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# Consolidated Financial Result Digest

## FY2020 Q4 (Fiscal Year Ending March 31, 2020)

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TAIYO HOLDINGS CO., LTD.

May 21, 2020



Any information incorporated in this document is not intended for suggestion of purchase or sale of equity share of the company. All the description and projection are based on the company's own analysis at the time of compilation, and their accuracy is not guaranteed. These data may be revised without prior announcement. The company will neither assume nor compensate any loss of anybody resulting from decision based on information provided here.

## 1

# Our Reporting Segments

## Electronic Materials

Manufactures, stocks and markets chemicals for PWBs and other electronic components



## Medical and Pharmaceuticals

Develops, manufactures, and markets pharmaceuticals and quasi-drugs



## Other

Manufactures and markets dyes, pigments and other chemical products, supplies renewable energy, Software development



# Summary

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**Electronic  
Materials****Global economic slowdown**

Due to the prolonged US-China friction and spread of COVID-19

**Electronic  
Materials****Sales increased 2% YoY**

Due to recovery of the semiconductor market in the second half of the year

**Medical and  
Pharmaceuticals****Sales increased 138% YoY (EBITDA increased 291% YoY)**

Due to sales contribution of Taiyo Pharma Tech, which was succeeded in October

**Medical and  
Pharmaceuticals****Taiyo Pharma announces succession of new long-listed products (disclosed on April 28)****Other****Taiyo Green Energy opened six new floating solar power plants (11 places in total)**



### Number Infected

No infected person in our group (As of May 18, 2020)

### Status of factory and business office operations in China

Occupancy rate (approximate)	January	February	March
TAIYO(SUZHOU)	approx. 100%	approx. 60%	approx. 95%
OT (SHENZHEN)	approx. 100%	approx. 70%	approx. 90%

- Operations of the factory in China were affected in February but operations resumed without problems after March.
- Sales and sales activities at the Shenzhen and Hong Kong offices were impacted in February, but are now back to normal.

### Status of factories and offices in other regions

- Taiyo HD suspended operations from March 11th to March 19th and implemented work from home from March 27<sup>th</sup>.
- Factories in Japan (Saitama, Kitakyushu, Takatsuki) are operating normally.
- In addition, factories in Taiwan and the United States have seen almost no impact on operations, such as a decrease in operating rate.

### Impact on business

- The above-mentioned factories in China and the lower utilization rate of customers had an impact on the sales volume of rigid components, mainly in the electronic component business.

## 5 Extraordinary Loss of Taiyo Pharma

### Details of extraordinary loss

We evaluated the sales rights of Bactramine and Tigason, which are the products of Taiyo Pharma Co., Ltd., a consolidated subsidiary of the Company, in light of the decline in profitability.

### Impact of extraordinary loss

Impairment losses totaling 3,037 million yen were recognized on the sales rights of both products.

### Reason for extraordinary loss

The reason for the decrease in profitability of Tigason was the NHI drug price revision in April 2018. The continued decline in the sale price combined with a decrease in sales volume due to changes in the market environment.

The decrease in the profitability of Bactramine was due to the drug price revision in April 2018.

We expect these impairment losses to reduce the amortization of sales rights recorded as intangible fixed assets by 241 million yen from the year ending March 2021.



## Newly opened floating solar power plant

With the opening of the 11th power plant in Japan, the estimated annual power generation of Taiyo Green Energy will be approximately 20 GWh.

(Covering more than 100% of the electricity consumption of our domestic group) \* Excluding Taiyo Pharma tech



● TAIYO INK MFG. CO., (KOREA) LTD.  
(Korea Gyeonggi-do)



● TAIYO INK (SUZHOU) CO., LTD.  
(China Suzhou City)



● TAIWAN TAIYO INK CO., LTD.  
(Taiwan Taoyuan City)

Hosoike Hydro-Solar Plant (Gifu)



● Hiraike Hydro-Solar Plant (Gifu)

● Anazawaike Hydro-Solar Plant (Hyogo)

● Uozumiike-Kusatani Hydro-Solar Plant (Hyogo)

● Mimayaike Hydro-Solar Plant (Kagawa)

● Odaike Hydro-Solar Plant (Kagawa)

● Kobayashiike Hydro-Solar Plant  
(Nara)

● Shijukushinike  
Hydro-Solar Plant (Mie)

● Ranzan Hydro-Solar Plant (Saitama)

● Ranzan Onuma Hydro-Solar Plant (Saitama)

Hayashiike Hydro-Solar Plant (Aichi)



TAIYO HOLDINGS CO., LTD.

