

November 7, 2013

Consolidated Financial Results for the Six Months of the Fiscal Year Ending March 31, 2014 <under Japanese GAAP>

Company name: **TAIYO HOLDINGS CO., LTD.**
 Listing: First Section of the Tokyo Stock Exchange
 Stock code: 4626
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Scheduled date to file quarterly report: November 8, 2013
 Scheduled date to commence dividend payments: December 2, 2013
 Preparation of supplementary results briefing material on quarterly financial results: Yes
 Holding of quarterly financial results presentation meeting: Yes (for institutional investors and analysts)

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

1. Consolidated financial results for the six months of the fiscal year ending March 31, 2014 (from April 1, 2013 to September 30, 2013)

(1) Operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended								
September 30, 2013	21,354	14.8	3,783	60.7	3,863	56.8	2,469	41.4
September 30, 2012	18,594	(11.9)	2,353	(2.6)	2,463	8.3	1,746	10.6

Note: Comprehensive income

For the six months ended September 30, 2013: 4,126 million yen [317.4%]

For the six months ended September 30, 2012: 988 million yen [651.3%]

	Net income per share	Diluted net income per share
Six months ended	Yen	Yen
September 30, 2013	97.07	—
September 30, 2012	68.65	—

(2) Financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
September 30, 2013	55,775	40,679	69.7	1,527.96
March 31, 2013	44,023	36,809	82.2	1,423.26

Reference: Equity (Net assets excluding minority interests)

As of September 30, 2013: 38,868 million yen As of March 31, 2013: 36,205 million yen

2. Cash dividends

	Annual cash dividends				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2013	–	45.00	–	45.00	90.00
Fiscal year ending March 31, 2014	–	75.00			
Fiscal year ending March 31, 2014 (Forecasts)			–	45.00	120.00

Note: Revisions to the forecasts of cash dividends most recently announced: None

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

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2014 (from April 1, 2013 to March 31, 2014)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending March 31, 2014	44,000	21.6	7,000	59.6	7,000	47.6	4,700	39.6	184.76

Note: Revisions to the consolidated earnings forecasts most recently announced: None

* Notes

- (1) Changes in significant subsidiaries during the current six months (changes in specified subsidiaries resulting in the change in scope of consolidation): Yes

Newly consolidated: 7 companies (Name: Onstatic Technology Co., Ltd., and another 6 subsidiaries)

Note: For details see “2. Matters Regarding Summary Information (Notes) (1) Changes in significant subsidiaries during the current six months” on page 4 of the Attached Materials.

- (2) Application of specific accounting for preparing quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements after error corrections
- | | |
|---|------|
| a. Changes in accounting policies due to revisions to accounting standards and other regulations: | None |
| b. Changes in accounting policies due to other reasons: | None |
| c. Changes in accounting estimates: | None |
| d. Restatement of prior period financial statements after error corrections: | None |

(4) Number of issued shares (common stock)

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

As of September 30, 2013	27,464,000 shares
As of March 31, 2013	27,464,000 shares

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

As of September 30, 2013	2,025,930 shares
As of March 31, 2013	2,025,826 shares

c. Average number of outstanding shares during the period (cumulative from the beginning of the fiscal year)

Six months ended September 30, 2013	25,438,120 shares
Six months ended September 30, 2012	25,438,317 shares

*** Indication regarding execution of quarterly review procedures**

The completion of quarterly review procedures in accordance with the Financial Instruments and Exchange Act is not required for preparing this quarterly financial results report. At the time of disclosure of this quarterly financial results report, the quarterly review procedures for quarterly financial statements have not been completed.

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

The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable. Actual business and other results may differ substantially due to various factors.

