

August 2, 2021

Consolidated Financial Results
for the First Three Months of the Fiscal Year Ending March 31, 2022
<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 2, 2021
 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, 2022 (from April 1, 2021 to June 30, 2021)

(1) Operating results (cumulative)

(Millions of yen, % year on year)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
		%		%		%		%
Three months ended:								
June 30, 2021	23,568	22.3	4,287	27.1	4,450	33.8	3,106	33.4
June 30, 2020	19,275	25.0	3,373	91.9	3,325	96.2	2,328	77.3

Note: Comprehensive income

For the three months ended June 30, 2021: 3,547millions of yen [40.0%]

For the three months ended June 30, 2020: 2,533millions of yen [899.7%]

(Yen)

	Basic earnings per share	Diluted earnings per share
Three months ended:		
June 30, 2021	110.03	—
June 30, 2020	81.88	—

(2) Financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
June 30, 2021	180,886	77,279	42.5	2,725.24
March 31, 2021	179,001	76,497	42.5	2,696.84

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

As of June 30, 2021: 76,941 millions of yen

As of March 31, 2021: 76,139 millions of yen

2. Cash dividends

	Annual cash dividends				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal quarter-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2021	—	65.10	—	95.10	160.20
Fiscal year ending March 31, 2022	—				
Fiscal year ending March 31, 2022 (Forecast)		65.10	—	32.55	—

Note: Revisions to the forecasts of cash dividends most recently announced: Yes

Note: We will perform a stock split with effect from October 1, 2021 whereby each common stock of Taiyo Holdings will be divided into two shares. (Expected) year-end cash dividends per share for FY2022 are indicated in an amount that took the impact of the stock split into account while (expected) total annual cash dividends are indicated as “—”. If the stock split is not taken into account, (expected) year-end cash dividends and (expected) annual cash dividends for FY2022 are 65.10 yen and 130.20 yen, respectively.

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2022 (from April 1, 2021 to March 31, 2022)

(Millions of yen, % year on year)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Basic earnings per share
		%		%		%		%	Yen
Six months ending September 30, 2021	48,100	—	8,400	—	8,400	—	6,400	—	226.69
Fiscal year ending March 31, 2022	91,900	—	15,000	—	14,900	—	11,200	—	198.35

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

Note: The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, revised 2020) and related implementation guidance were applied from the beginning of the fiscal year ending March 31, 2022. The consolidated earnings forecasts noted above therefore show the amounts after application of the standard and implementation guidance, and the comparative year on year percentage changes from the previous fiscal year and the first three months of the previous fiscal year are not provided.

Note: We will perform a stock split with effect from October 1, 2021 whereby each common stock of Taiyo Holdings will be divided into two shares. The impact of the stock split is taken into account for net income per share in the consolidated financial forecast for the full year of FY2022. If the stock split is not taken into account, net income per share is 396.70 yen.

* Notes

- (1) Changes in significant subsidiaries during the first three months of the fiscal year ending March 31, 2022 (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

Notes: 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, 2021	28,998,502 shares
As of March 31, 2021	28,998,502 shares

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

As of June 30, 2021	765,379 shares
As of March 31, 2021	765,719 shares

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

As of June 30, 2021	28,232,976 shares
As of June 30, 2020	28,437,028 shares

Notes: 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.

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1. Consolidated Financial Statements and Explanatory Notes

(1) Consolidated balance sheet

(Millions of yen)

