yen)		Consolidated fiscal year under review (millions of yen)	
	Remuneration for certified audits	Remuneration for non-audit services	Remuneration for certified audits	Remuneration for non-audit services
Filing company (Taiyo Holdings)	94	–	92	–
Consolidated subsidiaries	32	–	18	–
Total of shares held	126	–	110	–

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)

Classification	Previous consolidated fiscal year (millions of yen)		Consolidated fiscal year under review (millions of yen)	
	Remuneration for certified audits	Remuneration for non-audit services	Remuneration for certified audits	Remuneration for non-audit services
Filing company (Taiyo Holdings)	–	–	–	55
Consolidated subsidiaries	28	5	37	11
Total of shares held	28	5	37	66

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

The non-audit services for which consolidated subsidiaries paid 5 million yen in the previous consolidated fiscal year and 11 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

Previous fiscal year

Nothing to disclose.

Year under review

Nothing to disclose.

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 and Supervisory Board unanimously consented to the accounting auditor's remuneration

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

(4) Remuneration for corporate officers

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

Upon the advice of the Compensation Advisory Committee, the Board of Directors, at a meeting held on June 19, 2021, determined the remuneration for each director as follows.

At the 76th Ordinary General Shareholders' Meeting, held on June 18, 2022, the shareholders approved a proposal to revise the compensation system for directors. On the same day, the Board of Directors resolved to amend parts of the Articles of Incorporation pertaining to remuneration paid to directors in and after the fiscal year under review. For details about the amended policy, see "Note 7. Amended policy."

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 contribute toward Taiyo Holdings' corporate value and to identify more closely with the interests of 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 (directors' base salary and executive directors' performance-linked cash compensation, performance-linked share compensation, and transfer-restricted share 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 share 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 share compensation package fosters share-consciousness.

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 and Supervisory Board members	Executive directors (*Note 1)	Executive directors (*Note 1)	Executive directors (*Note 1)
Description	Monthly salaries are paid in cash	We determine the total amount based on profit attributable to owners of parent as of the relevant fiscal year. We then determine the amounts for each recipient according to their officer status and pay these amounts in cash.	We determine the total amount based on profit attributable to owners of parent as of the relevant fiscal year. We then determine the amounts for each recipient according to their officer status and pay these amounts in cash as property to be exchanged for the allotted common shares.	Recipients receive monetary claims commensurate with the rank they served during the eligibility period. They undertake to exchange these monetary claims for their allotted shares of common stock.

Date approved by shareholders	Director salary: June 29, 2010 (64th AGM) A&SB member salary: June 28, 2011 (65th AGM)	June 20, 2014 (68th AGM)	June 19, 2021 (75th AGM)	June 19, 2021 (75th AGM)
Resolution	Director salary: Total monthly salary capped at 300 million yen. A&SB member salary: Total monthly salary capped at 5 million yen.	Executive directors receive performance-linked cash compensation capped at 1.6 % of profit (*Note 2) for the relevant fiscal year.	Executive directors receive “performance-linked stock compensation” capped at 3.4 % of profit attributable to owners of parent for the relevant business term. The recipients are expected to exchange the entirety of their compensation for their allotted shares (provided by issuing additional stock or by reselling treasury stock). The maximum number of performance-linked shares that can be allotted in any fiscal year (“Performance Share Cap”) is 200,000 (*Note 4).	Executive directors receive “restricted stock compensation” (monetary claims) capped at 300 million yen and exchange the claims for restricted stock. The maximum number of transfer-restricted shares that can be allotted in any fiscal year (“Restricted Share Cap”) is 80,000 (*Note 5).
Number of recipients (at close of AGM)	Directors: 6 A&SB members: 4 (3 of whom are outside members)	5	3	3
Amount, calculation of compensation other than performance-linked or nonmonetary compensation	Directors: Directors receive a monthly salary commensurate with their rank. A&SB members: The members negotiate a salary.	–	–	–
Performance metric or formula used for performance-linked compensation	–	*Note 3	*Note 4	–
Form/amount of, formula used for nonmonetary compensation	–	–	*Note 4	*Note 5

Reason for using profit attributable to owners of parent as metric	–	Executive directors receive a portion of the benefits that we deliver to shareholders (after having allocated benefits to trading partners, employees, banks, national and local governments, and other interested parties). We consider this metric reasonable in that it encourages executive directors to identify with the interests of shareholders. The amounts of both performance-linked cash compensation and performance-linked share compensation vary according to profit attributable to owners of parent. We pay neither form of compensation if profit attributable to owners of parent is in negative territory. Therefore, when profit attributable to owners of parent is low or negative, executive directors' compensation will be low also.			–
Formula for determining breakdown of recipient's compensation	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. 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, come 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.				
When compensation is paid, payment terms	Paid monthly	Paid within 1 month from AGM	Paid within 1 month from AGM	Paid within 2 months from AGM in previous fiscal year (payment period)	
How each recipient's amount is determined	<ul style="list-style-type: none"> 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
- “Executive directors” refers to class of directors in Article 69-9:1 of the Order for Enforcement of the Corporation Tax Act.
 - In the 70th business term, we renamed “profit” (in the consolidated statements of income) to “profit attributable to owners of parent” to reflect a revision of the Japanese Accounting Standards made in September 2013. Accordingly, in the 70th business term, the metric for performance cash pay became profit attributable to owners of parent. However, this change was only nominal; the metric for performance cash remained the same in effect.
 - Performance-linked cash compensation
 - 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.
 - Calculation method

The total amount is 1.6% of profit attributable to owners of parent.

 - 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 attributable to owners of parent is in negative territory.
 - The amount of profit attributable to owners of parent will be rounded down to the nearest million yen.

iii) Allocating among the recipients

We assign points to each executive director according to their officer status. We multiply the total performance-linked share compensation by an amount equivalent to the points awarded to each director. We then divide this amount by the total points awarded to all directors. The points to be allocated for each officer status is 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 average monthly points he or she earned during the period from the month following the month in which he or she became an eligible recipient until the month in which he or she left office.

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 property to be exchanged for common shares. We allot common shares to the eligible executive directors, by issuing new shares or by disposing of treasury shares, within Performance Share Cap (200,000 shares. The cap was approved at 100,000 at the 75th Ordinary General Shareholders Meeting, held on June 19, 2021, but following a 2-for-1 stock split on October 1 of that year, the cap was restated as 200,000.) 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 undertake 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, hypothecate, or otherwise dispose of the shares 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 prevents 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 transfers their right to receive performance-linked stock compensation to another person, this person will receive the compensation in cash only.

ii) Calculation method

The total amount is 3.4% of profit attributable to owners of parent.

- This amount must be within the defined amount determined by the Board of Directors.
- None of this compensation will be provided if profit attributable to owners of parent is in negative territory.
- The amount of profit attributable to owners of parent will be rounded down to the nearest million yen.

iii) Allocating among the recipients

We assign points to each executive director according to their officer status. We multiply the total performance-linked stock compensation by an amount equivalent to the points awarded to each director. We then divide this amount by the total points awarded to all directors. The points to be allocated for each officer status is 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 average monthly points he or she earned during the period from the month following the month in which he or she became an eligible recipient until the month in which he or she left office.

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 undertake 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 following a 2-for-1 stock split on October 1 of that year, the cap was restated as 80,000.) 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 stock. 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. The cap was approved at 1,420,000 at the 75th Ordinary General Shareholders Meeting, held on June 19, 2021, but following a 2-for-1 stock split on October 1 of that year, the cap was restated as 2,840,000.)
- 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 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. Amended policy

At the 76th Ordinary General Shareholders' Meeting, held on June 18, 2022, the shareholders approved a proposal to revise the compensation system for directors (proposal 5) and for Audit and Supervisory Board members (proposal 6). On the same day, the Board of Directors resolved to amend parts of the Articles of Incorporation pertaining to basic salary, performance-linked cash compensation, and performance-linked stock compensation.

* Underlined text indicates an amendment.

Item	Basic salary	Performance-linked cash compensation	Performance-linked stock compensation
Description	Monthly salaries are paid in cash	We determine the total amount <u>taking into account profit before income taxes as measured by effective tax rate and profit attributable to non-controlling interests</u> . We then determine the amounts for each recipient according to their officer status and pay these amounts in cash.	We determine the total amount <u>taking into account profit before income taxes as measured by effective tax rate and profit attributable to non-controlling interests</u> . We then determine the amounts for each recipient according to their officer status and pay these amounts in cash as property to be exchanged for the allotted common shares.
Resolution	Director salary: Total monthly salary capped at 300 million yen. A&SB member salary: Total monthly salary capped at <u>7 million yen</u> .	Executive directors receive performance-linked cash compensation <u>within an amount determined by the following formula (cap)</u> . <u>Performance-linked cash compensation (cap) = Profit before income taxes × (Note A) × 1.6%</u>	Executive directors receive performance-linked cash compensation <u>within an amount determined by the following formula (cap)</u> . The maximum number of performance-linked shares that can be allotted in any fiscal year ("Performance Stock Cap") is 200,000 (*Note C). <u>Performance-linked stock compensation (cap) = Profit before income taxes × (Note A) × 3.4%</u>
Performance metric or formula used for performance-linked compensation	–	<u>*Note B</u>	<u>*Note C</u>
Form/amount of, formula used for nonmonetary compensation	–	–	<u>*Note C</u>

Item	Basic salary	Performance-linked cash compensation	Performance-linked stock compensation
Reason for using <u>profit before income taxes</u> as metric	-	<p><u>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. Therefore, this metric is reasonable in that it encourages executive directors to identify with the interests of shareholders.</u></p> <p><u>Profit before income taxes is calculated based on the average effective tax rate and profit attributable to non-controlling interests for the most recent three fiscal years and 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.</u></p> <p><u>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.</u></p>	

Notes A. (1 – Average effective tax rate for most recent three fiscal years – Profit attributable to non-controlling 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.
- “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 – Average effective tax rate for most recent three fiscal years – Profit attributable to non-controlling interests for the most recent three fiscal years” is rounded to two decimal places.

B. Performance-linked cash compensation

i) Overview

No change

ii) Calculation method

Performance-linked cash compensation (total amount to be paid) = Profit before income taxes × (Note A) × 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) Allocating among the recipients

No change

C. Performance-linked stock compensation

i) Overview

No change

ii) Calculation method

Performance-linked stock compensation (total amount to be paid) = Profit before income taxes × (Note A) × 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) Allocating among the recipients

No change

D. Guidelines on share-based compensation

We will 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 will specify a method for adjusting the amount of compensation for 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 directors and advise the Board of Directors on its findings. The Board of Directors will then make the final decision on the compensation for directors.

