

July 27, 2022

Consolidated Financial Results for the First Three Months of the Fiscal Year Ending March 31, 2023 <under Japanese GAAP>

Company name: **TAIYO HOLDINGS CO., LTD.**
Listing: Prime Market of Tokyo Stock Exchange
Stock code: 4626
URL: <https://www.taiyo-hd.co.jp/en>
Representative: Eiji Sato, President and CEO
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Scheduled date to file quarterly report: July 27, 2022
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, 2023 (from April 1, 2022 to June 30, 2022)

(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, 2022 | 25,757 | 9.3 | 5,335 | 24.4 | 5,119 | 15.0 | 3,619 | 16.5 |
| June 30, 2021 | 23,568 | 22.3 | 4,287 | 27.1 | 4,450 | 33.8 | 3,106 | 33.4 |

Note: Comprehensive income
For the three months ended June 30, 2022: 5,954 millions of yen [67.8%]
For the three months ended June 30, 2021: 3,547 millions of yen [40.0%]

| | Basic earnings per share | Diluted earnings per share |
|---------------------|--------------------------|----------------------------|
| Three months ended: | Yen | Yen |
| June 30, 2022 | 64.47 | — |
| June 30, 2021 | 55.02 | — |

Note: We performed a stock split with effect from October 1, 2021 whereby each common stock of Taiyo Holdings was divided into two shares.
We calculated basic earnings per share under the assumption that this stock split was performed at the beginning of the previous fiscal year.

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(2) Financial position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|----------------|-----------------|-----------------|--------------|----------------------|
| As of | Millions of yen | Millions of yen | % | Yen |
| June 30, 2022 | 191,138 | 89,337 | 46.7 | 1,591.02 |
| March 31, 2022 | 189,273 | 85,466 | 45.2 | 1,522.11 |

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

As of June 30, 2022: 89,335 millions of yen

As of March 31, 2022: 85,465 millions of yen

2. Cash dividends

| | Annual cash dividends | | | | |
|--|-----------------------|--------------------|-------------------|-----------------|------------|
| | First quarter-end | Second quarter-end | Third quarter-end | Fiscal year-end | Total |
| | Yen | Yen | Yen | Yen | Yen |
| Fiscal year ended March 31, 2022 | — | (Note 2) 65.10 | — | 37.00 | (Note 2) — |
| Fiscal year ending March 31, 2023 | — | | | | |
| Fiscal year ending March 31, 2023 (Forecast) | | 37.00 | — | 37.00 | 74.00 |

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

2. We performed a stock split with effect from October 1, 2021 whereby each common stock of Taiyo Holdings was divided into two shares. Year-end cash dividends per share for fiscal year ended March 31, 2022 are indicated in an amount that took the impact of the stock split into account while total annual cash dividends are indicated as “—”. When calculated under the assumption that this stock split was performed at the beginning of the previous consolidated fiscal year, dividends at the end of the second quarter are 32.55 yen and annual dividends are 69.55 yen for the fiscal year ended March 31, 2022.

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2023 (from April 1, 2022 to March 31, 2023)

(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, 2022 | 55,600 | 15.0 | 10,400 | 11.8 | 10,400 | 9.4 | 7,200 | 7.2 | 128.23 |
| Fiscal year ending March 31, 2023 | 109,400 | 11.7 | 19,000 | 5.8 | 18,800 | 4.1 | 12,800 | 8.4 | 227.96 |

Note: Revisions to the consolidated earnings forecasts most recently announced: None

*** Notes**

- (1) Changes in significant subsidiaries during the first three months of the fiscal year ending March 31, 2023 (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, 2022 | 58,083,128 shares |
| As of March 31, 2022 | 58,083,128 shares |

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

| | |
|----------------------|------------------|
| As of June 30, 2022 | 1,933,125 shares |
| As of March 31, 2022 | 1,933,885 shares |

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

| | |
|---------------------|-------------------|
| As of June 30, 2022 | 56,149,673 shares |
| As of June 30, 2021 | 56,465,951 shares |

- Notes: 1. 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)).
2. We performed a stock split effect from October 1, 2021 whereby each common stock of Taiyo Holdings was divided into two shares. We calculated the average number of outstanding shares during the period under the assumption that this stock split was performed at the beginning of the previous consolidated fiscal year.

*** 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.

Index of Supplementary Schedules and Notes

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1. Consolidated Financial Statements and Explanatory Notes**(1) Consolidated balance sheet**

(Millions of yen)

