Translation

January 24, 2017

Consolidated Financial Results for the First Nine Months of the Fiscal Year Ending March 31, 2017 <under Japanese GAAP>

Company name: **TAIYO HOLDINGS CO., LTD.**
Listing: First Section of the Tokyo Stock Exchange
Stock code: 4626
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Scheduled date to file quarterly report: January 24, 2017
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 disregarded, unless otherwise noted)

1. Consolidated financial results for the first nine months of the fiscal year ending March 31, 2017 (from April 1, 2016 to December 31, 2016)

(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, 2016	35,922	(6.2)	7,188	(16.9)	7,302	(17.3)	4,635	(25.6)
December 31, 2015	38,300	3.8	8,646	19.1	8,831	18.3	6,226	17.9

Note: Comprehensive income
For the nine months ended December 31, 2016: 3,379 million yen [(34.5%)]
For the nine months ended December 31, 2015: 5,160 million yen [(35.5%)]

(Yen)

	Basic earnings per share	Diluted earnings per share
Nine months ended		
December 31, 2016	200.27	–
December 31, 2015	270.07	–

(2) Financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
December 31, 2016	65,606	44,918	66.8	1,890.87
March 31, 2016	65,464	45,250	65.9	1,865.94

Reference: Equity (Net assets excluding non-controlling interests)
As of December 31, 2016: 43,802 million yen
As of March 31, 2016: 43,115 million 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, 2016	–	55.00	–	55.00	110.00
Fiscal year ending March 31, 2017	–	55.00			
Fiscal year ending March 31, 2017 (Forecast)			–	55.00	110.00

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

2. The cash dividends presented above are cash dividends on common shares. Please refer to "Cash dividends for class shares," presented below, for information on cash dividends for class shares (unlisted) granted different rights from the common shares issued by the Company.

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2017 (from April 1, 2016 to March 31, 2017)

(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, 2017	47,000	(5.7)	9,000	(17.9)	9,200	(17.3)	6,200	(20.5)	267.81

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

Please see the Notice Concerning Revision of Earnings Forecasts announced today (January 24, 2017) for the revised earnings forecasts. (available only in Japanese)

*** Notes**

(1) Changes in significant subsidiaries during the current nine months (changes in specified subsidiaries resulting in the change in scope of consolidation): None

(2) Application of specific accounting methods for preparing quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements:

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: For details see "2. Matters Regarding Summary Information (Notes) (3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements" on page 6 of the Supplementary Schedules and Notes.

(4) Number of issued shares (common shares)

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

As of December 31, 2016	27,528,500 shares
As of March 31, 2016	27,485,600 shares

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

As of December 31, 2016	4,363,377 shares
As of March 31, 2016	4,379,037 shares

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

Nine months ended December 31, 2016	23,145,902 shares
Nine months ended December 31, 2015	23,054,838 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 shares of the Company held by The Master Trust Bank of Japan, Ltd. (trust account for shares granted under the Employee Stock Ownership Plan (ESOP)).

*** Representation regarding performance of quarterly review procedures**

The completion of quarterly review procedures in accordance with the Financial Instruments and Exchange Act is not required for preparing this quarterly financial results report. The quarterly review procedures for the quarterly financial statements had not been completed at the time this quarterly financial results report was disclosed.

*** 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 offers no guarantees regarding achievement of any forecasts in the forward-looking statements. Actual results may differ substantially due to various unforeseen 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, 2016	–	55.00	–	55.00	110.00
Fiscal year ending March 31, 2017	–	55.00			
Fiscal year ending March 31, 2017 (Forecast)			–	55.00	110.00

(Yen)

Series II 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, 2016	–	–	–	–	–
Fiscal year ending March 31, 2017	–	55.00			
Fiscal year ending March 31, 2017 (Forecast)			–	55.00	110.00

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1. Qualitative Information Regarding Settlement of Accounts for the First Nine Months

The following abbreviations of product group categories are used in this section.

Abbreviation	Meaning
PWB	Printed Wiring Board
PKG	Semiconductor Package

(1) Qualitative information regarding consolidated operating results

The gradual rebound of the U.S. economy continued during the first nine months of the current consolidated fiscal year, partially on the back of expectations for the incoming political administration. The European economy also saw a continued economic rebound as consumer spending and exports recovered. However, the Chinese economy saw a deceleration in consumer spending as the benefits of the tax break on compact cars ran full course. The Japanese economy is also experiencing a continual gradual rebound in its economy despite delayed improvement in some areas.

