

February 1, 2019

Consolidated Financial Results
for the First Nine Months of the Fiscal Year Ending March 31, 2019
<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>
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Scheduled date to file quarterly report: February 1, 2019
 Scheduled date to commence dividend payments: –
 Preparation of supplementary results briefing material on quarterly financial results: Yes
 Holding of quarterly financial results presentation meeting: Yes (for individual investors)

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

1 Consolidated financial results for the first nine months of the fiscal year ending March 31, 2019 (from April 1, 2018 to December 31, 2018)

(1) Operating results (cumulative)

(Millions of yen, % year on year)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
		%		%		%		%
Nine months ended:								
December 31, 2018	45,737	17.2	7,604	(12.6)	7,533	(13.0)	5,444	(11.6)
December 31, 2017	39,022	8.6	8,699	21.0	8,659	18.6	6,160	32.9

Note: Comprehensive income

For the nine months ended December 31, 2018: 4,717 millions of yen [(38.2%)]

For the nine months ended December 31, 2017: 7,638 millions of yen [126.0%]

(Yen)

	Basic earnings per share	Diluted earnings per share
Nine months ended:		
December 31, 2018	188.62	–
December 31, 2017	213.85	–

(2) Financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
December 31, 2018	109,598	73,365	66.6	2,527.57
March 31, 2018	111,490	73,023	65.2	2,520.68

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

As of December 31, 2018: 73,031 millions of yen

As of March 31, 2018: 72,659 millions of 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, 2018	—	65.10	—	95.10	160.20
Fiscal year ending March 31, 2019	—	65.10	—		
Fiscal year ending March 31, 2019 (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 Year-end dividend breakdown for the fiscal year ended March 31, 2018:
Dividend per common share: 65.10 yen; commemorative dividend: 30.00 yen

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2019 (from April 1, 2018 to March 31, 2019)

(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, 2019	60,200	15.2	9,800	(13.6)	9,600	(14.3)	6,700	38.0	232.43

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): 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 December 31, 2018	28,910,436shares
As of March 31, 2018	28,865,194shares

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

As of December 31, 2018	16,456shares
As of March 31, 2018	39,815shares

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

As of December 31, 2018	28,866,487shares
As of December 31, 2017	28,808,086shares

- 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 by a certified public accountant or audit firm.**

*** 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, 2018	–	65.10	–	95.10	160.20
Fiscal year ending March 31, 2019	–	–	–		
Fiscal year ending March 31, 2019 (Forecast)				–	–

- Notes: 1. Year-end dividend breakdown for the fiscal year ended March 31, 2018:
Dividend per common share: 65.10 yen; commemorative dividend: 30.00 yen
2. Series I Class A shares were exchanged for common shares in June 2018, per the Articles of Incorporation, and simultaneously retired. Therefore, no dividend is planned for the fiscal year ending March 31, 2019.

(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, 2018	–	65.10	–	95.10	160.20
Fiscal year ending March 31, 2019	–	65.10	–		
Fiscal year ending March 31, 2019 (Forecast)				65.10	130.20

- Note: Year-end dividend breakdown for the fiscal year ended March 31, 2018:
Dividend per common share: 65.10 yen; commemorative dividend: 30.00 yen

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1. Consolidated Financial Statements and Explanatory Notes

(1) Consolidated balance sheet

(Millions of yen)

	As of March 31, 2018	As of December 31, 2018
Assets		
Current assets		
Cash and deposits	44,588	37,921
Notes and accounts receivable - trade	15,509	17,086
Merchandise and finished goods	3,499	4,854
Work in process	405	432
Raw materials and supplies	2,042	3,539
Other	2,456	944
Allowance for doubtful accounts	(127)	(81)
Total current assets	68,373	64,696
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	9,990	9,644
Other, net	7,933	9,448
Total property, plant and equipment	17,923	19,092
Intangible assets		
Goodwill	674	1,840
Sales rights	20,555	19,491
Other	589	1,191
Total intangible assets	21,818	22,523
Investments and other assets		
Other	3,518	3,544
Allowance for doubtful accounts	(144)	(259)
Total investments and other assets	3,374	3,285
Total non-current assets	43,116	44,901
Total assets	111,490	109,598
Liabilities		
Current liabilities		
Notes and accounts payable - trade	7,769	8,637
Short-term loans payable	2,145	4,825
Current portion of long-term loans payable	6,116	6,210
Income taxes payable	1,448	748
Provision for bonuses	510	273
Other	2,501	3,211
Total current liabilities	20,491	23,905
Non-current liabilities		
Long-term loans payable	15,923	10,706
Net defined benefit liability	116	115
Other	1,935	1,505
Total non-current liabilities	17,975	12,327
Total liabilities	38,467	36,233
Net assets		
Shareholders' equity		
Capital stock	9,232	9,331
Capital surplus	14,717	14,817
Retained earnings	47,415	48,282
Treasury shares	(121)	(50)
Total shareholders' equity	71,244	72,381
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	321	14
Foreign currency translation adjustment	1,084	623
Remeasurements of defined benefit plans	9	12
Total accumulated other comprehensive income	1,415	650
Non-controlling interests	363	333
Total net assets	73,023	73,365
Total liabilities and net assets	111,490	109,598