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

The Board of Directors is satisfied on this matter because it followed the advice of the Compensation Advisory Committee, which reviewed the matter comprehensively and in line with the company's policy on directors' compensation.

c) Performance-linked stock compensation for FYE March 2023 (the 77th business term)

The Board of Directors determined, at a meeting held on June 18, 2022, the following items for FYE March 2023 (the 77th business term): 1) the performance-linked stock compensation under the amended policy as described in "Note 7. Amended policy" (the formula being that described in A: "1 – Average effective tax rate for most recent three fiscal years – Profit attributable to non-controlling interests for the most recent three fiscal years"), 2) the defined amounts for performance-linked cash compensation in Note B ii, 3) the performance-linked stock compensation in Note C ii, and 4) the rank-specific points for recipients in Note C 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 – Profit attributable to non-controlling interests for the most recent three fiscal years) *Note 1.		70.71%																												
Defined amount (cap)	208,000,000 yen	884,000,000 yen																												
Rank-specific points *Note 2	<table border="1"> <thead> <tr> <th>Officer status</th> <th>Points</th> </tr> </thead> <tbody> <tr> <td>Chairman of the Board</td> <td>101</td> </tr> <tr> <td>President and CEO</td> <td>169</td> </tr> <tr> <td>Deputy 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>Director</td> <td>66</td> </tr> </tbody> </table>	Officer status	Points	Chairman of the Board	101	President and CEO	169	Deputy President	132	Senior Managing Director	101	Managing Director	78	Director	66	<table border="1"> <thead> <tr> <th>Officer status</th> <th>Points</th> </tr> </thead> <tbody> <tr> <td>Chairman of the Board</td> <td>36</td> </tr> <tr> <td>President and CEO</td> <td>120</td> </tr> <tr> <td>Deputy 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>Director</td> <td>12</td> </tr> </tbody> </table>	Officer status	Points	Chairman of the Board	36	President and CEO	120	Deputy President	65	Senior Managing Director	36	Managing Director	24	Director	12
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(Notes) 1. The figure is rounded to two decimal places. The average effective tax rate for most recent three fiscal years and the average 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.

	FYE Mar 2020	FYE Mar 2021	FYE Mar 2022	Average for most recent three fiscal years
Effective tax rate	27.66%	28.24%	29.25%	28.38%
Profit attributable to non-controlling interests	1.06%	0.50%	1.14%	0.90%

2. Fractional amounts of less than 1 yen are rounded off, with the difference added to the President and CEO's compensation.

In the Consolidated Financial Results for the Fiscal Year Ended March 31, 2022, released on April 28, 2022, we forecasted 12,800 million yen in profit attributable to owners of parent for the 77th business term (ending March 31, 2023). For the same year, we forecasted 18,400 million yen in profit before income taxes. The following table shows amounts we would provide in performance-linked cash compensation and performance-linked share compensation for the 77th business term under five hypothetical scenarios.

(millions of yen)

Profit before income taxes (millions of yen)		0	9,200	18,400	27,600	36,800
Performance-linked cash compensation	President and CEO	–	20	40	60	81
	Deputy President	–	15	31	47	63
	Director (2)	–	15	31	47	63
	Total	–	52	104	156	208
Performance-linked stock compensation	President and CEO	–	126	253	380	507
	Deputy President	–	68	137	206	275
	Director (2)	–	25	50	76	101
	Total	–	221	442	663	884

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	
Director (excluding outside directors)	763	89	188	401	83	–	4
Audit and Supervisory Board members (excluding outside members)	6	6	–	–	–	–	1
Outside officer	84	84	–	–	–	–	6

(Notes) 1. At a meeting on April 22, 2010, the Board of Directors resolved to end the program of retirement benefits for outgoing corporate officers. At the 64th Ordinary General Shareholders Meeting on June 29, 2010, the shareholders approved the board's proposal to make final payment of these benefits.

These payments will be affected 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 attributable to owners of parent	8,300 million yen	11,803 million yen

(Note) The targeted figure represents the forecast for profit attributable to owners of parent made at the time of the consolidated forecasts for FYE March 2022 (76th business term), which were disclosed in the financial results digest for FYE March 2021, released on April 30, 2021.

- The nonmonetary compensation paid in FYE March 2022 consisted of performance-linked stocks and transfer-restricted stocks (pay-in date: July 16, 2021; amount paid in per share: 5,250 yen) as described below. This compensation was approved by the Board of Directors at a meeting on July 1, 2021.

	Performance-linked stock compensation	Transfer-restricted stock compensation
Recipients	Three executive directors	Three executive directors
Amount	27,200 shares	15,862 shares
Period of agreement	July 16, 2021 to July 15, 2024	July 16, 2021 to July 15, 2031

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	533	Director	Filing company (Taiyo Holdings Co., Ltd.)	47	106	334	44	–
		Director	Taiyo Ink Mfg. Co., Ltd.	1	–	–	–	–
Hitoshi Saito	113	Director	Filing company (Taiyo Holdings Co., Ltd.)	18	41	33	19	–
		Director	Taiyo Ink Mfg. Co., Ltd.	1	–	–	–	–
Eiji Takehara	113	Director	Filing company (Taiyo Holdings Co., Ltd.)	19	41	33	19	–

(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 directors' remuneration (total/individual amounts and formulas), but it respects the advice of the Compensation Advisory Committee. The majority of the members of this committee are independent outsiders (as defined in Article 69-18 of the Order for Enforcement of the Corporation Tax Act).

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 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 latest 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 period under review. During these meetings, the members reviewed what the defined amount of 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. It 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 share compensation.

- In view of the committee's findings, the Board of Directors is satisfied that the directors' compensation for the most recent fiscal year is consistent with the company's policy on directors' compensation.
- Respecting the findings of the Compensation Committee, the board determined amendments to 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 share returns. We classify the same as being held for “other purposes” when the purpose is otherwise.

2) Equity securities held for purposes other than pure investment

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 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

Nothing to disclose.

Company stocks in which holdings increased in the current business term

Nothing to disclose.

Company stocks in which holdings decreased in the current business term

Nothing to disclose.

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

Specified equity securities

Nothing to disclose.

Deemed holdings of equity securities

Nothing to disclose.

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

Class of shares	Year under review		Previous fiscal year	
	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	399	6	599
Other shares	31	1,406	8	1,256

Class of shares	Year under review		
	Total dividend income (millions of yen)	Gain (loss) on sale (millions of yen)	Appraisal gain (loss) (millions of yen)
Unlisted shares	0	–	(199)
Other shares	23	–	413

(Note) In the unlisted shares, the appraisal loss of 199 million yen was the result of recognizing impairment.

- 4) Equity securities “held purely for the purpose of investment” that became those held for “other purposes” during the current business term

Nothing to disclose.

- 5) Equity securities held for “other purposes” that became those “held purely for the purpose of investment” during the current business term

Nothing to disclose.

V. Financial Information

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

(1) Consolidated financial statements

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

(2) Non-consolidated financial statements

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

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

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, 2021, to March 31, 2022) and our non-consolidated financial statements for the fiscal year under review (April 1, 2021, to March 31, 2022).

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

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

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

1. Consolidated financial statements, other consolidated financial information

(1) Consolidated financial statements

1) Consolidated balance sheet [Unaudited]

(millions of yen)

	As of March 31, 2021	As of March 31, 2022
Assets		
Current assets		
Cash and deposits	54,705	51,557
Notes and accounts receivable - trade	*2 22,527	*1, *2 27,558
Merchandise and finished goods	6,621	8,096
Work in process	1,530	1,573
Raw materials and supplies	5,297	6,714
Other	2,332	3,397
Allowance for doubtful accounts	(77)	(131)
Total current assets	92,937	98,766
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	16,458	20,567
Machinery, equipment and vehicles, net	11,131	10,450
Tools, furniture and fixtures, net	1,332	1,906
Land	11,827	13,969
Construction in progress	4,464	4,031
Other	1,134	1,329
Total property, plant and equipment	*3 46,348	*3 52,255
Intangible assets		
Goodwill	6,404	5,972
Sales rights	19,508	17,483
Customer-related assets	6,428	5,952
Other	2,608	2,650
Total intangible assets	34,949	32,058
Investments and other assets		
Investment securities	2,766	3,183
Shares of subsidiaries and associates	166	830
Deferred tax assets	272	460
Retirement benefit asset	305	410
Other	1,427	1,482
Allowance for doubtful accounts	(171)	(174)
Total investments and other assets	4,765	6,192
Total non-current assets	86,063	90,507
Total assets	179,001	189,273

(millions of yen)

	As of March 31, 2021	As of March 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	7,907	9,255
Short-term borrowings	*4 10,494	*4 13,232
Current portion of long-term borrowings	11,391	16,537
Accounts payable - other	3,936	5,105
Income taxes payable	1,434	2,541
Provision for bonuses	907	1,308
Other provisions	139	82
Other	1,894	1,338
Total current liabilities	38,107	49,403
Non-current liabilities		
Deferred tax liabilities	2,862	3,502
Long-term borrowings	59,333	48,383
Retirement benefit liability	150	116
Other provisions	87	87
Asset retirement obligations	853	1,025
Other	1,110	1,287
Total non-current liabilities	64,397	54,403
Total liabilities	102,504	103,806
Net assets		
Shareholders' equity		
Share capital	9,499	9,612
Capital surplus	14,985	14,734
Retained earnings	53,065	60,321
Treasury shares	(3,365)	(4,752)
Total shareholders' equity	74,184	79,916
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	203	321
Foreign currency translation adjustment	1,751	5,187
Remeasurements of defined benefit plans	(0)	40
Total accumulated other comprehensive income	1,954	5,549
Non-controlling interests	357	1
Total net assets	76,497	85,466
Total liabilities and net assets	179,001	189,273

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

(millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Net sales	80,991	97,966
Cost of sales	*2 46,125	*2 55,099
Gross profit	34,865	42,866
Selling, general and administrative expenses	*1, *2 20,922	*1, *2 24,908
Operating income	13,943	17,958
Non-operating income		
Interest income	47	48
Dividend income	25	26
Compensation income	–	286
Subsidy income	74	136
Outsourcing service income	41	188
Gain on investments in investment partnerships	43	14
Other	160	189
Total non-operating income	393	890
Non-operating expenses		
Interest expenses	228	261
Commission expenses	10	11
Loss on retirement of non-current assets	90	109
Foreign exchange losses	118	158
Loss on valuation of investment securities	–	199
Other	70	46
Total non-operating expenses	517	786
Ordinary income	13,819	18,062
Extraordinary losses		
Loss on valuation of shares of subsidiaries and associates	246	–
Impairment losses	*3 199	*3 1,102
Total extraordinary losses	445	1,102
Profit before income taxes	13,374	16,959
Income taxes - current	3,031	4,564
Income taxes - deferred	745	396
Total income taxes	3,777	4,960
Profit	9,597	11,998
Profit attributable to non-controlling interests	67	194
Profit attributable to owners of parent	9,529	11,803