| | As of March 31, 2022 | As of June 30, 2022 |
|---|----------------------|---------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 51,557 | 50,481 |
| Notes and accounts receivable - trade | 27,558 | 28,985 |
| Merchandise and finished goods | 8,096 | 9,437 |
| Work in process | 1,573 | 1,435 |
| Raw materials and supplies | 6,714 | 7,587 |
| Other | 3,397 | 2,206 |
| Allowance for doubtful accounts | (131) | (112) |
| Total current assets | 98,766 | 100,022 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 20,567 | 20,621 |
| Other, net | 31,688 | 32,679 |
| Total property, plant and equipment | 52,255 | 53,300 |
| Intangible assets | | |
| Goodwill | 5,972 | 5,889 |
| Sales rights | 17,483 | 17,071 |
| Customer-related assets | 5,952 | 5,833 |
| Other | 2,650 | 2,661 |
| Total intangible assets | 32,058 | 31,456 |
| Investments and other assets | | |
| Other | 6,366 | 6,548 |
| Allowance for doubtful accounts | (174) | (188) |
| Total investments and other assets | 6,192 | 6,359 |
| Total non-current assets | 90,507 | 91,115 |
| Total assets | 189,273 | 191,138 |
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable – trade | 9,255 | 9,894 |
| Short-term borrowings | 13,232 | 11,410 |
| Current portion of long-term borrowings | 16,537 | 16,657 |
| Income taxes payable | 2,541 | 2,318 |
| Provision for bonuses | 1,308 | 1,723 |
| Other provisions | 82 | 250 |
| Other | 6,443 | 5,860 |
| Total current liabilities | 49,403 | 48,115 |
| Non-current liabilities | | |
| Long-term borrowings | 48,383 | 47,697 |
| Retirement benefit liability | 116 | 105 |
| Other provisions | 87 | 198 |
| Other | 5,815 | 5,684 |
| Total non-current liabilities | 54,403 | 53,685 |
| Total liabilities | 103,806 | 101,800 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 9,612 | 9,612 |
| Capital surplus | 14,734 | 14,734 |
| Retained earnings | 60,321 | 61,856 |
| Treasury shares | (4,752) | (4,751) |
| Total shareholders' equity | 79,916 | 81,452 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 321 | 177 |
| Foreign currency translation adjustment | 5,187 | 7,667 |
| Remeasurements of defined benefit plans | 40 | 38 |
| Total accumulated other comprehensive income | 5,549 | 7,883 |
| Non-controlling interests | | |
| | 1 | 1 |
| Total net assets | 85,466 | 89,337 |
| Total liabilities and net assets | 189,273 | 191,138 |

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

(Millions of yen)

| | Three months ended June 30, 2021 | Three months ended June 30, 2022 |
|---|-------------------------------------|-------------------------------------|
| Net sales | 23,568 | 25,757 |
| Cost of sales | 13,454 | 13,770 |
| Gross profit | 10,114 | 11,987 |
| Selling, general and administrative expenses | 5,826 | 6,651 |
| Operating income | 4,287 | 5,335 |
| Non-operating income | | |
| Interest income | 15 | 16 |
| Dividend income | 9 | 11 |
| Foreign exchange gains | 2 | — |
| Compensation income | 178 | — |
| Outsourcing service income | 3 | 44 |
| Other | 47 | 42 |
| Total non-operating income | 256 | 114 |
| Non-operating expenses | | |
| Interest expenses | 59 | 79 |
| Foreign exchange losses | — | 209 |
| Consumption tax loss | 24 | 23 |
| Other | 10 | 19 |
| Total non-operating expenses | 94 | 331 |
| Ordinary income | 4,450 | 5,119 |
| Profit before income taxes | 4,450 | 5,119 |
| Income taxes – current | 1,382 | 1,667 |
| Income taxes – deferred | (88) | (168) |
| Total income taxes | 1,293 | 1,499 |
| Profit | 3,156 | 3,619 |
| Profit (loss) attributable to non-controlling interests | 50 | (0) |
| Profit attributable to owners of parent | 3,106 | 3,619 |

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Consolidated statement of comprehensive income (cumulative)

(Millions of yen)

| | Three months ended June 30, 2021 | Three months ended June 30, 2022 |
|--|-------------------------------------|-------------------------------------|
| Profit | 3,156 | 3,619 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 74 | (143) |
| Foreign currency translation adjustment | 316 | 2,480 |
| Remeasurements of defined benefit plans, net of tax | (0) | (2) |
| Total other comprehensive income | 390 | 2,334 |
| Comprehensive income | 3,547 | 5,954 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 3,499 | 5,954 |
| Comprehensive income attributable to non-controlling interests | 48 | (0) |

(3) Notes to consolidated financial statements

(Notes on premise of going concern)

Not applicable

(Notes on substantial changes in the amount of shareholders' equity)

Not applicable

(Changes in accounting policies)

(Implementation of the Accounting Standard for Fair Value Measurement)

The Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, June 17, 2021; hereafter, "Fair Value Measurement Implementation Guidance") was implemented from the beginning of the first quarter of the fiscal year ending March 31, 2023. The Company has opted to apply the new accounting policy specified in the Fair Value Measurement Implementation Guidance prospectively, in accordance with the transitional treatment specified in Paragraph 27-2 of the Fair Value Measurement Implementation Guidance. This change had no impact on the quarterly consolidated financial statements in the first quarter consolidated accounting period and the first quarter cumulative period for this fiscal year.

(Additional information)

(Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System)

The Company and its consolidated subsidiaries transitioned from the consolidated taxation system to the group tax sharing system from the first quarter of the fiscal year ending March 31, 2023. Accounting treatment and disclosure of national and local corporate taxes and tax effect accounting are therefore handled in accordance with the Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System (Practical Solution No. 42, August 12, 2021; hereafter, "Practical Solution No. 42"). Based on Paragraph 32-(1) of Practical Solution No. 42, the changes in accounting policy accompanying application of Practical Solution No. 42 are deemed to have no impact.