In the electronics component industry, a market related to the Taiyo Group, demand for smartphones, servers, and vehicle installation parts remained strong.

Such conditions led to net sales of 35,922 million yen (down 6.2% year on year) for the first nine months of the current consolidated fiscal year. This was mainly due to the trend of appreciation in the Japanese yen.

Sales of rigid board materials were flat in terms of unit volume, however, sales declined to 25,030 million yen (down 7.7% year on year), due in part to appreciation of the yen.

PKG board and flexible board materials saw unit volume growth over the first nine months of the previous fiscal year, however, sales barely grew to 7,688 million yen (up 0.1% year on year), due in part to continued appreciation of the yen.

Operating income consequently fell to 7,188 million yen (down 16.9% year on year), ordinary income fell to 7,302 million yen (down 17.3% year on year), and profit attributable to owners of parent fell to 4,635 million yen (down 25.6% year on year).

Sales results by product group category

The following are sales results by product group category for the nine months ended December 31, 2016.

(Millions of yen)

Name of product group category		Nine months ended December 31, 2015	Nine months ended December 31, 2016	Compared to the same period of the previous fiscal year	
				Change	Change (%)
PWB materials	Rigid board materials	27,122	25,030	(2,091)	(7.7)
	PKG board and flexible printed circuit board materials	7,680	7,688	8	0.1
	Build-up board materials	805	831	26	3.2
Other related Products (Note)	–	2,692	2,371	(320)	(11.9)
Total		38,300	35,922	(2,378)	(6.2)

(Note) Sales of FPD (Flat Panel Display) materials are reported as Other related products from the first three months of the current consolidated fiscal year because they comprise a small percentage of all products.

Results by segment are as follows (Segment sales include inter-segment sales and transactions).

1) Japan

The consolidated companies located in Japan are Taiyo Ink Mfg. Co., Ltd. and Chugai Kasei Co., Ltd.

PKG board materials were strong, mainly due to high-performance smartphone-related materials. This was impact by appreciation of the yen, resulting in sales of 13,239 million yen (up 2.0% year on year), with segment profit of 1,439 million yen (down 26.3% year on year).

2) China (including Hong Kong)

The consolidated companies located in China are Taiyo Ink (Suzhou) Co., Ltd., Onstatic Ink (Shenzhen) Co., Ltd., Taiyo Ink International (HK) Limited, and Taiyo Ink Trading (Shenzhen) Co., Ltd. Onstatic Ink (Shenzhen) Co., Ltd. is a subsidiary of Onstatic Technology Co., Ltd.

Rigid board materials saw strong growth in sales, primarily for vehicle installation parts, but the impact from appreciation of the yen resulted in sales of 15,361 million yen (down 9.2% year on year), with segment profit of 3,531 million yen (down 3.8% year on year).

3) Taiwan

The consolidated companies located in Taiwan are Taiwan Taiyo Ink Co., Ltd. and Onstatic Technology Co., Ltd. (plus two other subsidiaries).

Rigid board materials were flat as demand for smartphones, servers and vehicle installation parts remained on par with the first nine months of last fiscal year, but the impact from appreciation of the yen resulted in sales of 7,677 million yen (up 1.3% year on year), with segment profit of 1,338 million yen (down 23.5% year on year).

4) Korea

The consolidated companies located in South Korea are Taiyo Ink Co., (Korea) Ltd. and Taiyo Ink Products Co., Ltd.

PKG board materials saw year on year growth in sales as demand for high-performance smartphone-related materials remained firm, but the impact from appreciation of the yen resulted in sales of 6,453 million yen (up 9.0% year on year), with segment profit of 964 million yen (down 13.1% year on year).

5) Other

The consolidated companies located in other countries are Taiyo America, Inc., Taiyo Ink International (Singapore) Pte Ltd, and Taiyo Green Energy Co., Ltd.

Unit volume for Taiyo America, Inc. was on par with the first nine months of the previous fiscal year.

Taiyo Ink International (Singapore) Pte Ltd saw strong demand as the market for vehicle installation parts expanded, but the impact from appreciation of the yen resulted in sales of 3,033 million yen (down 9.7% year on year), with segment profit of 391 million yen (down 11.4% year on year).