Attached Materials

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1. Qualitative Information Regarding Settlement of Accounts for the Six Months

(1) Qualitative information regarding consolidated operating results

In the global economy during the six months ended September 30, 2013, the U.S. economy showed moderate growth, as seen by increases in consumer spending, recovery in the housing market and improvements in the employment situation, and the European economy began to stage a moderate recovery driven by improvements in the major countries. The economy in Japan, meanwhile, enjoyed a boost in business sentiment from improved exports and expanded personal consumption against a backdrop of a weakening yen and rising stock prices that has resulted from the Bank of Japan's large-scale monetary easing policy and optimism toward the government's growth strategies. On the other hand, there was a widening sense of stagnation in China's economy, primarily due to weaker growth as a result of lackluster domestic demand and exports. As a result, the overall outlook remained uncertain.

In the electronics components industry, in which the Group operates, demand was firm for smartphone and vehicle related products.

Operating under these conditions, net sales for the current six months amounted to 21,354 million yen (up 14.8% year on year).

In the PWB (printed wiring board) materials market, sales volume rose from the same period of the previous fiscal year and the average sales unit price also rose. As a result, net sales of PWB materials were 18,354 million yen (up 31.0% year on year).

Sales of FPD (flat panel display) materials, mainly consisting of PDP (plasma display panel) materials, dropped to 2,364 million yen (down 43.6% year on year), owing to a lower sales volume and a fall in the unit price driven by a drop in the market price of silver, which constitutes one of the products' raw materials.

As a result, operating income amounted to 3,783 million yen (up 60.7% year on year) with ordinary income at 3,863 million yen (up 56.8% year on year) and net income at 2,469 million yen (up 41.4% year on year).

Sales results by product group category

The following are sales results by product group category for the six months ended September 30, 2013.

(Millions of yen)

Name of product group category	Six months ended September 30, 2012	Six months ended September 30, 2013	Compared to the same period of the previous fiscal year	
			Change	Rate of change (%)
Rigid board materials	10,248	13,833	3,584	35.0
PKG board and flexible board materials	3,220	4,000	779	24.2
Build-up board materials	536	520	(16)	(3.0)
FPD materials	4,189	2,364	(1,824)	(43.6)
Others	398	635	236	59.5
Total	18,594	21,354	2,759	14.8

Results by segment are as follows. (Net sales of segments includes inter-segment sales or transactions.)

1) Japan

The consolidated company comprising the Japan segment is TAIYO INK MFG. CO., LTD., a manufacturing and marketing subsidiary.

In the six months ended September 30, 2013, despite firm performance of high function products of PKG (semiconductor packages) materials, mainly for smartphones, both the sales volume and the sales amount dropped year on year due to weaker demand in other PWB material products.

As a result, net sales amounted to 7,017 million yen (down 3.4% year on year) with segment profit at 980 million yen (up 10.8% year on year).

2) China (including Hong Kong)

The consolidated companies comprising the China segment are TAIYO INK (SUZHOU) CO., LTD. and GOO-AMC Corporation, manufacturing and marketing subsidiaries, and TAIYO INK INTERNATIONAL (HK) LIMITED and TAIYO INK TRADING (SHENZHEN) CO., LTD., marketing subsidiaries operating mainly in the southern China region. GOO-AMC Corporation is a subsidiary of Onstatic Technology Co., Ltd., which was acquired during the first quarter ended June 30, 2013.

Performance was strong for PWB materials, particularly for vehicle installation parts and smartphones, and the sales volume and sales amount increased compared with the same period of the previous fiscal year.

As a result, net sales amounted to 8,447 million yen (up 50.6% year on year) with segment profit at 1,244 million yen (up 47.3% year on year).

3) Taiwan

The consolidated companies comprising the Taiwan segment are manufacturing and marketing subsidiaries TAIWAN TAIYO INK CO., LTD., and Onstatic Technology Co., Ltd. (and another three subsidiaries).

As a result of strong demand for PWB materials for servers, vehicle installation parts and smartphones, the sales volume and sales amount increased compared with the same period of the previous fiscal year.

As a result, net sales amounted to 3,606 million yen (up 82.6% year on year) with segment profit at 610 million yen (up 148.2% year on year).

4) Korea

The consolidated company comprising the Korea segment is TAIYO INK CO., (KOREA) LTD., a manufacturing and marketing subsidiary.

