

July 31, 2014

Consolidated Financial Results for the Three Months of the Fiscal Year Ending March 31, 2015 <under Japanese GAAP>

Company name: **TAIYO HOLDINGS CO., LTD.**
 Listing: First Section of the Tokyo Stock Exchange
 Stock code: 4626
 URL: <http://www.taiyo-hd.co.jp>
 Representative: Eiji Sato, President and CEO
 Inquiries: Shuichi Omi, Deputy General Manager, Administration Division
 TEL: +81-3-5999-1511

Scheduled date to file quarterly report: August 1, 2014
 Scheduled date to commence dividend payments: –
 Preparation of supplementary results briefing material on quarterly financial results: Yes
 Holding of quarterly financial results presentation meeting: None

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

1. Consolidated financial results for the three months of the fiscal year ending March 31, 2015 (from April 1, 2014 to June 30, 2014)

(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	%
Three months ended								
June 30, 2014	11,657	21.4	2,103	26.7	2,159	25.2	1,463	26.3
June 30, 2013	9,599	4.2	1,659	48.7	1,723	43.1	1,158	29.0

Note: Comprehensive income
 For the three months ended June 30, 2014: 1,378 million yen [(31.0)%]
 For the three months ended June 30, 2013: 1,997 million yen [–%]

	Net income per share	Diluted net income per share
Three months ended	Yen	Yen
June 30, 2014	57.55	–
June 30, 2013	45.55	–

(2) Financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
June 30, 2014	57,432	43,169	71.7	1,619.78
March 31, 2014	58,369	42,655	69.6	1,596.45

Reference: Equity (Net assets excluding minority interests)
 As of June 30, 2014: 41,203 million yen As of March 31, 2014: 40,610 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, 2014	–	75.00	–	45.00	120.00
Fiscal year ending March 31, 2015	–				
Fiscal year ending March 31, 2015 (Forecasts)		45.00	–	45.00	90.00

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

The dividend at the end of the second quarter of the fiscal year ended 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, 2015 (from April 1, 2014 to March 31, 2015)

(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
Six months ending September 30, 2014	23,000	7.7	3,900	3.1	3,900	0.9	2,530	2.5	99.46
Fiscal year ending March 31, 2015	45,500	2.9	7,700	1.7	7,700	(1.6)	5,000	1.4	196.56

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

* Notes

- (1) Changes in significant subsidiaries during the current three months (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (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: Yes
 - 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

Note: For details see “2. Matters Regarding Summary Information (Notes) (3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements after error corrections” on pages 4 and 5 of the Quarterly Financial Results Report (Attached Materials).

(4) Number of issued shares (common shares)

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

As of June 30, 2014	27,464,000 shares
As of March 31, 2014	27,464,000 shares

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

As of June 30, 2014	2,026,110 shares
As of March 31, 2014	2,026,110 shares

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

Three months ended June 30, 2014	25,437,890 shares
Three months ended June 30, 2013	25,438,158 shares

Note: Treasury shares include stock of the Company owned by The Master Trust Bank of Japan, Ltd. (trust account for Employee Stock Ownership Plan grant stock).

*** 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

Index

1. Qualitative Information Regarding Settlement of Accounts for the Three Months.....	2
(1) Qualitative information regarding consolidated operating results	2
(2) Qualitative information regarding consolidated financial position.....	4
(3) Information regarding consolidated earnings forecasts and other forward-looking statements.....	4
2. Matters Regarding Summary Information (Notes).....	4
(1) Changes in significant subsidiaries during the current three months.....	4
(2) Application of specific accounting for preparing quarterly consolidated financial statements	4
(3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements after error corrections	4
(4) Additional information.....	5
3. Significant Events Regarding Premise of Going Concern.....	5
4. Consolidated Financial Statements	6
(1) Consolidated balance sheet	6
(2) Consolidated statement of income and consolidated statement of comprehensive income.....	8
Consolidated statement of income (cumulative).....	8
Consolidated statement of comprehensive income (cumulative).....	9
(3) Notes to consolidated financial statements	10
(Notes on premise of going concern)	10
(Notes on substantial changes in the amount of shareholders' equity)	10
(Segment information, etc.).....	10
(Significant subsequent events).....	11

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

(1) Qualitative information regarding consolidated operating results

In the global economy during the three months ended June 30, 2014, the U.S. economy benefited from improvements in corporate sentiment and consumer spending while the European economy showed signs of moderate economic recovery. In the Chinese economy, business sentiment in the manufacturing sector recovered on the back of beneficial factors including government economic support measures. The Japanese economy, on the other hand, experienced a temporary slump mainly reflecting a pullback in demand following a surge ahead of a hike in the consumption tax rate in April.