Consolidated statement of comprehensive income [Unaudited]

(millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Profit	9,597	11,998
Other comprehensive income		
Valuation difference on available-for-sale securities	195	117
Foreign currency translation adjustment	2,227	3,454
Remeasurements of defined benefit plans, net of tax	(7)	40
Total other comprehensive income	* 2,414	* 3,612
Comprehensive income	12,012	15,611
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	11,913	15,398
Comprehensive income attributable to non-controlling interests	98	213

3) Consolidated statement of changes in equity [Unaudited]

Fiscal year ended March 31, 2021

(millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	9,428	14,913	47,260	(1,950)	69,651
Changes during period					
Dividends of surplus			(3,724)		(3,724)
Profit attributable to owners of parent			9,529		9,529
Purchase of shares of consolidated subsidiaries					-
Issuance of new shares	71	71			143
Purchase of treasury shares				(1,500)	(1,500)
Disposal of treasury shares				85	85
Net changes in items other than shareholders' equity					
Total changes during period	71	71	5,804	(1,415)	4,533
Balance at end of period	9,499	14,985	53,065	(3,365)	74,184

	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	8	(444)	7	(429)	301	69,523
Changes during period						
Dividends of surplus						(3,724)
Profit attributable to owners of parent						9,529
Purchase of shares of consolidated subsidiaries						-
Issuance of new shares						143
Purchase of treasury shares						(1,500)
Disposal of treasury shares						85
Net changes in items other than shareholders' equity	195	2,196	(7)	2,384	56	2,440
Total changes during period	195	2,196	(7)	2,384	56	6,973
Balance at end of period	203	1,751	(0)	1,954	357	76,497

Fiscal year ended 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
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
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

4) Consolidated statement of cash flows [Unaudited]

(millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Cash flows from operating activities		
Profit before income taxes	13,374	16,959
Depreciation	6,994	7,497
Impairment losses	199	1,102
Amortization of goodwill	483	487
Commission expenses	10	11
Loss (gain) on valuation of investment securities	–	199
Loss on valuation of shares of subsidiaries and associates	246	–
Loss (gain) on investments in investment partnerships	(43)	(14)
Loss on retirement of non-current assets	90	109
Compensation income	–	(286)
Subsidy income	(45)	(103)
Decrease (increase) in retirement benefit asset	1	(64)
Increase (decrease) in retirement benefit liability	(45)	(35)
Increase (decrease) in allowance for doubtful accounts	0	27
Increase (decrease) in provision for bonuses	100	378
Interest and dividend income	(72)	(75)
Interest expenses	228	261
Decrease (increase) in consumption taxes refund receivable	(764)	(555)
Decrease (increase) in trade receivables	(1,650)	(2,504)
Decrease (increase) in inventories	(1,679)	(2,407)
Increase (decrease) in trade payables	(67)	(75)
Other, net	856	868
Subtotal	18,211	21,781
Interest and dividends received	72	75
Interest paid	(229)	(259)
Proceeds from compensation	–	286
Income taxes paid	(1,742)	(3,575)
Net cash provided by (used in) operating activities	16,312	18,308
Cash flows from investing activities		
Payments into time deposits	(673)	(500)
Proceeds from withdrawal of time deposits	372	516
Purchase of property, plant and equipment	(4,080)	(9,134)
Purchase of intangible assets	(6,994)	(1,211)
Purchase of investment securities	(304)	(464)
Purchase of shares of subsidiaries and associates	–	(650)
Other, net	77	186
Net cash provided by (used in) investing activities	(11,603)	(11,258)

(millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	5,030	1,616
Proceeds from long-term borrowings	28,795	5,600
Repayments of long-term borrowings	(8,658)	(11,469)
Purchase of treasury shares	(1,510)	(1,512)
Dividends paid	(3,724)	(4,543)
Dividends paid to non-controlling interests	(41)	(68)
Proceeds from issuance of shares	60	142
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	–	(865)
Other, net	(195)	(178)
Net cash provided by (used in) financing activities	19,755	(11,279)
Effect of exchange rate change on cash and cash equivalents	730	1,072
Net increase (decrease) in cash and cash equivalents	25,194	(3,157)
Cash and cash equivalents at beginning of period	29,115	54,309
Cash and cash equivalents at end of period	* 54,309	* 51,152

Notes on consolidated financial statements

Basic factors underlying our consolidated financial statement

1. Scope of consolidation

(1) Major consolidated subsidiaries

We have 25 consolidated subsidiaries.

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

In the period under review, one company was added to the scope of consolidation: TBF Semiconductor Material (Shenzhen) Co., Ltd.

(2) Major non-consolidated subsidiaries

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

We exclude these 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. 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) How we state major assets, and how we determine the stated value

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) How we depreciate 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 life of these assets is generally as follows.

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

2) Intangible assets

Software (for internal use) We apply the straight-line method based on the period for which we expect to 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) How we account for major reserves

1) Allowance for doubtful accounts

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

2) Provision for bonuses

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

(4) How we account for retirement benefits

1) Attributing projected retirement benefits to periods of service

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

We amortize actuarial gains / losses using the straight-line method and starting from the fiscal year following that in which we recognized the gain / loss. The amortization period is, at five years, shorter than the employees' average remaining service period.

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

3) Simplified accounting procedures for smaller companies

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

(5) 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 PWBs and other electronic components, and that manufactures, sells, and provides contracted 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) How we redenominate major foreign assets/liabilities

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

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

(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 the redemption date is not more than three months away.

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

1) Consumption taxes

We account for consumption taxes using the tax excluded method.

2) Applying the consolidated tax system

We apply this system.

3) Application of tax-effect accounting following shift from consolidated tax system to group relief system

In the next fiscal year, the Company and some consolidated subsidiaries in Japan are shifting to the group tax-sharing system, established by the Act for the Revision of the Income Tax Act and Other Relevant Acts (Act 8 of 2020). Stated below are the disclosable matters concerning this transition and how this transition effects non-consolidated tax return practices. Pursuant to Paragraph 3 of the Practical Expedients on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the

Group Tax Sharing System (ASBJ PITF 39, March 31, 2020), deferred tax assets / liabilities will be treated as they were before the legal revision, without applying Paragraph 44 of the Implementation Guidance on Tax Effect Accounting (ASBJ Guidance 28, February 16, 2018).

From the beginning of the fiscal year ending March 2024, we plan to apply the ASBJ's Practical Solution 42 (Practical Solution for Accounting and Disclosure Under the Group Tax Sharing System, August 12, 2021), which provides accounting and disclosure standards for corporate and local income taxes and tax effect accounting where the group tax sharing system is applied.

Key accounting estimates

1. Deferred tax assets/liabilities

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

	Previous consolidated fiscal year	Consolidated fiscal year under review
Deferred tax assets	272 million yen	460 million yen
Deferred tax liabilities	2,862 million yen	3,502 million yen

(2) Basis for accounting estimate for recognized item

1) Formula used to calculate book 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. The title we use is “deferred tax assets.” If there is a possibility that we will not recover a portion of the deferred tax asset, we deduct this uncertain portion and report it as “valuation allowance.”

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

Collectability is estimated based on future tax liability 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 tax liability 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

	Previous consolidated fiscal year	Consolidated fiscal year under review
Sales rights:	19,508 million yen	17,483 million yen

(2) Basis for accounting estimate for recognized item

1) Formula used to calculate book 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 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.

In the consolidated fiscal year under review, sales rights that showed indications of impairment were written down to the recoverable amount, since the total amount of future cash flows was less than the carrying amount. The impairment loss totaled 333 million yen. In the calculation of impairment loss, recoverable amount was defined as the value-in-use, which was reckoned to be zero. For more details, see Consolidated statement of income: *3 Impairment loss.

2) Key assumptions underpinning amounts reported on consolidated balance sheet for 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 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

Application of Accounting standard for revenue recognition

From the start of the consolidated fiscal year under review, we now apply the Accounting Standard for Revenue Recognition (ASBJ 29, March 31, 2020). Under this standard, we recognize revenue when we transfer goods or services to a customer in an amount equivalent to what we expect to receive from the customer for the transfer.

However, as permitted under an alternative treatment provided for in Paragraph 98 of the Implementation Guidance on the Accounting Standard for Revenue Recognition, for sales in Japan, we recognize revenue when we ship the goods unless there is a significant lag between shipment and delivery.

In applying the standard, we have adopted a transitional measure provided for in an exception clause of Paragraph 84 of the standard, in which the cumulative effect of retroactively applying the standard to previous fiscal years is added to or subtracted from the retained earnings as of the start of the consolidated fiscal year under review.

This change has no material impact on income or retained earnings in the consolidated fiscal year under review.

We have omitted notes on revenue recognition pertaining to the previous consolidated fiscal year in compliance with the transitional measure provided for in Article 89, Paragraph 3, of the Revenue Recognition Accounting Standard.

Accounting standards for determining fair value

From the start of the consolidated fiscal year under review, we now apply the Accounting Standard for Fair Value Measurement (ASBJ 30, July 4, 2019). Following the transitional measure provided for in Paragraph 19 of the Accounting Standard for Fair Value Measurement and in Article 44, Paragraph 2, in the Accounting Standard for Financial Instruments (ASBJ 10, July 4, 2019), we apply the standard only proactively (as opposed to retroactively).

This change has no significant effects on the consolidated financial results for the period under review.

In the notes on financial instruments, we have provided notes on the breakdown of financial instruments by level of fair value. However, we have omitted such information for the previous consolidated fiscal year in compliance with the transitional measure provided for in Article 7, Paragraph 4, of the Revised Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ 19, July 4, 2019).

Accounting standards not yet applied

Accounting standards for determining fair value

Accounting Standard for Fair Value Measurement. (ASBJ Guidance 31, June 17, 2021)

(1) Outline

The Accounting Standard for Fair Value Measurement. (ASBJ Guidance No. 31) was revised on June 17, 2021. This revision was announced on July 4, 2019. At the time of this announcement, the ASBJ noted that it needed some time to discuss the fair value of an investment trust and consider the notes on the fair value of equity investments stated on a net basis on the balance sheet. Accordingly, the ASBJ then announced that the revision would take effect after a year of consultation from the time of the original announcement.