Due to a decline in the sales volume of FPD materials, which have a low-profit margin, and a fall in the market price of silver, which constitutes one of the products' raw materials, the sales amount dropped steeply year on year. On the other hand, demand was firm for the high function products of PWB materials used in smartphones, which have a high-profit margin.

As a result, net sales amounted to 5,305 million yen (down 14.9% year on year) with segment profit at 607 million yen (up 72.7% year on year).

5) Other

The consolidated companies comprising the operations in areas other than the above are TAIYO AMERICA, INC. and TAIYO INK INTERNATIONAL (SINGAPORE) PTE LTD. TAIYO INK INTERNATIONAL (SINGAPORE) performed strongly, mainly for materials related to vehicles.

TAIYO AMERICA also performed strongly, partly due to the effect of foreign currency exchange.

As a result, net sales amounted to 1,668 million yen (up 19.9% year on year) with segment profit at 205 million yen (up 32.0% year on year).

(2) Qualitative information regarding consolidated financial position

Positions of assets, liabilities and net assets

- The following shows the positions of assets, liabilities and net assets as of September 30, 2013.

	As of March 31, 2013 (Millions of yen)	As of September 30, 2013 (Millions of yen)	Change (Millions of yen)	Main factors (comparison with the end of the previous fiscal year)
Current assets	26,979	36,143	9,163	Cash and deposits increased approx. 4,600 million yen, notes and accounts receivable–trade increased approx. 3,500 million yen and inventories increased approx. 1,000 million yen
Noncurrent assets	17,043	19,632	2,588	Goodwill increased approx. 4,500 million yen, construction in progress increased approx. 500 million yen and stocks of subsidiaries and affiliates decreased approx. 2,600 million yen
Total assets	44,023	55,775	11,752	
Total liabilities	7,213	15,095	7,882	Long-term loans payable increased approx. 5,300 million yen, notes and accounts payable–trade increased approx. 1,200 million yen, accounts payable–other increased approx. 500 million yen and short-term loans payable increased approx. 500 million yen
Total net assets	36,809	40,679	3,870	Net income increased approx. 1,400 million yen, minority interests increased approx. 1,200 million yen and foreign currency translation adjustment increased approx. 1,200 million yen
Total liabilities and net assets	44,023	55,775	11,752	

(3) Information regarding consolidated earnings forecasts and other forward-looking statements

At present, no changes have been made to the consolidated earnings forecasts from the earnings forecasts that were released on May 13, 2013 (only in Japanese).

2. Matters Regarding Summary Information (Notes)

(1) Changes in significant subsidiaries during the current six months

On May 16, 2013, the Company made an additional acquisition of the issued shares of Onstatic Technology Co., Ltd., which had been an affiliate under the equity method, to make it a consolidated subsidiary.

(2) Application of specific accounting for preparing quarterly consolidated financial statements

No items to report

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

No items to report

3. Significant Events Regarding Premise of Going Concern

No items to report

4. Consolidated Financial Statements

(1) Consolidated balance sheets

(Millions of yen)

	As of March 31, 2013	As of September 30, 2013
Assets		
Current assets		
Cash and deposits	14,652	19,275
Notes and accounts receivable-trade	8,199	11,727
Securities	0	0
Merchandise and finished goods	1,816	2,308
Work in process	195	302
Raw materials and supplies	1,674	2,077
Other	547	702
Allowance for doubtful accounts	(105)	(250)
Total current assets	26,979	36,143
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	6,872	6,942
Land	4,179	4,237
Other, net	1,612	2,535
Total property, plant and equipment	12,664	13,715
Intangible assets		
Goodwill	29	4,568
Other	317	364
Total intangible assets	347	4,932
Investments and other assets	4,032	984
Total noncurrent assets	17,043	19,632
Total assets	44,023	55,775
Liabilities		
Current liabilities		
Notes and accounts payable-trade	4,486	5,742
Short-term loans payable	–	503
Income taxes payable	508	468
Provision for bonuses	304	347
Provision for directors' bonuses	49	33
Other	1,375	1,683
Total current liabilities	6,724	8,778
Noncurrent liabilities		
Long-term loans payable	–	5,372
Provision for retirement benefits	216	260
Provision for directors' retirement benefits	10	10
Asset retirement obligations	54	54
Other	207	619
Total noncurrent liabilities	488	6,317
Total liabilities	7,213	15,095