(2) Qualitative information regarding consolidated financial position

Assets, liabilities and net assets

The following shows the status of assets, liabilities and net assets as of December 31, 2016

	As of March 31, 2016 (Millions of yen)	As of December 31, 2016 (Millions of yen)	Change (Millions of yen)	Main factors (Comparison with the end of the previous fiscal year)
Current assets	39,340	41,076	1,736	An increase of 1,639 million yen in notes and accounts receivable – trade.
Non-current assets	26,124	24,529	(1,595)	Impairment losses of 1,019 million yen on property, plant and equipment, and a decrease of 715 million yen in goodwill.
Total assets	65,464	65,606	141	
Total liabilities	20,214	20,687	472	An increase of 1,014 million yen in notes and accounts payable – trade, and a decrease of 767 million yen in accounts payable-other.
Total net assets	45,250	44,918	(331)	An increase of 4,777 million yen from net income, and decreases of 2,552 million yen from payment of dividends, 1,220 million yen in foreign currency translation adjustments, and 1,018 million yen in non-controlling interests.
Total liabilities and net assets	65,464	65,606	141	

(3) Information regarding consolidated earnings forecasts and other forward-looking statements

The full year earnings forecasts announced on May 2, 2016 have been revised as follows. These revisions resulted from higher than expected demand and greater than expected weakness of the yen compared to the initial plan.

Revised earnings forecasts for fiscal year ending March 31, 2017 (April 1, 2016 to March 31, 2017)

	Net sales (Millions of yen)	Operating income (Millions of yen)	Ordinary income (Millions of yen)	Profit attributable to owners of parent (Millions of yen)	Basic earnings per share (Yen)
Previously announced forecast (A)	45,700	8,000	7,800	5,500	238.03
Revised forecast (B)	47,000	9,000	9,200	6,200	267.81
Increase (B-A)	1,300	1,000	1,400	700	——
Percentage increase (%)	2.8	12.5	17.9	12.7	——
(For reference) Previous period results (Fiscal year ended March 31, 2016)	49,843	10,964	11,129	7,796	337.99

2. Matters Regarding Summary Information (Notes)

(1) Changes in significant subsidiaries during the current nine months

No items to report.

(2) Application of specific accounting methods for preparing quarterly consolidated financial statements

No items to report.

(3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements

(Application of practical solution concerning a change in the method of depreciation under the 2016 tax reform)

The Practical Solution on a Change in Depreciation Method due to Tax Reform 2016 (ASBJ PITF No. 32, June 17, 2016) was applied from the first three months of the current consolidated fiscal year in conjunction with the reform of the Corporation Tax Act. The method of depreciation of buildings and associated equipment and structures acquired on or after April 1, 2016 was changed from the declining balance method to the straight-line method.

The impact of this change on operating income, ordinary income, and profit before income taxes for the first nine months of the current consolidated fiscal year is not material in nature.

(4) Additional information

(Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts)

The Company has applied the "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts" (ASBJ PITF No. 30, March 26, 2015).

1) Overview of transactions

At a meeting of the Board of Directors held on May 2, 2014, the Company resolved to introduce the Employee Stock Ownership Plan ("ESOP") trust, an employee incentive plan for granting stock. Through this plan, the Company aims to cultivate a sense of belonging among its employees, increase their sense of participation in the management of the Company, and heighten their morale and motivation to help improve operating results and increase the stock price over the long term as well. In addition, the Company aims to enhance corporate value over the medium- and long-term through the plan. The Company will establish a trust into which it will contribute funds for the acquisition of the Company's stock. The beneficiaries of this trust will be employees of the Company who meet certain criteria. The trust will acquire stock of the Company in one lot from the Company in the number expected to be granted to employees of the Company based on the regulations for the granting of stock established in advance. Following this, the trust will deliver Company stock to employees gratis, during the term of their service, in accordance with the regulations for the granting of stock, based on the qualifications, grade, and other criteria for eligibility of Company employees during the trust period. The Company will contribute the full amount of the acquisition funds for the stock of the Company to be acquired through the trust, so no contribution will be required of Company employees. The trust is accounted for by the gross method, in which assets and liabilities of the trust are recorded on the balance sheet as assets and liabilities of the Company and profits and losses of the trust are recorded on the statement of income as profits and losses of the Company.

2) Company stock remaining in trusts

Company shares remaining in trusts are recorded as treasury shares under net assets according to the book value in the trust (after deduction of associated expenses). The book value and the number of shares of this Company stock stood at 178 million yen and 58,670 shares, respectively, as of December 31, 2016.