(2) Effective date

The standard will apply to our financial statements starting in the fiscal year ending March 31, 2023.

(3) Impact

We are currently investigating how the standard 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, and we record its income on statements of income as our own income (using the aggregate method).

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

The stock of the Company that remains in the trust is stated as treasury shares under net assets, in an amount equivalent to the trust’s carrying value (minus ancillary costs). In the previous year, said stock consisted of 267,660 shares, with a carrying value of 487 million yen. In the year under review, it consists of 205,420 shares, with a carrying value of 373 million yen.

COVID-19 pandemic impact

In our accounting, we have assumed that the COVID-19 impact will persist for some time. We assume that there will be no significant impact at present. However, given the plethora of uncertainties, the pandemic may potentially impact our financial position and business performance in the next consolidated fiscal period.

Consolidated balance sheets

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

	Current consolidated balance sheet (March 31, 2022) (millions of yen)
Notes receivable - trade	2,327
Accounts receivable - trade	25,231

- *2 Endorsed amount in notes receivable - trade

	Previous consolidated balance sheet (March 31, 2021) (millions of yen)	Current consolidated balance sheet (March 31, 2022) (millions of yen)
Endorsed amount in notes receivable - trade	354	604

- *3 Accumulated amortization

	Previous consolidated balance sheet (March 31, 2021) (millions of yen)	Current consolidated balance sheet (March 31, 2022) (millions of yen)
Accumulated amortization for property, plant and equipment	36,139	40,766

- *4 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.

	Previous consolidated balance sheet (March 31, 2021) (millions of yen)	Current consolidated balance sheet (March 31, 2022) (millions of yen)
Overdraft limit	22,855	24,147
Unused portion of overdraft	1,637	2,056
Overdraft remaining	21,218	22,091

Consolidated statement of income

- *1 Selling, general / administrative expenses

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

	Previous consolidated fiscal year (April 1, 2020, to March 31, 2021) (millions of yen)	Consolidated fiscal year under review (April 1, 2021, to March 31, 2022) (millions of yen)
Salary	3,371	3,858
Provision for bonuses	401	569
Commissions paid	1,588	1,943
Depreciation	2,280	2,694
Research & development	3,152	3,436
Retirement allowance obligations	218	207
Outsourcing expenses	1,089	1,202

*2 R&D expenses

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

	Previous consolidated fiscal year (April 1, 2020, to March 31, 2021) (millions of yen)	Consolidated fiscal year under review (April 1, 2021, to March 31, 2022) (millions of yen)
	3,321	3,611

*3 Impairment loss

Previous consolidated fiscal year (April 1, 2020, to March 31, 2021)

Taiyo Group recorded impairment loss in the following asset.

Location	Purpose	Asset group	Impairment loss (millions of yen)
Taiyo Pharma Tech Co., Ltd. (Takatsuki-shi, Osaka)	Business use	Machinery, equipment, and other assets	199

Generally, assets are grouped by business unit.

For its impairment tests, Taiyo Pharma Tech Co., Ltd. groups assets earmarked for disposal separately. In the period under review, such assets were written down to the recoverable amount, with the difference recorded as impairment loss under extraordinary losses. 199 million yen pertained to machinery, equipment, and other assets. The recoverable amount was defined as the net realizable value, which was equated with the disposal value.

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

Taiyo Group recorded impairment loss in the following asset.

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

Generally, assets are grouped by business unit.

Taiyo Ink Mfg. Co., Ltd.

In the period under review, business assets whose earning potential had declined 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 period under review, sales rights whose earning potential had declined 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 statement of comprehensive income

* Reclassification adjustments and tax effects of other comprehensive income

	Previous consolidated fiscal year (April 1, 2020, to March 31, 2021) (millions of yen)	Consolidated fiscal year under review (April 1, 2021, to March 31, 2022) (millions of yen)
Valuation difference on available- for-sale securities:		
Occurring in current period	280	165
Reclassification adjustment	—	—
Before tax effect	280	165
Tax effect	(85)	(47)
Valuation difference on available-for-sale securities	195	117
Foreign currency translation adjustment:		
Occurring in current period	2,337	3,454
Reclassification adjustment	(110)	—
Foreign currency translation adjustment	2,227	3,454
Remeasurements of defined benefit plans, net of tax:		
Occurring in current period	(4)	59
Reclassification adjustment	(5)	(0)
Before tax effect	(10)	58
Tax effect	2	(18)
Remeasurements of defined benefit plans, net of tax	(7)	40
Total other comprehensive income	2,414	3,612

Consolidated statement of changes in equity

Previous consolidated fiscal year (April 1, 2020, to March 31, 2021)

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

Class	Beginning of fiscal year	Increase	Decrease	End of fiscal year
Outstanding shares				
Common shares *Notes 1, 2	28,969,647	28,855	–	28,998,502
Treasury shares				
Common shares *Notes 1, 3, 4, 5	532,649	256,480	23,410	765,719

- (Notes)
1. A 2-for-1 stock split occurred on October 1, 2021. The above figures indicate the numbers of shares prior to this stock split.
 2. The 28,855 increase in common shares occurred after we issued 28,855 additional shares in a third party allotment.
 3. The amounts for common treasury shares include the portion that we have entrusted to The Master Trust Bank of Japan, Ltd. for our ESOP (there were 157,240 such shares at the beginning of the fiscal year and 133,830 at the end).
 4. The 256,480 increase occurred after the Board of Directors authorized the reacquisition of 256,400 shares and 80 fractional shares.
 5. The 23,410 decrease occurred after we delivered 22,200 shares from the ESOP trust and disposed of 1,210 of the ESOP trust shares.

2. Dividends

(1) Amounts paid in dividend

Resolution	Class of shares	Total dividend (millions of yen)	Dividend per share (yen)	Reference date	Effective date
June 20, 2020 Ordinary General Shareholders' Meeting	Common shares	1,861	65.1	March 31, 2020	June 22, 2020
November 6, 2020 Board of Directors	Common shares	1,863	65.1	September 30, 2020	December 1, 2020

- (Notes)
1. A 2-for-1 stock split was conducted on October 1, 2021. "Dividend per share" indicates the dividend prior to this stock split.
 2. Of the total dividend resolved at the Ordinary General Shareholders' Meeting on June 20, 2020, 10 million yen pertains to shares that we have entrusted to The Master Trust Bank of Japan, Ltd. for the ESOP. Of the total dividend resolved at the meeting of the Board of Directors on November 6, 2020, 8 million yen pertains to such shares.

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

Resolution	Class of shares	Total dividend (millions of yen)	Source of dividend	Dividend per share (yen)	Reference date	Effective date
June 19, 2021 Ordinary General Shareholders' Meeting	Common shares	2,697	Capital surplus	95.1	March 31, 2021	June 21, 2021

- (Note) Of the total dividend 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.

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

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

	Beginning of fiscal year under review	Increase	Decrease	End of fiscal year under review
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. A 2-for-1 stock split was conducted on October 1, 2021.
 2. The 29,084,626 increase in common shares occurred 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 shares 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 and 205,420 at the end).
 4. The 1,200,016 increase in treasury shares 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 in the stock split.
 5. The 31,850 decrease in treasury shares 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 dividend

Resolution	Class of shares	Total dividend (millions of yen)	Dividend per share (yen)	Reference date	Effective date
June 19, 2021 Ordinary General Shareholders' Meeting	Common shares	2,697	95.1	March 31, 2021	June 21, 2021
November 5, 2021 Board of Directors	Common shares	1,849	65.1	September 30, 2021	December 1, 2021

- (Notes)
1. A 2-for-1 stock split was conducted on October 1, 2021. "Dividend per share" indicates the dividend prior to this stock split.
 2. Of the total dividend 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. Of the total dividend 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 year under review and an effective date in the next consolidated fiscal year

Resolution	Class of shares	Total dividend (millions of yen)	Source of dividend	Dividend per share (yen)	Reference date	Effective date
June 18, 2022 Ordinary General Shareholders' Meeting	Common shares	2,085	Retained earnings	37.0	March 31, 2022	June 20, 2022

- (Note) Of the total dividend 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 statement of cash flows

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

	Previous consolidated fiscal year (April 1, 2020, to March 31, 2021) (millions of yen)	Consolidated fiscal year under review (April 1, 2021, to March 31, 2022) (millions of yen)
Cash and deposits	54,705	51,557
Time deposits exceeding 3 months	(395)	(404)
Cash and cash equivalents	54,309	51,152

Lease transaction

1. Finance lease transactions

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

2. Operating lease transactions

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

	Previous consolidated fiscal year (March 31, 2021) (millions of yen)	Consolidated fiscal year under review (March 31, 2022) (millions of yen)
Due within one year	15	15
Due after one year	351	336
Total	367	351

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

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

(2) Our financial instruments and the risks they entail

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

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

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

Derivatives: We use forward foreign exchange contracts to hedge the exchange risk associated with our foreign currency-denominated trade receivables.

(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 as quickly as possible cases where a trading partner will struggle to repay due to financial difficulties, and provide repayment relief as necessary. Our consolidated subsidiaries follow the same policy.

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

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

Foreign currency-denominated trade and long-term 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.

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

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

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

(4) Additional note on fair value

In determining the fair value of financial instruments, we take into account certain variables. Therefore, the resulting fair value will reflect the particular assumptions we adopted at the time of calculation. 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 previous and consolidated year under reviews.

Previous consolidated fiscal year (ended March 31, 2021)

	Consolidated carrying value (*Note 4) (millions of yen)	Fair value (*Note 4) (millions of yen)	Difference (millions of yen)
(1) Investment securities			
Other securities (*Note 2)	1,371	1,371	–
(2) Long-term borrowings (including current portion of long-term borrowings)	(70,725)	(70,725)	0
Derivative transactions			
Transactions that do not qualify for hedge accounting	(31)	(31)	–
Transactions that qualify for hedge accounting	–	–	–
Total derivative transactions (*Note 3)	(31)	(31)	–

- (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, being determined over a short period, resembles their carrying amount.
 2. We have omitted unlisted shares and contributions to investment partnerships from “(1) Investment securities: Other securities” because they have no discernible fair value (since they have 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 under review (ended March 31, 2022)

	Consolidated carrying value (*Note 4) (millions of yen)	Fair value (*Note 4) (millions of yen)	Difference (millions of yen)
(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, being determined over a short period, 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 market value

(millions of yen)

Class of shares	Previous consolidated fiscal year (ended March 31, 2021)	Consolidated fiscal year under review (ended March 31, 2022)
Unlisted shares	599	540
Associate shares	166	830
Contributions to investment partnerships	795	1,099

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

Previous consolidated fiscal year (ended March 31, 2021)

	Due within 1 year (millions of yen)	Due between 1 and 2 years (millions of yen)	Due between 2 and 3 years (millions of yen)	Due between 3 and 4 years (millions of yen)	Due between 4 and 5 years (millions of yen)	Due after 5 years (millions of yen)
Long-term borrowings (including current portion of long-term borrowings)	11,391	15,393	7,864	25,680	5,470	4,925

Consolidated fiscal year under review (ended March 31, 2022)

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

3. Breakdown of financial instruments by level of fair value

For financial instruments, we have delineated three levels inputs to fair value based on the observability and significance.