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

(Millions of yen)

	Nine months ended December 31, 2017	Nine months ended December 31, 2018
Net sales	39,022	45,737
Cost of sales	20,563	24,690
Gross profit	18,459	21,046
Selling, general and administrative expenses	9,759	13,442
Operating profit	8,699	7,604
Non-operating income		
Interest income	58	62
Dividend income	17	22
Subsidy income	15	30
Other	65	39
Total non-operating income	156	155
Non-operating expenses		
Interest expenses	88	150
Foreign exchange losses	92	37
Loss on investments in partnership	6	15
Other	8	23
Total non-operating expenses	196	226
Ordinary profit	8,659	7,533
Extraordinary income		
Gain on sales of investment securities	16	–
Total extraordinary income	16	–
Extraordinary losses		
Loss on sales of shares of subsidiaries and associates	19	–
Total extraordinary losses	19	–
Profit before income taxes	8,657	7,533
Income taxes - current	2,318	2,313
Income taxes - deferred	115	(262)
Total income taxes	2,433	2,050
Profit	6,223	5,482
Profit attributable to non-controlling interests	62	37
Profit attributable to owners of parent	6,160	5,444

Consolidated statement of comprehensive income (cumulative)

(Millions of yen)

	Nine months ended December 31, 2017	Nine months ended December 31, 2018
Profit	6,223	5,482
Other comprehensive income		
Valuation difference on available-for-sale securities	325	(306)
Foreign currency translation adjustment	1,088	(460)
Remeasurements of defined benefit plans, net of tax	1	2
Total other comprehensive income	1,414	(764)
Comprehensive income	7,638	4,717
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	7,543	4,679
Comprehensive income attributable to non-controlling interests	94	38

(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.

(Significant subsequent events)

(Business combination through share acquisition)

In the Board of Directors meeting held on January 31, 2019, the Taiyo Group approved the acquisition of all shares in a new company (hereafter, "new company") created by the spin-off of Takatsuki Plant owned by Daiichi Sankyo Propharma Co., Ltd. (hereafter, "Daiichi Sankyo Propharma"), a subsidiary of Daiichi Sankyo Company, Limited (hereafter, Daiichi Sankyo), in a company split. A basic agreement concerning share transfer was concluded with Daiichi Sankyo the same day.

(1) Overview of business combination

1) Name and business description of the company to be acquired

Name: To be determined

Business description: Manufacture of pharmaceuticals

2) Main reason for the business combination

As stated in NEXT STAGE 2020, the Taiyo Group medium-term business plan, we are implementing various initiatives aimed at growing the medical and pharmaceutical business into the second pillar of our business. Our subsidiary Taiyo Pharma Co., Ltd. has acquired long-listed products and has begun the manufacture and sale of pharmaceuticals as part of those initiatives, and we recently made the decision to acquire the Takatsuki Plant of Daiichi Sankyo Propharma to acquire a new manufacturing location for the company.

The Takatsuki Plant of Daiichi Sankyo Propharma, a pharmaceutical manufacturer in the Daiichi Sankyo Group, began operations in 1933. It has maintained advanced manufacturing that meets GMP standards and a quality control system in manufacturing solid preparations and injectables since that time.

With the acquisition of this plant, the Taiyo Group will begin the manufacture of pharmaceuticals on consignment in addition to the business of Taiyo Pharma Co., Ltd. and further solidify the foundation of our medical and pharmaceutical business. We will continue to take orders for manufacturing from the Daiichi Sankyo Group and expand this business. In the future, we plan to make effective use of the technological capabilities and production capacity of the Takatsuki Plant to secure orders from companies outside of the Daiichi Sankyo Group and meet the diverse needs of pharmaceutical companies in Japan and overseas.

3) Date of business combination

October 1, 2019 (tentative)

4) Legal form of business combination

Share acquisition paid in cash

5) Company name after combination

To be determined

6) Percentage of voting rights acquired

100%

7) Main basis for corporate acquisition decision

Taiyo Holdings will pay cash to acquire the shares.

(2) Breakdown of acquisition cost and form of payment for the acquired company

Acquisition payment	Cash	37,600 million yen (tentative)
Acquisition cost		37,600 million yen (tentative)

(3) Amount of goodwill generated, reason for goodwill, and method and period of amortization

To be determined

(4) Amounts of assets and liabilities acquired on the date of the business combination and main breakdown

To be determined