



October 31, 2017

Consolidated Financial Results
for the First Six Months of the Fiscal Year Ending March 31, 2018
<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/en>
 Representative: Eiji Sato, President and CEO
 Inquiries: Shuichi Omi, Executive Officer, General Manager, Administration Division
 Tel.: +81-3-5999-1511

Scheduled date to file quarterly report: October 31, 2017
 Scheduled date to commence dividend payments: December 1, 2017
 Preparation of supplementary 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 first six months of the fiscal year ending March 31, 2018 (from April 1, 2017 to September 30, 2017)

(1) Operating results (cumulative)

(Millions of yen; % year on year)

| | Net sales | | Operating income | | Ordinary income | | Profit attributable to owners of parent | |
|--------------------|-----------|-------|------------------|--------|-----------------|--------|---|--------|
| | | % | | % | | % | | % |
| Six months ended: | | | | | | | | |
| September 30, 2017 | 25,784 | 10.0 | 5,744 | 26.0 | 5,690 | 23.7 | 3,998 | 10.3 |
| September 30, 2016 | 23,442 | (7.7) | 4,557 | (21.5) | 4,602 | (21.9) | 3,623 | (11.4) |

Note: Comprehensive income

For the six months ended September 30, 2017: 4,622 million yen 740.2%

For the six months ended September 30, 2016: 550 million yen (85.0%)

(Yen)

| | Basic earnings per share | Diluted earnings per share |
|--------------------|--------------------------|----------------------------|
| Six months ended: | | |
| September 30, 2017 | 138.83 | — |
| September 30, 2016 | 156.61 | — |

(2) Financial position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|--------------------|-----------------|-----------------|--------------|----------------------|
| As of | Millions of yen | Millions of yen | % | Yen |
| September 30, 2017 | 95,619 | 74,134 | 77.2 | 2,559.87 |
| March 31, 2017 | 92,386 | 71,846 | 76.9 | 2,468.99 |

Reference: Equity (Net assets excluding non-controlling interests)

As of September 30, 2017: 73,788 million yen As of March 31, 2017: 71,063 million yen

2. Cash dividends

(Yen)

| | Annual cash dividends | | | | |
|--|-----------------------|--------------------|-------------------|-----------------|--------|
| | First quarter-end | Second quarter-end | Third quarter-end | Fiscal year-end | Total |
| Fiscal year ended March 31, 2017 | – | 55.00 | – | 65.10 | 120.10 |
| Fiscal year ending March 31, 2018 | – | 65.10 | | | |
| Fiscal year ending March 31, 2018 (Forecast) | | | – | 65.10 | 130.20 |

Notes: 1. Revisions to the forecasts of cash dividends most recently announced: None

2. The cash dividends presented above are cash dividends related to common shares. Please refer to “Cash dividends for class shares,” presented below, for information on cash dividends for class shares (unlisted) that have a different relationship of rights compared with the common shares issued by the Company.

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2018 (from April 1, 2017 to March 31, 2018)

(Millions of yen, % year on year)

| | Net sales | | Operating income | | Ordinary income | | Profit attributable to owners of parent | | Basic earnings per share |
|-----------------------------------|-----------|-----|------------------|------|-----------------|-----|---|-----|--------------------------|
| | | % | | % | | % | | % | Yen |
| Fiscal year ending March 31, 2018 | 50,000 | 4.4 | 10,200 | 10.6 | 10,100 | 9.8 | 7,000 | 9.4 | 243.05 |

Note: Revisions to the consolidated earnings forecasts most recently announced: Yes

***Notes**

- (1) Changes in significant subsidiaries during the current six 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: 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

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

| | |
|--------------------------|-------------------|
| As of September 30, 2017 | 28,865,194 shares |
| As of March 31, 2017 | 28,841,100 shares |

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

| | |
|--------------------------|---------------|
| As of September 30, 2017 | 40,255 shares |
| As of March 31, 2017 | 58,515 shares |

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

| | |
|-------------------------------------|-------------------|
| Six months ended September 30, 2017 | 28,800,775 shares |
| Six months ended September 30, 2016 | 23,137,700 shares |

- Notes:
- 1. Series I Class A Shares and Series II Class A Shares possess the same rights as common shares in regard to the right to receive dividends of surplus and the right to receive distribution of residual assets. They are therefore included in the number of outstanding shares at period-end and the average number of outstanding shares during the period.
 - 2. The number of treasury shares includes the Company's shares held by The Master Trust Bank of Japan, Ltd. (trust account for shares granted under the Employee Stock Ownership Plan (ESOP)).

*** Quarterly financial statements are not subject to quarterly review.**

*** 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. The Company makes no promise regarding achievement of any content in the forward-looking statements. Actual business and other results may differ substantially due to various factors.

Cash dividends for class shares

The following is a breakdown of cash dividends per share for class shares granted different rights than common shares.