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 under review (ended March 31, 2022)

Class of shares	Fair value (millions of yen)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Other securities				
Share-based	1,544	–	–	1,544
Total assets	1,544	–	–	1,544
Derivative transactions	–	(34)	–	(34)
Total liabilities	–	(34)	–	(34)

* Parenthesized figures indicate liabilities.

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

Consolidated fiscal year under review (ended March 31, 2022)

Class of shares	Fair value (millions of yen)			
	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.

(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 at Level 1.

Derivative transactions

We base fair value on the market price that the relevant financial institution quotes. 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 reasonable a yield for a similar loan. We categorize this input at Level 2. Long-term borrowings with variable interest rates: We state at the carrying amount. Reason: Since they reflect short-term market interest rate trends, and since our credit rating has not markedly changed after we took them on, their fair value is similar to their carrying value.

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

Securities

1. Other securities

Previous consolidated fiscal year (ended March 31, 2021)

	Type of security	Consolidated carrying value (millions of yen)	Acquisition price (millions of yen)	Valuation difference (millions of yen)
Securities whose consolidated carrying value exceeds their acquisition price	(1) Shares	1,369	1,084	285
	(2) Other	–	–	–
	Subtotal	1,369	1,084	285
Securities whose consolidated carrying value does not exceed their acquisition price	(1) Shares	1	2	(1)
	(2) Other	–	–	–
	Subtotal	1	2	(1)
Total		1,371	1,087	283

(Note) The above data excludes the unlisted shares (consolidated carrying value: 599 million yen) and contributions to investment partnerships (consolidated carrying value: 795 million yen). These financial instruments lack a readily determinable fair value because they have no market price.

Consolidated fiscal year under review (ended March 31, 2022)

	Type of security	Consolidated carrying value (millions of yen)	Acquisition price (millions of yen)	Valuation difference (millions of yen)
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.

2. Other securities that we have sold

Previous consolidated fiscal year (April 1, 2020, to March 31, 2021)

Nothing to disclose.

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

Nothing to disclose.

Derivative transactions

1. Transactions that do not qualify for hedge accounting

Currency-related

Previous consolidated fiscal year (ended March 31, 2021)

Class of shares	Transaction	Contract value (millions of yen)	Contract value for contracts exceeding one year (millions of yen)	Fair value (millions of yen)	Valuation difference (millions of yen)
Off market transactions	Foreign exchange transactions				
	USD denominated sales	1,259	–	(29)	(27)
	Yen denominated purchases	8,208	–	(1)	(1)

Consolidated fiscal year under review (ended March 31, 2022)

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

2. Transactions that qualify for hedge accounting

Previous consolidated fiscal year (ended March 31, 2021)

Nothing to disclose.

Consolidated fiscal year under review (ended March 31, 2022)

Nothing to disclose.

Retirement benefits

1. Our system of retirement benefits

We provide a points-based retirement allowance system that accords with the defined benefit corporation pension system and a defined contribution plan.

Some of our consolidated subsidiaries use a defined contribution plan in addition to a defined-benefit corporate pension plan.

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

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

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

	Previous consolidated fiscal year (April 1, 2020, to March 31, 2021)	Current consolidated fiscal year under review (April 1, 2021, to March 31, 2022)
Opening balance of retirement benefit obligations	2,246 million yen	2,535 million yen
Service cost	289	301
Interest cost	14	15
Actuarial differences	18	(26)
Retirement benefit payments	(111)	(144)
Increase associated with changing from simplified to principle method	61	–
Exchange differences	15	22
Closing balance of retirement benefit obligations	2,535	2,704

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

	Previous consolidated fiscal year (April 1, 2020, to March 31, 2021)	Current consolidated fiscal year under review (April 1, 2021, to March 31, 2022)
Opening balance of pension assets	2,525 million yen	2,803 million yen
Expected rate of return	26	42
Actuarial differences	8	52
Employer's contribution	341	338
Retirement benefit payments	(111)	(144)
Exchange differences	13	20
Closing balance of pension assets	2,803	3,113

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

	Previous consolidated fiscal year (March 31, 2021)	Current consolidated fiscal year under review (March 31, 2022)
Funded retirement benefit obligations	2,535 million yen	2,704 million yen
Pension assets	(2,803)	(3,113)
Asset (liability) reported on the consolidated balance sheet	(268)	(409)
Retirement benefit liability	37	1
Retirement benefit asset	(305)	(410)
Asset (liability) reported on the consolidated balance sheet	(268)	(409)

(4) Breakdown of retirement benefit costs

	Previous consolidated fiscal year (April 1, 2020, to March 31, 2021)	Current consolidated fiscal year under review (April 1, 2021, to March 31, 2022)
Service cost	289 million yen	301 million yen
Interest cost	14	15
Expected rate of return	(26)	(42)
Adjustment for actuarial differences	(9)	(34)
Retirement benefit cost for defined-benefit systems	268	240

(5) Remeasurements of defined benefit plans

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

	Previous consolidated fiscal year (April 1, 2020, to March 31, 2021)	Current consolidated fiscal year under review (April 1, 2021, to March 31, 2022)
Actuarial differences	(10) million yen	58 million yen
Total	(10)	58

(6) Cumulative remeasurements of defined benefit plans

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

	Previous consolidated fiscal year (March 31, 2021)	Current consolidated fiscal year under review (March 31, 2022)
Unrecognized actuarial gain or loss	(0) million yen	58 million yen
Total	(0)	58

(7) Notes on pension assets

1) Key pension assets

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

	Previous consolidated fiscal year (March 31, 2021)	Current consolidated fiscal year under review (March 31, 2022)
General accounts assets	100 %	100 %
Total	100 %	100 %

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

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

(8) Criteria for determining actuarial gains/losses

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

	Previous consolidated fiscal year (March 31, 2021)	Current consolidated fiscal year under review (March 31, 2022)
Discount rate	0.603 %	0.629 %
Expected long-term rate of return	1.1 %	1.0 %
Expected salary increase rate	6.85 %	7.27 %

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

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

	Previous consolidated fiscal year (April 1, 2020, to March 31, 2021)	Current consolidated fiscal year under review (April 1, 2021, to March 31, 2022)
Opening balance of net defined benefit liability	158 million yen	113 million yen
Retirement allowance obligations	16	2
Retirement benefit payments	(3)	(6)
Decrease associated with changing from simplified to principle method	(58)	–
Exchange differences	0	6
Closing balance of net defined benefit liability	113	115

(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

	Previous consolidated fiscal year (March 31, 2021)	Consolidated fiscal year under review (March 31, 2022)
Non-funded retirement benefit obligations	113 million yen	115 million yen
Asset (liability) reported on the consolidated balance sheet	113	115
Retirement benefit liability	113	115
Asset (liability) reported on the consolidated balance sheet	113	115

(3) Retirement benefit costs

Retirement benefit costs determined using simplified accounting method
Previous consolidated fiscal year: 16 million yen
Consolidated fiscal year under review: 2 million yen

4. Defined contribution plans

The contribution that we and some of our consolidated subsidiaries has made amounted to 186 million yen in the previous consolidated fiscal year, and 295 million yen in the consolidated fiscal year under review.

Stock options

Nothing to disclose.

Tax effect accounting

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

	Previous consolidated fiscal year (March 31, 2021) (millions of yen)	Consolidated fiscal year under review (March 31, 2022) (millions of yen)
Deferred tax assets		
Retirement benefit liability	56	41
Deferred tax assets for unrealized gains	225	349
Denial of accrued employees' bonuses	263	319
Denial of accrued enterprise tax	112	153
Loss carried forward *3	442	616
Over depreciation	1,254	1,880
Asset adjustment account	1,930	1,378
Asset retirement obligations	260	311
Impairment loss (millions of yen)	503	650
Other	651	619
Deferred tax assets subtotal	5,700	6,322
Valuation allowance for tax loss carried forward *3	(442)	(587)
Valuation allowance for total future tax consequences of temporary differences	(3,459)	(3,496)
Valuation allowance subtotal *2	(3,901)	(4,083)
Deferred tax assets total	1,799	2,238
Deferred tax liabilities		
Deferred tax liabilities for subsidiaries' retained earnings	1,630	1,948
Valuation difference on available-for-sale securities	96	144
Retirement benefit asset	101	129
Customer-related assets:	2,006	1,857
Other	553	1,201
Deferred tax liabilities total	4,388	5,280
Net deferred tax liabilities *1	2,589	3,042

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

	Previous consolidated fiscal year (March 31, 2021) (millions of yen)	Consolidated fiscal year under review (March 31, 2022) (millions of yen)
Non-current assets - Deferred tax assets	272	460
Non-current liabilities - Deferred tax liabilities	2,862	3,502

2. There is no significant change in the valuation allowance.

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

Previous consolidated fiscal year (ended March 31, 2021)

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

	Between 5 and 6 years (millions of yen)	Between 6 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 (*1)	20	124	123	153	442
Valuation allowance	(20)	(124)	(123)	(153)	(442)
Deferred tax assets	–	–	–	–	(*2) –

*1. Tax loss carried forward is multiplied by the legally effective tax rate.

*2. We judged that the tax loss carried forward is unrecoverable.