In the electronics components industry, in which the Group operates, demand was firm for materials for smartphone, servers and vehicle installation parts.

Operating under these conditions, net sales for the current three months amounted to 11,657 million yen (up 21.4% year on year).

In the PWB (printed wiring board) materials market, both the sales volume and the sales amount increased year on year. This reflected not only the consolidation, effective from the first quarter ended June 30, 2014, of the statements of income of Onstatic Technology Co., Ltd.'s group, for which profit and loss was accounted for under the equity method in the first quarter ended June 30, 2013, but also firm sales of rigid board materials and PKG (semiconductor packages) boards and the favorable effect of foreign currency exchange rate. As a result, net sales of PWB materials were 10,260 million yen (up 26.2% year on year).

Net sales of FPD (flat panel display) materials, mainly consisting of PDP (plasma display panel) materials, dropped to 958 million yen (down 21.6% year on year), owing to 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 2,103 million yen (up 26.7% year on year) with ordinary income at 2,159 million yen (up 25.2% year on year) and net income at 1,463 million yen (up 26.3% year on year).

Sales results by product group category

The following are sales results by product group category for the three months ended June 30, 2014.
(Millions of yen)

Name of product group category	Three months ended June 30, 2013	Three months ended June 30, 2014	Compared to the same period of the previous fiscal year	
			Change	Rate of change (%)
Rigid board materials	5,922	7,651	1,728	29.2
PKG board and flexible printed circuit board materials	1,954	2,332	378	19.4
Build-up board materials	251	276	24	9.9
FPD materials	1,222	958	(264)	(21.6)
Others	247	438	190	77.1
Total	9,599	11,657	2,058	21.4

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 three months ended June 30, 2014, due to firm performance of high function products of PWB materials, mainly for smartphones, both the sales volume and the sales amount increased year on year.

As a result, net sales amounted to 3,875 million yen (up 13.2% year on year) with segment profit at 627 million yen (up 12.7% year on year).

2) China (including Hong Kong)

The consolidated companies comprising the China segment are TAIYO INK (SUZHOU) CO., LTD. and Onstatic Ink (Shenzhen) Co., Ltd., 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. Onstatic Ink (Shenzhen) Co., Ltd. is a subsidiary of Onstatic Technology Co., Ltd. In the PWB materials market, both the sales volume and the sales amount increased year on year. This reflected not only the consolidation, effective from the first quarter ended June 30, 2014, of the statement of income of Onstatic Ink (Shenzhen) Co., Ltd., for which profit and loss was accounted for under the equity method in the first quarter ended June 30, 2013, but also other factors including strong sales mainly of materials related to vehicle installation parts and smartphones.

As a result, net sales amounted to 4,435 million yen (up 37.7% year on year) with segment profit at 722 million yen (up 32.6% 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).

In the PWB materials market, both the sales volume and the sales amount increased year on year. This reflected not only the consolidation, effective from the first quarter ended June 30, 2014, of the statement of income of Onstatic Technology Co., Ltd. (and another three subsidiaries), for which profit and loss was accounted for under the equity method in the first quarter ended June 30, 2013, but also strong demand for materials for servers, vehicle installation parts and smartphones.

As a result, net sales amounted to 2,261 million yen (up 90.6% year on year) with segment profit at 403 million yen (up 146.6% year on year).

4) Korea

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

Demand was strong for the high function products of PWB materials used in smartphones, which have a high-profit margin. Despite this, the sales amount decreased year on year due to a decline in sales volume of FPD materials and a fall in sales prices driven by a drop in the market price of silver, which constitutes one of the products' raw materials.

As a result, net sales amounted to 2,551 million yen (down 7.0% year on year) with segment profit at 289 million yen (down 0.5% 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. At TAIYO AMERICA, sales were in the same level with the same period of the previous fiscal year.

TAIYO INK INTERNATIONAL (SINGAPORE) performed steadily due to the expansion of the market of products for car electronics in Thailand.

As a result, net sales amounted to 1,026 million yen (up 30.2% year on year) with segment profit at 133 million yen (up 49.3% 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 June 30, 2014.

	As of March 31, 2014 (Millions of yen)	As of June 30, 2014 (Millions of yen)	Change (Millions of yen)	Main factors (comparison with the end of the previous fiscal year)
Current assets	37,798	36,706	(1,091)	Cash and deposits decreased approx. 1,700 million yen and notes and accounts receivable - trade increased approx. 200 million yen.
Non-current assets	20,570	20,725	154	Net defined benefit asset increased approx. 200 million yen.
Total assets	58,369	57,432	(936)	
Total liabilities	15,713	14,262	(1,450)	Long-term loans payable decreased approx. 1,700 million yen and notes and accounts payable - trade increased approx. 600 million yen.
Total net assets	42,655	43,169	513	Net income increased approx. 1,400 million yen and cash dividends paid was approx. 1,100 million yen.
Total liabilities and net assets	58,369	57,432	(936)	

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

No changes have been made to the consolidated earnings forecasts for the six months ending September 30, 2014 and the fiscal year ending March 31, 2015 from the earnings forecasts that were announced in “Consolidated Financial Results for the Fiscal Year Ended March 31, 2014” released on May 2, 2014.