	As of March 31, 2021	As of June 30, 2021
Assets		
Current assets		
Cash and deposits	54,705	51,378
Notes and accounts receivable - trade	22,527	24,814
Merchandise and finished goods	6,621	6,742
Work in process	1,530	1,483
Raw materials and supplies	5,297	5,620
Other	2,332	1,749
Allowance for doubtful accounts	(77)	(86)
Total current assets	92,937	91,701
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	16,458	18,273
Other, net	29,889	31,444
Total property, plant and equipment	46,348	49,717
Intangible assets		
Goodwill	6,404	6,294
Sales rights	19,508	19,085
Customer-related assets	6,428	6,309
Other	2,608	2,670
Total intangible assets	34,949	34,359
Investments and other assets		
Other	4,937	5,264
Allowance for doubtful accounts	(171)	(157)
Total investments and other assets	4,765	5,107
Total non-current assets	86,063	89,184
Total assets	179,001	180,886
Liabilities		
Current liabilities		
Notes and accounts payable - trade	7,907	8,980
Short-term borrowings	10,494	10,325
Current portion of long-term borrowings	11,391	11,503
Income taxes payable	1,434	1,768
Provision for bonuses	907	1,445
Other provisions	139	252
Other	5,831	5,774
Total current liabilities	38,107	40,049
Non-current liabilities		
Long-term borrowings	59,333	58,334
Retirement benefit liability	150	151
Other provisions	87	199
Other	4,826	4,871
Total non-current liabilities	64,397	63,557
Total liabilities	102,504	103,607
Net assets		
Shareholders' equity		
Share capital	9,499	9,499
Capital surplus	14,985	14,985
Retained earnings	53,065	53,474
Treasury shares	(3,365)	(3,364)
Total shareholders' equity	74,184	74,594
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	203	278
Foreign currency translation adjustment	1,751	2,069
Remeasurements of defined benefit plans	(0)	(0)
Total accumulated other comprehensive income	1,954	2,347
Non-controlling interests	357	337
Total net assets	76,497	77,279
Total liabilities and net assets	179,001	180,886

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

Consolidated statement of income (cumulative)

(Millions of yen)

	Three months ended June 30, 2020	Three months ended June 30, 2021
Net sales	19,275	23,568
Cost of sales	10,902	13,454
Gross profit	8,373	10,114
Selling, general and administrative expenses	4,999	5,826
Operating profit	3,373	4,287
Non-operating income		
Interest income	11	15
Dividend income	10	9
Foreign exchange gains	—	2
Compensation income	—	178
Outsourcing service income	14	3
Other	33	47
Total non-operating income	69	256
Non-operating expenses		
Interest expenses	46	59
Foreign exchange losses	24	—
Consumption tax loss	29	24
Other	17	10
Total non-operating expenses	117	94
Ordinary profit	3,325	4,450
Profit before income taxes	3,325	4,450
Income taxes - current	1,027	1,382
Income taxes - deferred	(47)	(88)
Total income taxes	979	1,293
Profit	2,346	3,156
Profit attributable to non-controlling interests	18	50
Profit attributable to owners of parent	2,328	3,106

Consolidated statement of comprehensive income (cumulative)

(Millions of yen)

	Three months ended June 30, 2020	Three months ended June 30, 2021
Profit	2,346	3,156
Other comprehensive income		
Valuation difference on available-for-sale securities	99	74
Foreign currency translation adjustment	89	316
Remeasurements of defined benefit plans, net of tax	(1)	(0)
Total other comprehensive income	187	390
Comprehensive income	2,533	3,547
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,512	3,499
Comprehensive income attributable to non-controlling interests	21	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.

(Changes in accounting policies)

(Implementation of the Accounting Standard for Revenue Recognition)

The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020; hereafter, "Revenue Recognition Accounting Standard") and related guidance were implemented from the beginning of the first quarter of fiscal year ending March 31, 2022. Under this standard, the anticipated amount to be received in return for goods or services promised to a customer is recognized as revenue upon transfer of control over the goods or services to the customer.

We have applied the alternative treatment specified in Paragraph 98 of the Implementation Guidance on Accounting Standard for Revenue Recognition for merchandise and products sold in Japan. Under this alternative treatment, revenue is recognized upon shipment when there is a normal period of time from shipment until control of merchandise or products is transferred to the customer.

The implementation of the Revenue Recognition Accounting Standards and related guidance follows the transitional treatment in the exception clause of Paragraph 84 of the Revenue Recognition Accounting Standard. The new accounting standard was applied to the balance of retained earnings from the beginning of the period and retained earnings were adjusted for the cumulative impact assuming application of the new accounting standard retroactively before the beginning of the accounting period for the first quarter of fiscal year ending March 31, 2022.

This change had no impact on the profit and loss and retained earnings for the first quarter of consolidated fiscal year ending March 31, 2022.

(Implementation of the Accounting Standard for Fair Value Measurement)

The Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019; hereafter, "Fair Value Accounting Standard") and related guidance were implemented from the beginning of the first quarter of fiscal year ending March 31, 2022. In accordance with the transitional treatment specified in Paragraph 19 of the Fair Value Accounting Standard and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), the new accounting policy specified in the Fair Value Accounting Standard and related standards will be applied in the future. This change on the first quarter of consolidated fiscal year ending March 31, 2022 had no impact.