Consolidated fiscal year under review (ended March 31, 2022)

	Due within 1 year (millions of yen)	Due between 1 and 2 years (millions of yen)	Due between 2 and 3 years (millions of yen)	Due between 3 and 4 years (millions of yen)	Due between 4 and 5 years (millions of yen)
Tax loss carried forward (*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 (*1)	126	122	148	184	616
Valuation allowance	(126)	(122)	(148)	(154)	(587)
Deferred tax assets	–	–	–	29	(*2) 29

*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 (factored with the legally effective tax rate). The tax loss carried forward that was recorded a "deferred tax assets" is the result of estimating future tax liability. 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

	Previous consolidated fiscal year (March 31, 2021)	Consolidated fiscal year under review (March 31, 2022)
Legally effective tax rate	30.62%	30.62%
(Adjusting entries)		
Tax rate differences with overseas subsidiaries	(6.85%)	(6.26%)
Tax rate differences associated with offset of dividend income	0.30%	0.40%
Tax adjustments for overseas subsidiaries' retained earnings	3.29%	1.85%
Tax rate differences associated with permanent differences such as social expenses	0.50%	0.46%
Differences on withholding tax on dividends not included in expenses	1.49%	2.28%
Tax adjustments for amortization of goodwill	1.07%	0.85%
Tax deductions for testing and research expenses	(1.55%)	(1.92%)
Valuation allowance	(3.48%)	1.08%
Other	2.85%	(0.11%)
Actual effective tax rate after applying tax effect accounting	28.24%	29.25%

Asset retirement obligations

Previous consolidated fiscal year (April 1, 2020, to March 31, 2021)

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

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

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

Rentals and other real-estate assets

Previous consolidated fiscal year (April 1, 2020, to March 31, 2021)

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

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

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

Revenue recognition

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

1. Breakdown of revenue generated from contracts with customers

	Reportable segment			Other (Note) (millions of yen)	Total (millions of yen)
	Electronics materials (millions of yen)	Medical and Pharmaceuticals (millions of yen)	Total (millions of yen)		
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 energy business, food business, fine chemicals business, and ICT business.

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

(1) Balance of contract revenue

	Consolidated fiscal year under review (millions of yen)
Liabilities from contracts with customers: Opening balance	22,527
Liabilities from contracts with customers: Closing balance	27,558

(2) Transaction price distributed to outstanding obligations

Adopting a practical expedient, we omit from the notes contracts that are expected to be completed within a year. Since we generally build to stock, we have no contracts whose term is 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 Electronic Materials business and the Medical and Pharmaceutical business.

The Electronic Materials business develops, manufactures, sells, and procures and sells Printed Wiring Board materials and chemical products for use in electronic components. The Medical and Pharmaceutical business engages in manufacturing and marketing of ethical pharmaceuticals, and provides contract development and manufacturing organization (CDMO) services of 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 is complied 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. Information regarding net sales, profit or loss, assets and other items by reportable segment

Fiscal year ended March 31, 2021

(millions of yen)

	Reportable segment			Other (Note 1)	Total
	Electronics Materials	Medical and Pharmaceuticals	Total		
Net sales					
External sales	53,096	24,553	77,650	3,340	80,991
Inter-segment sales or transfers	–	–	–	147	147
Total	53,096	24,553	77,650	3,487	81,138
Segment income	11,208	3,837	15,046	32	15,079
Segment assets	62,180	62,058	124,239	7,788	132,027
Other items					
Depreciation (Note 2)	1,718	4,402	6,120	380	6,501
Increase in property, plant and equipment, and intangible assets	3,415	8,122	11,537	417	11,955

(Notes) 1. “Other” indicates business segments that we do not include among the reportable segments. Examples include the Energy Business, Food Business, Fine Chemicals Business, and the ICT Business.

2. Depreciation does not include amortization of goodwill.

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

(millions of yen)

	Reportable segment			Other (Note 1)	Total
	Electronics Materials	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 income	17,082	2,400	19,482	28	19,511
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. “Other” indicates business segments that we do not include among the reportable segments. Examples include the Energy Business, Food Business, Fine Chemicals Business, and the ICT Business.
2. Depreciation does not include amortization of goodwill.

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

(millions of yen)

Net sales	Previous consolidated fiscal year	Consolidated fiscal year under review
Reportable segment total	77,650	94,560
“Other” net sales	3,487	3,560
Inter-segment eliminations	(147)	(154)
Net sales reported in consolidated statement of income	80,991	97,966

(millions of yen)

Profit	Previous consolidated fiscal year	Consolidated fiscal year under review
Reportable segment total	15,046	19,482
“Other” profit	32	28
Inter-segment eliminations	(5)	(8)
Profit/loss not allocated to business segments (Note)	(1,130)	(1,543)
Operating income reported in consolidated statement of income	13,943	17,958

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

(millions of yen)

Assets	Previous consolidated fiscal year	Consolidated fiscal year under review
Reportable segment total	124,239	143,385
“Other” net sales	7,788	8,027
Inter-segment eliminations	(121)	(36)
Assets not allocated to business segment (Note)	47,206	38,041
Tax effect conversion	(111)	(143)
Total assets reported in consolidated balance sheet	179,001	189,273

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

(millions of yen)

Other items	Reportable segment total		Other		Adjustments (Note)		Consolidated carrying amount	
	Previous consolidated fiscal year	Consolidated fiscal year under review	Previous consolidated fiscal year	Consolidated fiscal year under review	Previous consolidated fiscal year	Consolidated fiscal year under review	Previous consolidated fiscal year	Consolidated fiscal year under review
Depreciation	6,120	6,512	380	382	492	601	6,994	7,497
Increase in property, plant and equipment, and intangible assets	11,537	9,501	417	332	1,168	1,678	13,124	11,513

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

Related information

I Previous consolidated fiscal year (April 1, 2020 to March 31, 2021)

1. Products and services

(millions of yen)

	Electronics Materials	Medical and Pharmaceuticals	Other	Total
External sales	53,096	24,553	3,340	80,991

2. Regional breakdowns

(1) Net sales

(millions of yen)

Japan	China	Taiwan	Korea	Other	Total
32,877	26,259	6,863	10,443	4,546	80,991

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

(2) Property, plant and equipment

(millions of yen)

Japan	China	Taiwan	Korea	Other	Total
36,852	2,519	3,801	1,667	1,508	46,348

3. Major customers

(millions of yen)

Name	Net sales	Corresponding segment
Daiichi Sankyo Company, Limited (Note)	13,985	Medical and Pharmaceuticals

(Note) The figure for net sales incorporates all sales to Daiichi Sankyo Espha Co., Ltd., which belongs to the corporate group of Daiichi Sankyo Company, Limited.

II Consolidated fiscal year under review (April 1, 2021 to March 31, 2022)

1. Products and services

(millions of yen)

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

2. Regional breakdowns

(1) Net sales

(millions of yen)

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

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

(2) Property, plant and equipment

(millions of yen)

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

3. Major customers

(millions of yen)

Name	Net sales	Corresponding segment
Daiichi Sankyo Company, Limited (Note)	12,059	Medical and Pharmaceuticals

(Note) The figure for net sales incorporates all sales to Daiichi Sankyo Espha Co., Ltd., which belongs to the corporate group of Daiichi Sankyo Company, Limited.

Impairment loss of non-current assets in each reportable segment

Previous consolidated fiscal year (April 1, 2020 to March 31, 2021)

(millions of yen)

	Reportable segment			Other	Corporate and elimination	Total
	Electronics Materials	Medical and Pharmaceuticals	Total			
Impairment loss	–	199	199	–	–	199

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

(millions of yen)

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

(Note) “Corporate and elimination” is a deduction for unrealized gains pertaining to intangible assets.

Amortization of goodwill and unamortized balance in each reportable segment

Previous consolidated fiscal year (April 1, 2020 to March 31, 2021)

(millions of yen)

	Reportable segment			Other	Corporate and elimination	Total
	Electronics Materials	Medical and Pharmaceuticals	Total			
Opening balance	42	429	472	10	–	483
Closing balance	556	5,803	6,359	45	–	6,404

(Note) The figures for “Other” indicate the amounts pertaining to software development.

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

(millions of yen)

	Reportable segment			Other	Corporate and elimination	Total
	Electronics Materials	Medical and Pharmaceuticals	Total			
Opening balance	47	429	477	10	–	487
Closing balance	564	5,373	5,937	34	–	5,972

(Note) The figures for “Other” indicate the amounts pertaining to software development.

Gains on negative goodwill in each reportable segment

Previous consolidated fiscal year (April 1, 2020 to March 31, 2021)

Nothing to disclose.

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

Nothing to disclose.

Related parties

Transactions with related parties

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

(1) Transactions with parent and major shareholders (corporate shareholders only)

Nothing to disclose.

(2) Transactions with non-consolidated subsidiaries and affiliates

Nothing to disclose.

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

Previous consolidated fiscal year (April 1, 2020 to March 31, 2021)

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) 0.57	We issued shares to the party in a third-party allotment	We issued shares to the party in a third-party allotment	84	-	-
	Eiji Takehara	-	-	Director (Taiyo Holdings Co., Ltd.)	(Directly held by the party) 0.12	We issued shares to the party in a third-party allotment	We issued shares to the party in a third-party allotment	23	-	-
	Hitoshi Saito	-	-	Director (Taiyo Holdings Co., Ltd.)	(Directly held by the party) 0.08	We issued shares to the party in a third-party allotment	We issued shares to the party in a third-party allotment	23	-	-

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

The transactions concerned common shares that we issued as part of the performance-linked stock compensation for the 74th fiscal period. We determined the transactions based on the common share price.

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

Consolidated fiscal year under review (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	-	-
	Eiji Takehara	-	-	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	-	-
	Hitoshi Saito	-	-	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	-	-

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

The transactions concerned common shares that we issued as part of the performance-linked stock compensation for the 75th fiscal period. We determined the transactions based on the common share price.

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

Per share information

	Previous consolidated fiscal year (April 1, 2020 to March 31, 2021)	Consolidated fiscal year under review (April 1, 2021 to March 31, 2022)
Net assets per share (yen)	1,348.42	1,522.11
Basic earnings per share (yen)	167.49	209.13

- (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: 267,660 shares (after stock split); current consolidated fiscal year: 205,420 shares).
 3. We performed a stock split effective from October 1, 2021 whereby each common stock of Taiyo Holdings was divided into two shares. We calculated the net assets per share and basic earnings per share under the assumption that this stock split was performed at the beginning of the previous consolidated fiscal year.
 4. The basis for calculating basic earnings per share is shown below

	Previous consolidated fiscal year (April 1, 2020 to March 31, 2021)	Consolidated fiscal year under review (April 1, 2021 to March 31, 2022)
Profit attributable to owners of parent (millions of yen)	9,529	11,803
Amount not attributable to common shareholders (millions of yen)	–	–
Profit attributable to owners of parent for common shares (millions of yen)	9,529	11,803
Average number of outstanding common shares during the period (Shares)	56,898,209	56,442,900

- (Note) In calculating the average number of outstanding common shares during the period, treasury shares are deducted and shares held in the trust account for shares granted under the Employee Stock Ownership Plan are included in the treasury shares (previous consolidated fiscal year: 282,269 shares (after stock split); current consolidated fiscal year: 225,177 shares).