2. Matters Regarding Summary Information (Notes)

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

No items to report

(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 (Changes in accounting policies)

Regarding the “Accounting Standard for Retirement Benefits” (ASBJ Statement No. 26, May 17, 2012) and “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25, May 17, 2012), effective from the first quarter ended June 30, 2014, the Company has applied the provisions of the main clauses of Paragraph 35 of the Accounting Standard for Retirement Benefits and Paragraph 67 of Guidance on Accounting Standard for Retirement Benefits, reviewed its calculation method for retirement benefit obligations and current service costs, and changed its method of attributing expected benefits to periods from the straight-line basis to the benefit formula basis. In addition, the Company has changed the method for determining the discount rate from one that uses a discount rate based on a period approximate to the expected average remaining working lives of employees, to one that uses a single weighted average discount rate reflecting the estimated timing and amount of benefit payment.

Application of the Accounting Standard for Retirement Benefits and Guidance on Accounting Standard for Retirement Benefits is in line with the transitional measures provided in Paragraph 37 of the Accounting Standard for Retirement Benefits, and the effect of the change in the calculation method for retirement benefit obligations and current service costs has been added to or deducted from retained earnings at the beginning of the first quarter ended June 30, 2014.

As a result, at the beginning of the first quarter ended June 30, 2014, net defined benefit liability decreased by 316 million yen, net defined benefit asset increased by 244 million yen and retained earnings increased by 561 million yen. In addition, operating income, ordinary income and income before income taxes and minority interests for the three months ended June 30, 2014 decreased 6 million yen respectively.

(4) Additional information

(Accounting treatment for Employee Stock Ownership Plan stock granting 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, December 25, 2013) effective from the first quarter ended June 30, 2014.

The Company, at a meeting of the Board of Directors held on May 2, 2014, resolved to introduce an employee incentive plan, the Employee Stock Ownership Plan (“ESOP”) trust for granting stock. Through this plan, the Company aims to cultivate a sense of belonging among its employees, increase their sense of participation in the management of the Company, and heighten their motivation to help improve operating results and increase the stock price in the long term as well as their morale. In addition, the Company aims to enhance corporate value on a medium- and long-term basis through the plan.

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

The trust is accounted for with a method (the gross method), in which assets and liabilities of the trust are recorded on the balance sheet as assets and liabilities of the Company and profits and losses of the trust are recorded on the statement of income as profits and losses of the Company.

The gross method was applied to the stock of the Company owned by the trust account for the ESOP grant stock as of the end of the first quarter ended June 30, 2014, and the amount is presented under net assets in the quarterly consolidated balance sheet as treasury shares using the carrying amount at the trust (excluding amounts of ancillary costs). The amount recorded as such is 318 million yen and the number of shares recorded is 104,500 shares.

3. Significant Events Regarding Premise of Going Concern

No items to report

4. Consolidated Financial Statements

(1) Consolidated balance sheet

(Millions of yen)

	As of March 31, 2014	As of June 30, 2014
Assets		
Current assets		
Cash and deposits	21,149	19,395
Notes and accounts receivable - trade	11,891	12,143
Securities	1	1
Merchandise and finished goods	2,227	2,455
Work in process	319	335
Raw materials and supplies	1,841	1,835
Other	641	814
Allowance for doubtful accounts	(272)	(274)
Total current assets	37,798	36,706
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	7,625	7,628
Land	4,237	4,244
Other, net	2,512	2,633
Total property, plant and equipment	14,375	14,505
Intangible assets		
Goodwill	4,745	4,509
Other	398	395
Total intangible assets	5,144	4,904
Investments and other assets		
Net defined benefit asset	–	184
Other	1,050	1,130
Total investments and other assets	1,050	1,314
Total non-current assets	20,570	20,725
Total assets	58,369	57,432
Liabilities		
Current liabilities		
Notes and accounts payable - trade	5,433	6,070
Short-term loans payable	534	524
Accounts payable - other	1,394	921
Income taxes payable	562	840
Provision for bonuses	352	472
Provision for directors' bonuses	61	52
Other	596	666
Total current liabilities	8,936	9,548
Non-current liabilities		
Provision for directors' retirement benefits	10	10
Long-term loans payable	5,658	3,901
Net defined benefit liability	316	–
Asset retirement obligations	54	55
Equity incentive allowance	–	59
Other	736	686
Total non-current liabilities	6,776	4,714
Total liabilities	15,713	14,262