(Millions of yen)

	As of March 31, 2013	As of September 30, 2013
Net assets		
Shareholders' equity		
Capital stock	6,134	6,134
Capital surplus	7,102	7,102
Retained earnings	30,379	31,703
Treasury stock	(5,372)	(5,373)
Total shareholders' equity	38,243	39,568
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	135	198
Foreign currency translation adjustment	(2,173)	(898)
Total accumulated other comprehensive income	(2,038)	(699)
Minority interests	604	1,811
Total net assets	36,809	40,679
Total liabilities and net assets	44,023	55,775

(2) Consolidated statements of income and consolidated statements of comprehensive income**Consolidated statements of income (cumulative)**

(Millions of yen)

	Six months ended September 30, 2012	Six months ended September 30, 2013
Net sales	18,594	21,354
Cost of sales	12,994	13,626
Gross profit	5,599	7,727
Selling, general and administrative expenses	3,245	3,944
Operating income	2,353	3,783
Non-operating income		
Interest income	41	47
Dividends income	55	39
Equity in earnings of affiliates	–	13
Other	62	44
Total non-operating income	159	144
Non-operating expenses		
Interest expenses	0	14
Foreign exchange losses	30	42
Other	18	7
Total non-operating expenses	49	64
Ordinary income	2,463	3,863
Extraordinary income		
Gain on sales of noncurrent assets	18	51
Gain on liquidation of subsidiaries and affiliates	–	58
Total extraordinary income	18	110
Extraordinary loss		
Loss on sales of noncurrent assets	6	–
Loss on valuation of investment securities	7	0
Loss on step acquisitions	–	73
Total extraordinary losses	14	73
Income before income taxes and minority interests	2,467	3,900
Income taxes-current	786	994
Income taxes-deferred	(100)	283
Total income taxes	685	1,278
Income before minority interests	1,781	2,622
Minority interests in income	35	153
Net income	1,746	2,469

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Six months ended September 30, 2012	Six months ended September 30, 2013
Income before minority interests	1,781	2,622
Other comprehensive income		
Valuation difference on available-for-sale securities	(40)	63
Foreign currency translation adjustment	(753)	1,439
Total other comprehensive income	(793)	1,503
Comprehensive income	988	4,126
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	969	3,827
Comprehensive income attributable to minority interests	18	298

(3) Consolidated statements of cash flows

(Millions of yen)

	Six months ended September 30, 2012	Six months ended September 30, 2013
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	2,467	3,900
Depreciation and amortization	476	564
Loss (gain) on valuation of investment securities	7	0
Loss (gain) on step acquisitions	–	73
Increase (decrease) in provision for retirement benefits	4	35
Increase (decrease) in provision for bonuses	12	41
Increase (decrease) in provision for directors' bonuses	30	(16)
Interest and dividends income	(96)	(86)
Interest expenses	0	14
Loss (gain) on liquidation of subsidiaries and affiliates	–	(58)
Loss (gain) on sales of property, plant and equipment	(11)	(51)
Decrease (increase) in notes and accounts receivable-trade	(448)	(605)
Decrease (increase) in inventories	317	235
Increase (decrease) in notes and accounts payable-trade	663	345
Increase (decrease) in accrued consumption taxes	85	7
Other, net	(172)	(356)
Subtotal	3,336	4,041
Interest and dividends income received	95	86
Interest expenses paid	(0)	(3)
Income taxes paid	(470)	(1,074)
Net cash provided by (used in) operating activities	2,961	3,050
Net cash provided by (used in) investing activities		
Payments into time deposits	(903)	(1,125)
Proceeds from withdrawal of time deposits	1,296	1,210
Purchase of property, plant and equipment	(318)	(659)
Purchase of intangible assets	(10)	(71)
Proceeds from sales of investment securities	–	14
Purchase of investments in subsidiaries	–	(1,927)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	–	(861)
Payments of loans receivable	(6)	(11)
Collection of loans receivable	7	11
Other, net	202	540
Net cash provided by (used in) investing activities	267	(2,879)