Material subsequent events

Nothing to disclose.

5) Consolidated supplementary schedules

Schedule of bonds payable

Nothing to disclose.

Schedule of loans payable

Debt of loan	Balance at beginning of current period (millions of yen)	Closing balance (millions of yen)	Average interest rate (%)	Repayment period
Short-term borrowings	10,494	13,232	0.79	–
Current portion of long-term borrowings	11,391	16,537	0.30	–
Long-term borrowings other than those we expect to repay within one year	59,333	48,383	0.25	2023-2031
Total	81,219	78,153	–	–

- (Notes) 1. Average interest rate indicates the weighted average interest rate for the closing balance.
 2. For some of the current portion of long-term borrowings, we receive interest subsidies.
 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.

	Due between 1 and 2 years (millions of yen)	Due between 2 and 3 years (millions of yen)	Due between 3 and 4 years (millions of yen)	Due between 4 and 5 years (millions of yen)	Due after 5 years (millions of yen)
Long-term borrowings	8,991	26,790	6,580	2,758	3,262

Schedule of asset retirement obligations

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

(2) Other consolidated financial information

Quarterly consolidated information for the current consolidated year under review

(Cumulative period)	Q1	Q2	Q3	Consolidated fiscal year under review
Net sales (millions of yen)	23,568	48,348	73,622	97,966
Profit before income taxes (millions of yen)	4,450	9,505	14,637	16,959
Profit attributable to owners of parent (millions of yen)	3,106	6,717	10,360	11,803
Basic earnings per share (yen)	55.02	118.84	183.30	209.13

(Accounting period)	Q1	Q2	Q3	Q4
Basic earnings per share (yen)	55.02	63.83	64.43	25.67

- (Note) A 2-for-1 stock split was conducted on October 1, 2021. The basic earnings per share have been calculated on the basis that the stock split was conducted at the start of the consolidated fiscal year under review.

2 Financial statements, other financial information

(1) Financial statements

1) Balance sheet [Unaudited]

(millions of yen)

	As of March 31, 2021	As of March 31, 2022
Assets		
Current assets		
Cash and deposits	31,429	21,059
Accounts receivable - trade	*1 637	*1 762
Short-term loans receivable from subsidiaries and associates	36,204	11,229
Other	*1 2,308	*1 5,147
Total current assets	70,579	38,198
Non-current assets		
Property, plant and equipment		
Buildings	4,667	4,895
Land	2,696	2,735
Other	534	660
Total property, plant and equipment	7,898	8,290
Intangible assets		
Software	437	418
Other	352	1,028
Total intangible assets	790	1,446
Investments and other assets		
Investment securities	2,667	2,957
Shares of subsidiaries and associates	45,119	44,303
Investments in capital of subsidiaries and associates	2,493	2,493
Prepaid pension costs	303	291
Long-term loans receivable from subsidiaries and associates	5,226	30,893
Other	490	536
Allowance for doubtful accounts	(694)	(737)
Total investments and other assets	55,605	80,738
Total non-current assets	64,295	90,476
Total assets	134,874	128,674

(millions of yen)

	As of March 31, 2021	As of March 31, 2022
Liabilities		
Current liabilities		
Short-term borrowings	*1, *2 10,351	*1, *2 12,706
Current portion of long-term borrowings	10,923	15,211
Accounts payable - other	*1 1,478	*1 1,398
Income taxes payable	313	677
Provision for bonuses	155	240
Other	73	192
Total current liabilities	23,296	30,427
Non-current liabilities		
Long-term borrowings	58,373	44,961
Asset retirement obligations	198	361
Deferred tax liabilities	3	38
Other	149	169
Total non-current liabilities	58,725	45,531
Total liabilities	82,021	75,958
Net assets		
Shareholders' equity		
Share capital	9,499	9,612
Capital surplus		
Legal capital surplus	10,467	10,580
Other capital surplus	5,294	5,294
Total capital surplus	15,762	15,875
Retained earnings		
Legal retained earnings	620	620
Other retained earnings		
General reserve	12,700	12,700
Retained earnings brought forward	17,419	18,340
Total retained earnings	30,740	31,661
Treasury shares	(3,365)	(4,752)
Total shareholders' equity	52,636	52,396
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	217	319
Total valuation and translation adjustments	217	319
Total net assets	52,853	52,715
Total liabilities and net assets	134,874	128,674

2) Statement of income [Unaudited]

(millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Operating revenue		
Dividends from subsidiaries and associates	5,018	8,082
Royalty income	2,343	3,193
Information system fee revenue	36	42
Real estate lease revenue	433	429
Total operating revenue	*1 7,830	*1 11,747
Operating expenses	*1, *2 5,307	*1, *2 6,494
Operating income	2,523	5,252
Non-operating income		
Interest income	143	137
Dividend income	22	23
Commission income	42	52
Gains from investment partnerships	43	6
Other	46	47
Total non-operating income	*1 298	*1 266
Non-operating expenses		
Interest expenses	207	204
Commission expenses	10	11
Foreign exchange losses	4	25
Loss on valuation of investment securities	–	199
Other	89	75
Total non-operating expenses	311	516
Ordinary income	2,510	5,002
Extraordinary income		
Gain on reversal of allowance for doubtful accounts	1,486	–
Total extraordinary income	1,486	–
Extraordinary losses		
Loss on valuation of shares of subsidiaries and associates	246	–
Provision of allowance for doubtful accounts	240	–
Total extraordinary losses	486	–
Profit before income taxes	3,510	5,002
Income taxes - current	(527)	(456)
Income taxes - deferred	(77)	(9)
Total income taxes	(605)	(465)
Profit	4,116	5,468

3) Statement of changes in equity [Unaudited]

Fiscal year ended March 31, 2021

(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		Total retained earnings		
						General reserve	Retained earnings brought forward			
Balance at beginning of period	9,428	10,395	5,294	15,690	620	12,700	17,027	30,348	(1,950)	53,516
Changes during period										
Dividends of surplus							(3,724)	(3,724)		(3,724)
Profit							4,116	4,116		4,116
Issuance of new shares	71	71		71						143
Purchase of treasury shares									(1,500)	(1,500)
Disposal of treasury shares									85	85
Net changes in items other than shareholders' equity										
Total changes during period	71	71	-	71	-	-	391	391	(1,415)	(880)
Balance at end of period	9,499	10,467	5,294	15,762	620	12,700	17,419	30,740	(3,365)	52,636

	Valuation and translation adjustments		Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of period	29	29	53,545
Changes during period			
Dividends of surplus			(3,724)
Profit			4,116
Issuance of new shares			143
Purchase of treasury shares			(1,500)
Disposal of treasury shares			85
Net changes in items other than shareholders' equity	188	188	188
Total changes during period	188	188	(692)
Balance at end of period	217	217	52,853

Fiscal year ended March 31, 2022

(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		Total 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

Notes

Main accounting policies

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

(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 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

Supplies

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

2. How we depreciate non-current assets

(1) Property, plant and equipment

We 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. How we account for reserves

(1) Allowance for doubtful accounts

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

(2) Provision for bonuses

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

(3) Provision for retirement benefits and prepaid pension cost

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

1) Attributing the projected retirement benefits to periods of service

We use a benefit formula to estimate the amount of retirement benefit obligations we will pay until the end of the fiscal year. 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 will always be shorter than the employees' average remaining service period (which is five years).

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 treatments for retirement benefits

When processing unsettled amounts for retirement benefit-related unrecognized actuarial gain or loss, 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 consolidated tax system

We apply this system.

(4) How we redenominate major foreign assets/liabilities

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

(5) Application of tax-effect accounting following shift from consolidated tax system to group relief system

In the next fiscal year, the Company is shifting to the group tax-sharing system, established by the Act for the Revision of the Income Tax Act and Other Relevant Acts (Act 8 of 2020). Stated below are the disclosable matters concerning this transition and how this transition effects non-consolidated tax return practices. Pursuant to Paragraph 3 of the Practical Expedients on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System (ASBJ PITF 39, March 31, 2020), deferred tax assets / liabilities will be treated as they were before the legal revision, without applying Paragraph 44 of the Implementation Guidance on Tax Effect Accounting (ASBJ Guidance 28, February 16, 2018).

From the beginning of the fiscal year ending March 2024, we plan to apply the ASBJ's Practical Solution 42 (Practical Solution for Accounting and Disclosure Under the Group Tax Sharing System, August 12, 2021), which provides accounting and disclosure standards for corporate and local income taxes and tax effect accounting where the group tax sharing system is applied.

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 finance 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

	Previous fiscal year	Fiscal year under review
Balance of loans to negative-equity subsidiaries	6,280 million yen	7,473 million yen
Allowance for doubtful accounts pertaining to such subsidiaries	(694 million yen)	(737 million yen)

(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. How we account for reserves (1) Allowance for doubtful accounts," if we have concerns with particular debtors, we will estimate how much we are likely to recover from the debtor in question based on the debtor's financial standing and then add the unrecoverable portion to the bad debt reserve.

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 finance 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 statements for next fiscal year

We may potentially add to the allowance if we conclude that the subsidiary's business plan has become unachievable in view of missed targets or other factors. We may potentially reverse the account if the debtor manages to clear its liabilities.

Changes in accounting policies

Application of Accounting standard for revenue recognition

From the start of the fiscal year under review, we now apply the Accounting Standard for Revenue Recognition (ASBJ 29, March 31, 2020). Under this standard, we recognize revenue when we transfer goods or services to a customer in an amount equivalent to what we expect to receive from the customer for the transfer.

However, as permitted under an alternative treatment provided for in Paragraph 98 of the Implementation Guidance on the Accounting Standard for Revenue Recognition, for sales in Japan, we may sometimes recognize revenue when we ship the goods unless there is a significant lag between shipment and delivery.

In applying the standard, we have adopted a transitional measure provided for in an exception clause of Paragraph 84 of the standard, in which the cumulative effect of retroactively applying the standard to previous fiscal years is added to or subtracted from the retained earnings as of the start of the fiscal year under review.

This change has no material impact on income or retained earnings in the fiscal year under review.

Accounting standards for determining fair value

From the start of the fiscal year under review, we now apply the Accounting Standard for Fair Value Measurement (ASBJ 30, July 4, 2019). Following the transitional measure provided for in Paragraph 19 of the Accounting Standard for Fair Value Measurement and in Article 44, Paragraph 2, in the Accounting Standard for Financial Instruments (ASBJ 10, July 4, 2019), we apply the standard only proactively (as opposed to retroactively).

