

August 1, 2019

Consolidated Financial Results
for the First Three Months of the Fiscal Year Ending March 31, 2020
<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: August 1, 2019
Scheduled date to commence dividend payments: –
Preparation of supplementary 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 first three months of the fiscal year ending March 31, 2020 (from April 1, 2019 to June 30, 2019)

(1) Operating results (cumulative)

(Millions of yen, % year on year)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
		%		%		%		%
Three months ended:								
June 30, 2019	15,420	3.8	1,758	(34.6)	1,694	(36.5)	1,313	(29.5)
June 30, 2018	14,852	19.5	2,690	(0.9)	2,668	(0.6)	1,863	1.0

Note: Comprehensive income

For the three months ended June 30, 2019: 253 millions of yen [(85.0%)]
For the three months ended June 30, 2018: 1,686 millions of yen [(12.4%)]

(Yen)

	Basic earnings per share	Diluted earnings per share
Three months ended:		
June 30, 2019	46.33	–
June 30, 2018	64.63	–

Note: The provisional accounting for the business combination was confirmed at the end of the previous consolidated fiscal year and the results for the first quarter of fiscal year ended March 31, 2019 reflect the contents of the provisional accounting that was confirmed.

(2) Financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
June 30, 2019	103,880	68,855	66.0	2,418.87
March 31, 2019	105,666	70,520	66.4	2,475.36

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

As of June 30, 2019: 68,581 millions of yen

As of March 31, 2019: 70,182 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, 2019	–	65.10	–	65.10	130.20
Fiscal year ending March 31, 2020	–				
Fiscal year ending March 31, 2020 (Forecast)		65.10	–	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, 2020 (from April 1, 2019 to March 31, 2020)

(Millions of yen, % year on year)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
		%		%		%		%	Yen
Six months ending September 30, 2019	32,600	7.7	4,300	(18.5)	4,250	(18.7)	3,000	(19.9)	104.20
Fiscal year ending March 31, 2020	65,000	9.4	8,500	4.9	8,400	4.8	5,900	34.2	204.94

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: See "1. Consolidated Financial Statements and Explanatory Notes (3) Notes to consolidated financial statements (Changes in accounting policies)" on page 5 in the Supplementary Schedules and Notes for further details.

(4) Number of issued shares

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

As of June 30, 2019	28,910,436 shares
As of March 31, 2019	28,910,436 shares

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

As of June 30, 2019	557,718 shares
As of March 31, 2019	557,958 shares

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

As of June 30, 2019	28,352,538 shares
As of June 30, 2018	28,825,522 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 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, 2019	–	–	–	–	–
Fiscal year ending March 31, 2020	–				
Fiscal year ending March 31, 2020 (Forecast)		–	–	–	–

Note: 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 ended March 31, 2019 and the fiscal year ending March 31, 2020.

(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, 2019	–	65.10	–	65.10	130.20
Fiscal year ending March 31, 2020	–				
Fiscal year ending March 31, 2020 (Forecast)		–	–	–	–

Note: Series II Class A shares were exchanged for common shares in June 2019, per the Articles of Incorporation, and simultaneously retired. Therefore, no dividend is planned for the fiscal year ending March 31, 2020.

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1. Consolidated Financial Statements and Explanatory Notes

(1) Consolidated balance sheet

(Millions of yen)

	As of March 31, 2019	As of June 30, 2019
Assets		
Current assets		
Cash and deposits	31,340	29,322
Notes and accounts receivable - trade	16,610	17,268
Merchandise and finished goods	4,676	4,213
Work in process	495	497
Raw materials and supplies	3,275	3,349
Other	1,825	1,675
Allowance for doubtful accounts	(87)	(122)
Total current assets	58,136	56,204
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	10,891	11,111
Other, net	11,422	11,484
Total property, plant and equipment	22,313	22,595
Intangible assets		
Goodwill	691	655
Sales rights	19,732	19,362
Other	1,013	1,070
Total intangible assets	21,436	21,088
Investments and other assets		
Other	3,973	4,180
Allowance for doubtful accounts	(193)	(188)
Total investments and other assets	3,779	3,991
Total non-current assets	47,529	47,676
Total assets	105,666	103,880
Liabilities		
Current liabilities		
Notes and accounts payable - trade	6,285	7,197
Short-term borrowings	4,011	4,935
Current portion of long-term borrowings	3,852	3,843
Income taxes payable	610	589
Provision for bonuses	499	746
Other	5,454	3,812
Total current liabilities	20,714	21,125
Non-current liabilities		
Long-term borrowings	12,443	12,004
Retirement benefit liability	117	117
Other	1,870	1,777
Total non-current liabilities	14,431	13,899
Total liabilities	35,146	35,025
Net assets		
Shareholders' equity		
Share capital	9,331	9,331
Capital surplus	14,817	14,817
Retained earnings	47,229	46,685
Treasury shares	(2,042)	(2,041)
Total shareholders' equity	69,336	68,792
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	94	54
Foreign currency translation adjustment	730	(285)
Remeasurements of defined benefit plans	22	19
Total accumulated other comprehensive income	846	(211)
Non-controlling interests	337	273
Total net assets	70,520	68,855
Total liabilities and net assets	105,666	103,880

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

Consolidated statement of income (cumulative)

(Millions of yen)

	Three months ended June 30, 2018	Three months ended June 30, 2019
Net sales	14,852	15,420
Cost of sales	7,833	8,823
Gross profit	7,019	6,597
Selling, general and administrative expenses	4,329	4,838
Operating profit	2,690	1,758
Non-operating income		
Interest income	24	16
Dividend income	9	11
Other	40	28
Total non-operating income	74	55
Non-operating expenses		
Interest expenses	49	51
Foreign exchange losses	39	36
Other	6	31
Total non-operating expenses	96	119
Ordinary profit	2,668	1,694
Profit before income taxes	2,668	1,694
Income taxes - current	1,050	866
Income taxes - deferred	(257)	(499)
Total income taxes	793	366
Profit	1,875	1,328
Profit attributable to non-controlling interests	12	14
Profit attributable to owners of parent	1,863	1,313

Consolidated statement of comprehensive income (cumulative)

(Millions of yen)

	Three months ended June 30, 2018	Three months ended June 30, 2019
Profit	1,875	1,328
Other comprehensive income		
Valuation difference on available-for-sale securities	14	(39)
Foreign currency translation adjustment	(204)	(1,033)
Remeasurements of defined benefit plans, net of tax	0	(2)
Total other comprehensive income	(189)	(1,075)
Comprehensive income	1,686	253
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,675	255
Comprehensive income attributable to non-controlling interests	11	(2)

(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.

(Changes in accounting policies)

All overseas consolidated subsidiaries have adopted IFRS 16 Leases and the U.S. accounting standard ASU 2016-02, Leases (Topic 842) from the first quarter of fiscal year ending March 31, 2020. This switches to the method of recognizing all leases as a lessee as assets and liabilities on the consolidated balance sheet, in principle. The impact of this change on the quarterly consolidated financial statements for the first quarter of fiscal year ending March 31, 2020 is minor.

(Business combination)

(Material change in the initial amount allocated for the acquisition cost in the comparative data)

Provisional accounting was used for the business combination with Micro Network Technologies Corp. effected during the first quarter of the previous consolidated fiscal year. This accounting was confirmed at the end of fiscal year ended March 31, 2019.

The confirmation of this provisional accounting is reflected in a material change in the initial amount allocated for the acquisition cost in the comparative data contained in the quarterly consolidated financial statements for the first quarter of fiscal year ending March 31, 2020.

The impact on the consolidated statement of income for the first quarter of the previous fiscal year is minor.