

November 1, 2019

**Consolidated Financial Results**  
**for the First Six 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: November 1, 2019  
 Scheduled date to commence dividend payments: December 2, 2019  
 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, 2020 (from April 1, 2019 to September 30, 2019)**

**(1) Operating results (cumulative)**

(Millions of yen, % year on year)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
		%		%		%		%
Six months ended:								
September 30, 2019	31,202	3.1	4,073	(22.6)	3,928	(24.7)	3,137	(15.9)
September 30, 2018	30,257	17.3	5,261	(8.4)	5,214	(8.4)	3,731	(6.7)

Note: Comprehensive income

For the six months ended September 30, 2019: 1,654 millions of yen [(58.6%)]

For the six months ended September 30, 2018: 4,000 millions of yen [(13.5%)]

(Yen)

	Basic earnings per share	Diluted earnings per share
Six months ended:		
September 30, 2019	110.52	—
September 30, 2018	129.32	—

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 six months 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
September 30, 2019	143,568	70,539	48.9	2,470.80
March 31, 2019	105,666	70,520	66.4	2,475.36

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

As of September 30, 2019: 70,262 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	–	65.10			
Fiscal year ending March 31, 2020 (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, 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
Fiscal year ending March 31, 2020	71,000	19.5	8,300	2.5	8,000	(0.2)	6,400	45.6	225.44

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

**\*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 September 30, 2019	28,969,647 shares
As of March 31, 2019	28,910,436 shares

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

As of September 30, 2019	532,688 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 September 30, 2019	28,388,668 shares
As of September 30, 2018	28,854,724 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	First quarter-end	First quarter-end	First quarter-end	First quarter-end
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 September 30, 2019
<b>Assets</b>		
Current assets		
Cash and deposits	31,340	66,960
Notes and accounts receivable - trade	16,610	17,714
Merchandise and finished goods	4,676	3,913
Work in process	495	526
Raw materials and supplies	3,275	3,519
Other	1,825	1,299
Allowance for doubtful accounts	(87)	(91)
Total current assets	58,136	93,842
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	10,891	10,922
Other, net	11,422	13,865
Total property, plant and equipment	22,313	24,788
Intangible assets		
Goodwill	691	701
Sales rights	19,732	18,993
Other	1,013	1,158
Total intangible assets	21,436	20,853
Investments and other assets		
Other	3,973	4,274
Allowance for doubtful accounts	(193)	(189)
Total investments and other assets	3,779	4,084
Total non-current assets	47,529	49,726
Total assets	105,666	143,568
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	6,285	6,787
Short-term borrowings	4,011	4,701
Current portion of long-term borrowings	3,852	7,857
Income taxes payable	610	869
Provision for bonuses	499	568
Other	5,454	3,035
Total current liabilities	20,714	23,819
Non-current liabilities		
Long-term borrowings	12,443	47,443
Retirement benefit liability	117	118
Other	1,870	1,646
Total non-current liabilities	14,431	49,209
Total liabilities	35,146	73,028
<b>Net assets</b>		
Shareholders' equity		
Share capital	9,331	9,428
Capital surplus	14,817	14,913
Retained earnings	47,229	48,509
Treasury shares	(2,042)	(1,950)
Total shareholders' equity	69,336	70,900
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	94	89
Foreign currency translation adjustment	730	(745)
Remeasurements of defined benefit plans	22	17
Total accumulated other comprehensive income	846	(638)
Non-controlling interests	337	277
Total net assets	70,520	70,539
Total liabilities and net assets	105,666	143,568

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

### Consolidated statement of income (cumulative)

(Millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Net sales	30,257	31,202
Cost of sales	16,187	17,545
Gross profit	14,069	13,656
Selling, general and administrative expenses	8,808	9,582
Operating profit	5,261	4,073
Non-operating income		
Interest income	43	35
Dividend income	12	12
Subsidy income	20	19
Gain on investments in investment partnerships	–	1
Other	32	33
Total non-operating income	108	102
Non-operating expenses		
Interest expenses	97	106
Foreign exchange losses	29	76
Loss on investments in investment partnerships	15	–
Other	12	65
Total non-operating expenses	155	248
Ordinary profit	5,214	3,928
Profit before income taxes	5,214	3,928
Income taxes - current	1,730	1,028
Income taxes - deferred	(271)	(266)
Total income taxes	1,458	761
Profit	3,755	3,166
Profit attributable to non-controlling interests	23	29
Profit attributable to owners of parent	3,731	3,137

**Consolidated statement of comprehensive income (cumulative)**

(Millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Profit	3,755	3,166
Other comprehensive income		
Valuation difference on available-for-sale securities	44	(4)
Foreign currency translation adjustment	198	(1,502)
Remeasurements of defined benefit plans, net of tax	1	(4)
Total other comprehensive income	245	(1,512)
Comprehensive income	4,000	1,654
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,966	1,652
Comprehensive income attributable to non-controlling interests	34	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 half 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 in the financial statements for the first half of the previous consolidated fiscal year 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 business combination with Thou-Management Corporation during the second quarter of the previous consolidated fiscal year was accounted for provisionally during the same quarter. The figures used in the provisional accounting were confirmed at the end of the previous consolidated fiscal year.

The confirmation of the provisional accounting for these two business combinations 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 half of fiscal year ending March 31, 2020.

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