This change has no significant effects on the financial results for the period under review.

Additional information

Delivering treasury shares to employees through a trust

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

COVID-19 pandemic impact

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

Balance sheets

*1 Monetary claims and obligations with associates

	Previous fiscal year March 31, 2021 (millions of yen)	Fiscal year under review March 31, 2022 (millions of yen)
Short-term monetary claims	2,658	5,565
Short-term monetary obligations	1,598	1,811

*2 Overdraft facility

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

	Previous fiscal year March 31, 2021 (millions of yen)	Fiscal year under review March 31, 2022 (millions of yen)
Overdraft limit	21,000	21,000
Used portion of overdraft	–	–
Overdraft remaining	21,000	21,000

Statements of income

*1 The following table shows our transactions with associates.

	Previous fiscal year (April 1, 2020 to March 31, 2021) (millions of yen)	Fiscal year under review (April 1, 2021 to March 31, 2022) (millions of yen)
Volume of operating transactions		
Operating revenue	7,824	11,740
Operating expenses	585	688
Volume of non-operating transactions		
Non-operating revenue	182	186

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

	Previous fiscal year (April 1, 2020 to March 31, 2021) (millions of yen)	Fiscal year under review (April 1, 2021 to March 31, 2022) (millions of yen)
Lease costs	238	247
Wages	513	623
Officer compensation	738	844
Accrued employees' bonuses	104	144
Commissions fee	1,055	1,218
Depreciation	169	267
Research & development	904	1,009

Securities

Previous fiscal year (ended March 31, 2021)

We have omitted our shares in subsidiaries (45,119 million yen). This item lacks a readily determinable fair value because it has no market price.

Fiscal year under review (ended March 31, 2022)

We have omitted our shares in subsidiaries (44,303 million yen). 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

	Previous fiscal year March 31, 2021 (millions of yen)	Fiscal year under review March 31, 2022 (millions of yen)
Deferred tax assets		
Denial of accrued employees' bonuses	47	73
Asset retirement obligations	60	110
Loss on valuation of shares of subsidiaries and associates	2,536	2,666
Impairment loss	295	291
Loss carried forward	341	476
Deemed distribution	112	112
Other	518	645
Deferred tax assets subtotal	<u>3,911</u>	<u>4,377</u>
Valuation allowance for tax loss carried forward	(341)	(476)
Valuation allowance for total future tax consequences of temporary differences	(3,342)	(3,617)
Valuation allowance subtotal	<u>(3,683)</u>	<u>(4,094)</u>
Deferred tax assets total	228	282
Deferred tax liabilities		
Valuation difference on available-for-sale securities	95	140
Prepaid pension cost	92	89
Other	43	91
Deferred tax liabilities total	<u>231</u>	<u>321</u>
Net deferred tax liabilities	3	38

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

	Previous fiscal year (ended March 31, 2021)	Fiscal year under review (ended March 31, 2022)
Legally effective tax rate	30.62%	30.62%
(Adjusting entries)		
Items such as withholding tax on dividends that are permanently excluded from deductible expenses	5.23%	7.30%
Items such as dividend income that are permanently excluded from earnings	(43.54%)	(48.55%)
Inhabitant tax on per capita basis	0.23%	0.16%
Tax deductions for testing and research expenses	(1.61%)	(2.25%)
Valuation allowance	(8.17%)	9.00%
Tax sparing credits	(1.85%)	(1.73%)
Other	1.93%	(3.86%)
Actual effective tax rate after applying tax effect accounting	<u>(17.17%)</u>	<u>(9.31%)</u>

Changes in presentation

Tax sparing credits, previously included under "Other," is stated as an independent entry in the fiscal year under review because its materiality has increased. The statements for the previous year have been retroactively adjusted accordingly.

Specifically, the pre-adjusted statements for the previous fiscal year stated "0.08%" for "Other." In the adjusted statements, this is "1.93%" in "Other" with a separately stated "tax sparing credits" item amounting to (1.85%).

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

Nothing to disclose.

4) Supplementary schedules

Schedules of property, plant and equipment

(millions of yen)

	Type of asset	Balance at beginning of current period	Increase	Decrease	Amortization	Balance at end of current period	Accumulated amortization
Property, plant and equipment	Buildings	4,667	606	7	371	4,895	7,881
	Land	2,696	39	–	–	2,735	–
	Other	534	688	423	139	660	2,044
	Total	7,898	1,334	431	510	8,290	9,925
Intangible assets	Software	437	107	0	127	418	332
	Other	352	720	44	0	1,028	144
	Total	790	828	45	127	1,446	477

- (Note) 1. The main components of the increase in buildings were 261 million yen from an extension at head office, 127 million yen from renovation work at Kitayama Facility (the office and plant), and 79 million yen from the construction of a canteen at Marunouchi Kitaguchi Building.
2. The main components of the increase in software were 42 million yen from upgrading the workflow system and 13 million yen from installing an HR system.

Schedule of provisions

(millions of yen)

Entry	Balance at beginning of current period	Increase	Decrease	Closing balance
Allowance for doubtful accounts	694	42	–	737
Provision for bonuses	155	240	155	240

(2) Main assets and liabilities

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

(3) Other

Nothing to disclose.

VI. How Taiyo Holdings' (the filing company's) Stocks are Administered

Fiscal year	April 1 to March 31
Ordinary General Shareholders' Meeting	June
Record date	March 31
Record date for dividends of surplus	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: http://www.taiyo-hd.co.jp
Special privileges for shareholders	Not applicable

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

VII. Referential Information about Taiyo Holdings (the filing company)

1. Parent company

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

2. Other referential information

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

(1) Annual securities report with accompanying documents and certificate

The 75th business term (April 1, 2020 to March 31, 2021): Filed with the director-general of the Kanto Local Finance Bureau on June 21, 2021

(2) Internal control report with accompanying documents

Filed with the director-general of the Kanto Local Finance Bureau on June 21, 2021

(3) Quarterly report with certificate

The 1st quarter of the 76th business term (April 1, 2021 to June 30, 2021): Filed with the director-general of the Kanto Local Finance Bureau on August 2, 2021

The 2nd quarter of the 76th business term (July 1, 2021, to September 30, 2021): Filed with the director-general of the Kanto Local Finance Bureau on November 5, 2021

The 3rd quarter of the 76th business term (October 1, 2021, to December 31, 2021): Filed with the director-general of the Kanto Local Finance Bureau on February 8, 2022

(4) Extraordinary report

Filed with the director-general of the Kanto Local Finance Bureau on June 21, 2021

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, 2021): Filed with the director-general of the Kanto Local Finance Bureau on July 9, 2021

Reporting period (July 1-31, 2021): Filed with the director-general of the Kanto Local Finance Bureau on August 10, 2021

Reporting period (August 1-31, 2021): Filed with the director-general of the Kanto Local Finance Bureau on September 10, 2021

Reporting period (September 1-30, 2021): Filed with the director-general of the Kanto Local Finance Bureau on October 8, 2021

Reporting period (October 1-31, 2021): Filed with the director-general of the Kanto Local Finance Bureau on November 10, 2021

Reporting period (November 1-30, 2021): Filed with the director-general of the Kanto Local Finance Bureau on December 10, 2021

Reporting period (December 1-31, 2021): Filed with the director-general of the Kanto Local Finance Bureau on January 7, 2022

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

Reporting period (February 1-28, 2022): Filed with the director-general of the Kanto Local Finance Bureau on March 10, 2022

Reporting period (March 1-31, 2022): Filed with the director-general of the Kanto Local Finance Bureau on April 8, 2022

Reporting period (April 1-30, 2022): Filed with the director-general of the Kanto Local Finance Bureau on May 10, 2022

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

(6) Securities registration statement

Filed with the director general of the Kanto Local Finance Bureau on July 1, 2021

Part II Taiyo Holdings' (filing company's) guarantors
Nothing to disclose.

Filing Notes

Document filed:	Certificate
Applicable law:	Article 24-4-2-1 of the Financial Instruments and Exchange Act of Japan [Kinyū shōhin torihiki hō]
Filed to:	The director general of the Kanto Local Finance Bureau
Date filed:	June 20, 2022
Company name in Japanese:	太陽ホールディングス株式会社 Taiyō hōrudingusu kabushiki gaisha
Company name in English	TAIYO HOLDINGS CO., LTD.
Representative (title):	Eiji Sato (President and CEO)
Name (title) of CFO:	Nothing to disclose.
Address of head office:	388 Ohkura, Ranzan-machi, 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. Integrity of the statements in this annual securities report

Eiji Sato, President & CEO of Taiyo Holdings, Co., Ltd., has confirmed that the statements in the Annual Securities Report for the 76th business term (April 1, 2021, to March 31, 2022) fulfil the integrity requirements of the Financial Instruments and Exchange Act.

2. Special notes

There are no special notes to disclose.

Filing Notes

Document filed:	Internal control report
Applicable law:	Article 24-4-4-1 of the Financial Instruments and Exchange Act of Japan [Kinyū shōhin torihiki hō]
Filed to:	The director general of the Kanto Local Finance Bureau
Date filed:	June 20, 2022
Company name in Japanese:	太陽ホールディングス株式会社 Taiyō hōrudingusu kabushiki gaisha
Company name in English	TAIYO HOLDINGS CO., LTD.
Representative (title):	Eiji Sato (President and CEO)
Name (title) of CFO:	Nothing to disclose.
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1. Basic framework for financial reporting-related internal controls

Eiji Sato, President & CEO of Taiyo Holdings, Co., Ltd., is responsible for developing and operating financial reporting-related internal controls. He does so according to the basic framework for financial reporting-related internal controls set forth in the Business Accounting Council's opinions titled *On the Setting of the Standards and Practice Standards for Management Assessment and Audit Concerning Internal Control Over Financial Reporting*.

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

2. Evaluation scope, date, and procedures

We evaluated our financial reporting-related internal controls on March 31, 2022, the last day of the current business year. We based this evaluation on standards for such evaluations that are accepted in Japan as fair and valid.

Before determining the business processes to evaluate, we evaluated, on a consolidated basis, those organization-wide internal controls that significantly influence financial reporting as a whole. 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 financial reporting-related internal controls, 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. Focusing on these eight entities, we evaluated the business processes therein 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 that we deemed materially relevant to financial reporting in that they constitute significant risk factors of material misstatements. 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 financial reporting-related internal controls are effective as of the last day of the current business year.

4. Supplementary notes

Nothing to disclose.

5. Special notes

Nothing to disclose.