(Millions of yen)

	As of March 31, 2014	As of June 30, 2014
Net assets		
Shareholders' equity		
Capital stock	6,134	6,134
Capital surplus	7,102	7,143
Retained earnings	32,257	32,999
Treasury shares	(5,373)	(5,415)
Total shareholders' equity	40,120	40,862
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	235	279
Foreign currency translation adjustment	328	132
Remeasurements of defined benefit plans	(74)	(70)
Total accumulated other comprehensive income	489	341
Minority interests	2,045	1,965
Total net assets	42,655	43,169
Total liabilities and net assets	58,369	57,432

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

(Millions of yen)

	Three months ended June 30, 2013	Three months ended June 30, 2014
Net sales	9,599	11,657
Cost of sales	6,124	7,132
Gross profit	3,474	4,524
Selling, general and administrative expenses	1,814	2,421
Operating income	1,659	2,103
Non-operating income		
Interest income	22	29
Dividend income	38	7
Refunded consumption taxes	–	27
Share of profit of entities accounted for using equity method	13	–
Other	19	18
Total non-operating income	94	83
Non-operating expenses		
Interest expenses	4	7
Foreign exchange losses	24	11
Other	1	8
Total non-operating expenses	30	27
Ordinary income	1,723	2,159
Extraordinary income		
Gain on sales of non-current assets	0	7
Gain on liquidation of subsidiaries and associates	58	–
Total extraordinary income	59	7
Extraordinary losses		
Loss on valuation of investment securities	0	–
Loss on step acquisitions	73	–
Total extraordinary losses	73	–
Income before income taxes and minority interests	1,709	2,166
Income taxes - current	657	938
Income taxes - deferred	(133)	(294)
Total income taxes	523	643
Income before minority interests	1,186	1,522
Minority interests in income	27	58
Net income	1,158	1,463

Consolidated statement of comprehensive income (cumulative)

(Millions of yen)

	Three months ended June 30, 2013	Three months ended June 30, 2014
Income before minority interests	1,186	1,522
Other comprehensive income		
Valuation difference on available-for-sale securities	31	43
Foreign currency translation adjustment	779	(191)
Adjustments to retirement benefits	–	4
Total other comprehensive income	810	(143)
Comprehensive income	1,997	1,378
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,953	1,309
Comprehensive income attributable to minority interests	43	69

(3) 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.)

[Segment information]

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

Three months ended June 30, 2013

(Millions of yen)

	Reportable segments					Other (Note 2)	Total
	Japan	China (Note 1)	Taiwan	Korea	Total		
Net sales							
External sales	2,128	3,159	877	2,665	8,831	767	9,599
Inter-segment sales or transfers	1,295	61	308	79	1,745	20	1,765
Total sales	3,423	3,221	1,186	2,744	10,576	787	11,364
Segment profit	557	544	163	290	1,556	89	1,645

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 fiscal-year closing date for Onstatic Technology Co., Ltd. (and another six subsidiaries) is December 31. Although this is different from the consolidated fiscal-year closing date, the difference of closing dates does not exceed three months. The Company therefore plans to prepare the consolidated financial statements using the financial statements of Onstatic Technology Co., Ltd. (and another six subsidiaries) as a basis.

As the deemed acquisition date of the business combination is April 1, 2013, the operating results for the three months ended June 30, 2013, do not include those of Onstatic Technology Co., Ltd. (and another six subsidiaries). As a result, the net sales and operating income of Onstatic Technology Co., Ltd. (and another four subsidiaries) are not presented in the Taiwan and China segments for the three month ended June 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.

Three months ended June 30, 2014

(Millions of yen)

	Reportable segments					Other (Note 2)	Total
	Japan	China (Note 1) (Note 3)	Taiwan (Note 3)	Korea	Total		
Net sales							
External sales	2,369	4,115	1,704	2,465	10,655	1,001	11,657
Inter-segment sales or transfers	1,505	319	556	86	2,468	24	2,492
Total sales	3,875	4,435	2,261	2,551	13,123	1,026	14,150
Segment profit	627	722	403	289	2,042	133	2,176

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 included in the China and Taiwan segments.

2. 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	Three months ended June 30, 2013	Three months ended June 30, 2014
Reportable segments total	1,556	2,042
“Other” segment profit	89	133
Inter-segment eliminations	13	43
Amortization of goodwill	(2)	(61)
Profit/loss not allocated to operating segments (Note)	3	(55)
Other adjusted amounts	–	0
Operating income on the consolidated statement of income	1,659	2,103

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

3. Information regarding impairment loss on non-current assets, goodwill and negative goodwill by reportable segment

No items to report

(Significant subsequent events)

No items to report