(Application of Implementation Guidance on Recoverability of Deferred Assets)

The Implementation Guidance on Recoverability of Deferred Tax Assets (revised Guidance No.26, March 28, 2016) was applied from the first three months of the current consolidated fiscal year.

3. Consolidated Financial Statements

(1) Consolidated balance sheet

(Millions of yen)

	As of March 31, 2016	As of December 31, 2016
Assets		
Current assets		
Cash and deposits	21,408	21,760
Notes and accounts receivable - trade	12,836	14,476
Merchandise and finished goods	2,013	2,082
Work in process	410	402
Raw materials and supplies	1,593	1,732
Other	1,417	712
Allowance for doubtful accounts	(339)	(88)
Total current assets	39,340	41,076
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	10,523	10,290
Other, net	9,120	8,342
Total property, plant and equipment	19,644	18,633
Intangible assets		
Goodwill	4,432	3,716
Other	486	448
Total intangible assets	4,919	4,165
Investments and other assets		
Other	1,562	1,923
Allowance for doubtful accounts	(1)	(192)
Total investments and other assets	1,561	1,730
Total non-current assets	26,124	24,529
Total assets	65,464	65,606
Liabilities		
Current liabilities		
Notes and accounts payable - trade	5,765	6,779
Short-term loans payable	932	1,513
Income taxes payable	776	692
Other	3,424	2,808
Total current liabilities	10,898	11,794
Non-current liabilities		
Long-term loans payable	7,413	7,460
Other	1,901	1,432
Total non-current liabilities	9,315	8,892
Total liabilities	20,214	20,687
Net assets		
Shareholders' equity		
Capital stock	6,188	6,265
Capital surplus	7,304	6,974
Retained earnings	42,490	44,544
Treasury shares	(14,141)	(14,094)
Total shareholders' equity	41,841	43,689
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	96	140
Foreign currency translation adjustment	1,190	(30)
Remeasurements of defined benefit plans	(12)	2
Total accumulated other comprehensive income	1,274	112
Non-controlling interests	2,135	1,116
Total net assets	45,250	44,918
Total liabilities and net assets	65,464	65,606

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

Consolidated statement of income (cumulative)

(Millions of yen)

	Nine months ended December 31, 2015	Nine months ended December 31, 2016
Net sales	38,300	35,922
Cost of sales	21,093	19,739
Gross profit	17,206	16,182
Selling, general and administrative expenses	8,559	8,993
Operating income	8,646	7,188
Non-operating income		
Interest income	79	46
Dividend income	8	39
Foreign exchange gains	85	39
Other	82	78
Total non-operating income	255	203
Non-operating expenses		
Interest expenses	52	63
Loss on investments in partnership	7	6
Other	11	19
Total non-operating expenses	71	89
Ordinary income	8,831	7,302
Extraordinary income		
Subsidy income	–	150
Other	40	–
Total extraordinary income	40	150
Extraordinary losses		
Impairment loss	32	1,019
Other	0	–
Total extraordinary losses	32	1,019
Profit before income taxes	8,839	6,433
Income taxes - current	2,338	2,053
Income taxes - deferred	30	(397)
Total income taxes	2,368	1,656
Profit	6,470	4,777
Profit attributable to non-controlling interests	243	142
Profit attributable to owners of parent	6,226	4,635

Consolidated statement of comprehensive income (cumulative)

(Millions of yen)

	Nine months ended December 31, 2015	Nine months ended December 31, 2016
Profit	6,470	4,777
Other comprehensive income		
Valuation difference on available-for-sale securities	12	44
Foreign currency translation adjustment	(1,336)	(1,456)
Remeasurements of defined benefit plans, net of tax	13	14
Total other comprehensive income	(1,309)	(1,397)
Comprehensive income	5,160	3,379
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,009	3,473
Comprehensive income attributable to non-controlling interests	150	(93)

(3) Notes to consolidated financial statements

(Notes on premise of going concern)

No items to report.

(Notes on substantial changes in shareholders' equity)

No items to report.

(Segment information, etc.)