(Yen)

| Series I Class A shares | Annual cash dividends | | | | |
|--|-----------------------|-----------------------|----------------------|--------------------|--------|
| | First quarter-end | Second quarter-end | Third quarter-end | Fiscal year-end | Total |
| Fiscal year ended March 31, 2017 | – | 55.00 | – | 65.10 | 120.10 |
| Fiscal year ending March 31, 2018 | – | 65.10 | | | |
| Fiscal year ending March 31, 2018 (Forecast) | | | – | 65.10 | 130.20 |

(Yen)

| Series II Class A shares | Annual cash dividends | | | | |
|--|-----------------------|-----------------------|----------------------|--------------------|--------|
| | First quarter-end | Second quarter-end | Third quarter-end | Fiscal year-end | Total |
| Fiscal year ended March 31, 2017 | – | 55.00 | – | 65.10 | 120.10 |
| Fiscal year ending March 31, 2018 | – | 65.10 | | | |
| Fiscal year ending March 31, 2018 (Forecast) | | | – | 65.10 | 130.20 |

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1. Consolidated Financial Statements and Explanatory Notes

(1) Consolidated balance sheet

(Millions of yen)

| | As of March 31, 2017 | As of September 30, 2017 |
|---|----------------------|--------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 48,800 | 50,005 |
| Notes and accounts receivable - trade | 13,346 | 14,919 |
| Merchandise and finished goods | 2,182 | 2,154 |
| Work in process | 437 | 448 |
| Raw materials and supplies | 1,797 | 1,862 |
| Other | 1,017 | 702 |
| Allowance for doubtful accounts | (99) | (132) |
| Total current assets | 67,483 | 69,961 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 10,359 | 10,093 |
| Other, net | 8,030 | 7,975 |
| Total property, plant and equipment | 18,389 | 18,069 |
| Intangible assets | | |
| Goodwill | 4,104 | 4,044 |
| Other | 433 | 443 |
| Total intangible assets | 4,537 | 4,487 |
| Investments and other assets | | |
| Other | 2,130 | 3,242 |
| Allowance for doubtful accounts | (154) | (142) |
| Total investments and other assets | 1,975 | 3,100 |
| Total non-current assets | 24,903 | 25,657 |
| Total assets | 92,386 | 95,619 |
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 6,170 | 6,401 |
| Short-term loans payable | 1,274 | 2,090 |
| Current portion of long-term loans payable | 500 | 4,841 |
| Income taxes payable | 884 | 1,177 |
| Provision for bonuses | 436 | 508 |
| Other | 2,341 | 2,019 |
| Total current liabilities | 11,608 | 17,041 |
| Non-current liabilities | | |
| Long-term loans payable | 7,169 | 2,600 |
| Net defined benefit liability | 127 | 121 |
| Other | 1,634 | 1,722 |
| Total non-current liabilities | 8,931 | 4,444 |
| Total liabilities | 20,540 | 21,485 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 9,171 | 9,232 |
| Capital surplus | 14,824 | 14,731 |
| Retained earnings | 46,308 | 48,433 |
| Treasury shares | (178) | (122) |
| Total shareholders' equity | 70,125 | 72,273 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 195 | 445 |
| Foreign currency translation adjustment | 741 | 1,067 |
| Remeasurements of defined benefit plans | 0 | 1 |
| Total accumulated other comprehensive income | 938 | 1,514 |
| Non-controlling interests | 782 | 346 |
| Total net assets | 71,846 | 74,134 |
| Total liabilities and net assets | 92,386 | 95,619 |

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

(Millions of yen)

| | Six months ended September 30, 2016 | Six months ended September 30, 2017 |
|--|--|--|
| Net sales | 23,442 | 25,784 |
| Cost of sales | 13,160 | 13,551 |
| Gross profit | 10,282 | 12,233 |
| Selling, general and administrative expenses | 5,725 | 6,489 |
| Operating income | 4,557 | 5,744 |
| Non-operating income | | |
| Interest income | 29 | 34 |
| Dividend income | 35 | 6 |
| Other | 68 | 51 |
| Total non-operating income | 134 | 91 |
| Non-operating expenses | | |
| Interest expenses | 37 | 56 |
| Foreign exchange losses | 28 | 77 |
| Loss on investments in partnership | 6 | 6 |
| Other | 15 | 5 |
| Total non-operating expenses | 89 | 144 |
| Ordinary income | 4,602 | 5,690 |
| Extraordinary losses | | |
| Loss on sales of shares of subsidiaries and associates | – | 19 |
| Total extraordinary losses | – | 19 |
| Profit before income taxes | 4,602 | 5,671 |
| Income taxes - current | 1,466 | 1,583 |
| Income taxes - deferred | (569) | 44 |
| Total income taxes | 897 | 1,628 |
| Profit | 3,705 | 4,043 |
| Profit attributable to non-controlling interests | 81 | 45 |
| Profit attributable to owners of parent | 3,623 | 3,998 |

Consolidated statement of comprehensive income (cumulative)

(Millions of yen)

| | Six months ended September 30, 2016 | Six months ended September 30, 2017 |
|--|--|--|
| Profit | 3,705 | 4,043 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 0 | 249 |
| Foreign currency translation adjustment | (3,165) | 329 |
| Remeasurements of defined benefit plans, net of tax | 9 | 0 |
| Total other comprehensive income | (3,154) | 579 |
| Comprehensive income | 550 | 4,622 |
| Comprehensive income attributable to owners of parent | 721 | 4,574 |
| Comprehensive income attributable to non-controlling interests | (171) | 48 |

(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.