(Millions of yen)

	Six months ended September 30, 2012	Six months ended September 30, 2013
Net cash provided by (used in) financing activities		
Increase in short-term loans payable	–	2
Proceeds from long-term loans payable	–	5,619
Purchase of treasury stock	(0)	(0)
Cash dividends paid	(1,144)	(1,144)
Cash dividends paid to minority shareholders	(24)	(215)
Net cash provided by (used in) financing activities	(1,169)	4,260
Effect of exchange rate change on cash and cash equivalents	(228)	221
Net increase (decrease) in cash and cash equivalents	1,831	4,653
Cash and cash equivalents at beginning of period	11,563	13,766
Cash and cash equivalents at end of period	13,395	18,419

(4) Notes to consolidated financial statements

(Notes on premise of going concern)

No items to report

(Notes on substantial changes in the amount of shareholders' equity)

No items to report

(Segment information, etc.)

1. Information regarding net sales and profit/loss by reportable segment

Six months ended September 30, 2012

(Millions of yen)

	Reportable segments					Other (Note 2)	Total
	Japan	China (Note 1)	Taiwan	Korea	Total		
Net sales							
External sales	4,546	5,548	1,438	5,696	17,229	1,364	18,594
Inter-segment sales or transfers	2,718	62	536	539	3,857	26	3,884
Total sales	7,265	5,611	1,974	6,236	21,087	1,390	22,478
Segment profit	885	844	246	351	2,327	155	2,483

Notes: 1. The "China" segment covers local subsidiaries in China and Hong Kong.

2. The "Other" segment represents operating segments not included in reportable segments and covers the business activities of local subsidiaries in the U.S. and other Asian countries.

Six months ended September 30, 2013

(Millions of yen)

	Reportable segments					Other (Note 2)	Total
	Japan	China (Note 1)	Taiwan	Korea	Total		
Net sales							
External sales	4,388	7,842	2,338	5,160	19,730	1,624	21,354
Inter-segment sales or transfers	2,629	604	1,268	144	4,646	43	4,690
Total sales	7,017	8,447	3,606	5,305	24,376	1,668	26,044
Segment profit	980	1,244	610	607	3,443	205	3,649

Notes: 1. The "China" segment covers local subsidiaries in China and Hong Kong.

2. The "Other" segment represents operating segments not included in reportable segments and covers the business activities of local subsidiaries in the U.S. and other Asian countries.

3. The net sales and operating income of Onstatic Technology Co., Ltd. (and another four subsidiaries) have been presented in the Taiwan and China segments effective from the six months ended September 30, 2013.

As two of the six subsidiaries of Onstatic Technology Co., Ltd. do not operate any business, they do not constitute a reportable segment.

2. Matters related to assets for each reportable segment

In the first quarter ended June 30, 2013, Onstatic Technology Co., Ltd. (and another six subsidiaries) was acquired and included in the scope of consolidation. As a result, compared with the end of the previous fiscal year, the balance of assets as of September 30, 2013 rose by 7,959 million yen in the Taiwan segment and by 2,607 million yen in the China segment.

3. Difference between total segment profit or loss for reportable segments and operating income on consolidated statement of income, and details thereof (reconciliation)

(Millions of yen)

Profit/loss	Six months ended September 30, 2012	Six months ended September 30, 2013
Reportable segments total	2,327	3,443
“Other” segment profit	155	205
Inter-segment eliminations	53	117
Amortization of goodwill	(9)	(47)
Profit/loss not allocated to operating segments (Note)	(173)	57
Other adjusted amounts	—	5
Operating income on the consolidated statement of income	2,353	3,783

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

4. Information regarding impairment loss on noncurrent assets, goodwill and negative goodwill by reportable segment

No items to report