[Segment information]

I. Nine months ended December 31, 2015

1. Information regarding net sales and profit/loss by reportable segment

(Millions of yen)

	Reportable segments					Other (Note 4)	Total
	Japan (Note 1)	China (Note 2) (Note 3)	Taiwan (Note 3)	Korea	Total		
Net sales							
External sales	7,959	16,049	5,356	5,659	35,025	3,274	38,300
Inter-segment sales or transfers	5,017	869	2,224	263	8,375	85	8,461
Total sales	12,976	16,919	7,581	5,922	43,400	3,360	46,761
Segment profit	1,952	3,670	1,749	1,109	8,482	441	8,924

Notes:
1. The net sales and operating income of Chugai Kasei Co., Ltd. have been presented in the "Japan" segment from the first three months ended June 30, 2015.
2. The "China" segment covers local subsidiaries in China and Hong Kong.
3. The "China" and "Taiwan" segments include Net sales and Operating income of Onstatic Technology Co., Ltd. (and four other subsidiaries). One of the four subsidiaries of Onstatic Technology Co., Ltd. was dissolved on February 20, 2015.
   One of the subsidiaries of Onstatic Technology Co., Ltd. is not operational so it is not included among reportable segments.
4. The "Other" segment represents operating segments not included in reportable segments and covers the business activities of local subsidiaries in the U.S. and other Asian countries.

2. Matters related to assets for each reportable segment

   In the three months ended June 30, 2015, Chugai Kasei Co., Ltd. was acquired and included in the scope of consolidation. This resulted in an increase of 2,070 million yen in assets as of December 31, 2015 in the "Japan" segment, compared to the end of the previous consolidated fiscal year.

3. Difference between total segment profit or loss for reportable segments and operating income on consolidated statement of income, and details thereof (reconciliation)

(Millions of yen)

Profit/loss	Nine months ended December 31, 2015
Reportable segments total	8,482
"Other" segment profit	441
Inter-segment eliminations	55
Amortization of goodwill	(207)
Profit/loss not allocated to business segments (Note)	(126)
Operating income on the consolidated statement of income	8,646

Note: Profit/loss primarily related to the holding company (company filing the consolidated financial statements).

4. Information regarding impairment losses on non-current assets, goodwill and negative goodwill by reportable segment

(Impairment losses on non-current assets)

(Millions of yen)

	Japan	China	Taiwan	Korea	Other	Corporate and elimination	Total
Impairment loss	–	–	32	–	–	–	32

II. Nine months ended December 31, 2016

1. Information regarding net sales and profit/loss by reportable segment

(Millions of yen)

	Reportable segments					Other (Note 3)	Total
	Japan	China (Note 1) (Note 2)	Taiwan (Note 2)	Korea	Total		
Net sales							
External sales	7,134	14,791	4,851	6,189	32,968	2,953	35,922
Inter-segment sales or transfers	6,104	569	2,825	263	9,763	79	9,843
Total sales	13,239	15,361	7,677	6,453	42,731	3,033	45,765
Segment profit	1,439	3,531	1,338	964	7,273	391	7,665

Notes: 1. The “China” segment covers local subsidiaries in China and Hong Kong.

2. The net sales and operating income of Onstatic Technology Co., Ltd. (and another three subsidiaries) have been presented in the “China” and “Taiwan” segments.

3. The “Other” segment consists of business segments that are not included among Reportable segments. It consists mainly of local subsidiaries in the U.S. and the rest of Asia.

2. Difference between total segment profit or loss for reportable segments and operating income on the consolidated statement of income, and details thereof (reconciliation)

(Millions of yen)

Profit/loss	Nine months ended December 31, 2016
Reportable segments total	7,273
“Other” segment profit	391
Inter-segment eliminations	(81)
Amortization of goodwill	(181)
Profit/loss not allocated to business segments (Note)	(213)
Operating income on the consolidated statement of income	7,188

Note: Profit/loss primarily related to the holding company (company filing the consolidated financial statements).

3. Information regarding impairment losses on non-current assets, goodwill and negative goodwill by reportable segment

(Impairment losses on non-current assets)

The company is in the process of consolidating and relocating management functions as one part of restructuring bases. Plans call for idling the headquarters land and buildings, so the book value has been written down to the amount deemed recoverable.

The recoverable amount is the net selling price, and was calculated based on a reasonably calculated value (real estate appraisal value).

(Millions of yen)

	Japan	China	Taiwan	Korea	Other	Corporate and elimination	Total
Impairment loss	–	–	–	–	–	1,019	1,019

(Significant subsequent events)

No items to report.