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## Financial Results

## Result Summary

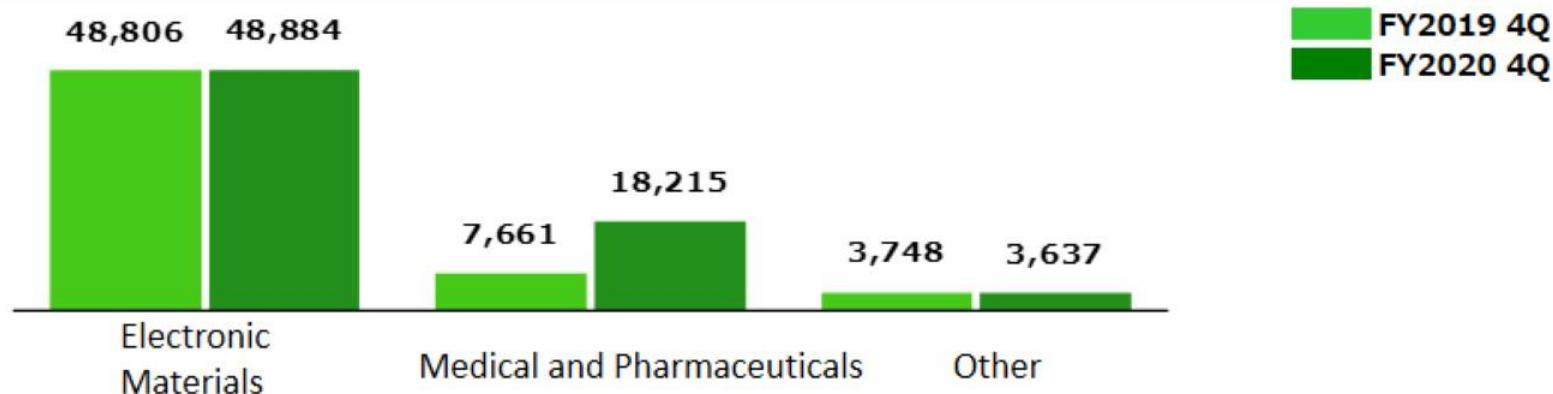
Unit: JPY million

	FY2019 Q4 result	FY2020 Q4 result	YoY	%	FY2020 full year forecast	Progress rate
Net sales	59,389	70,627	+11,238	+19%	71,000	99%
Operating income	8,099	9,136	+1,037	+13%	8,300	110%
Ordinary income	8,014	8,898	+884	+11%	8,000	111%
Net income	4,396	3,749	-647	-15%	6,400	59%
Exchange rate of JPY/USD	110.7	109.1				



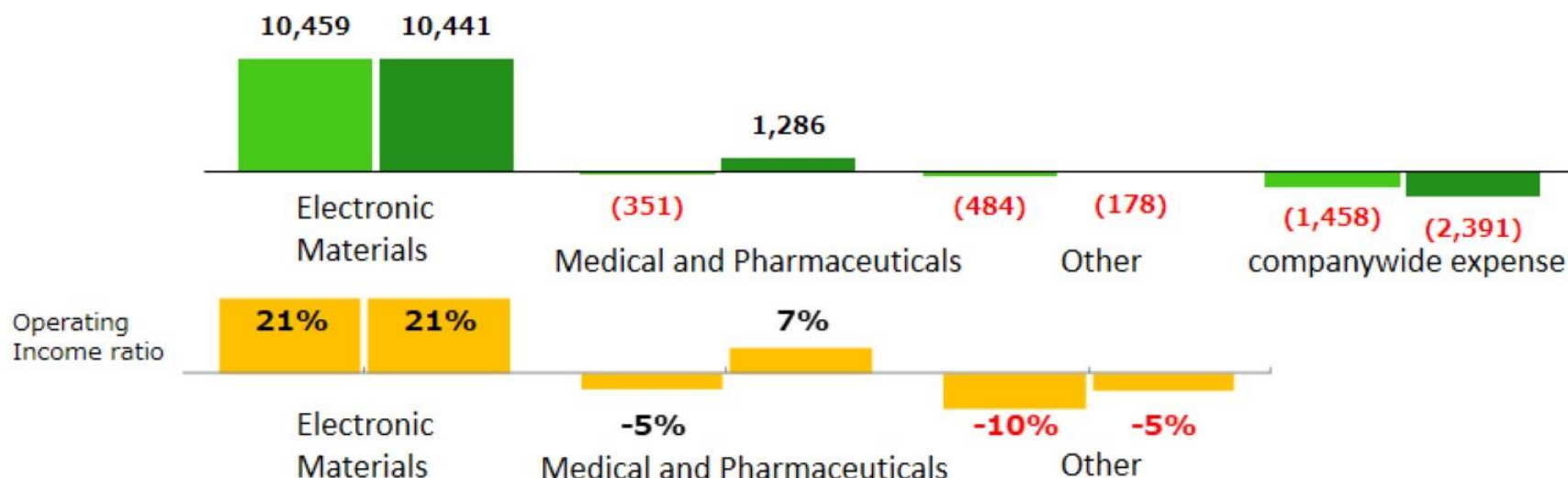
## Sales by Segment

Unit: JPY million



## Operating Income by Segment

Unit: JPY million

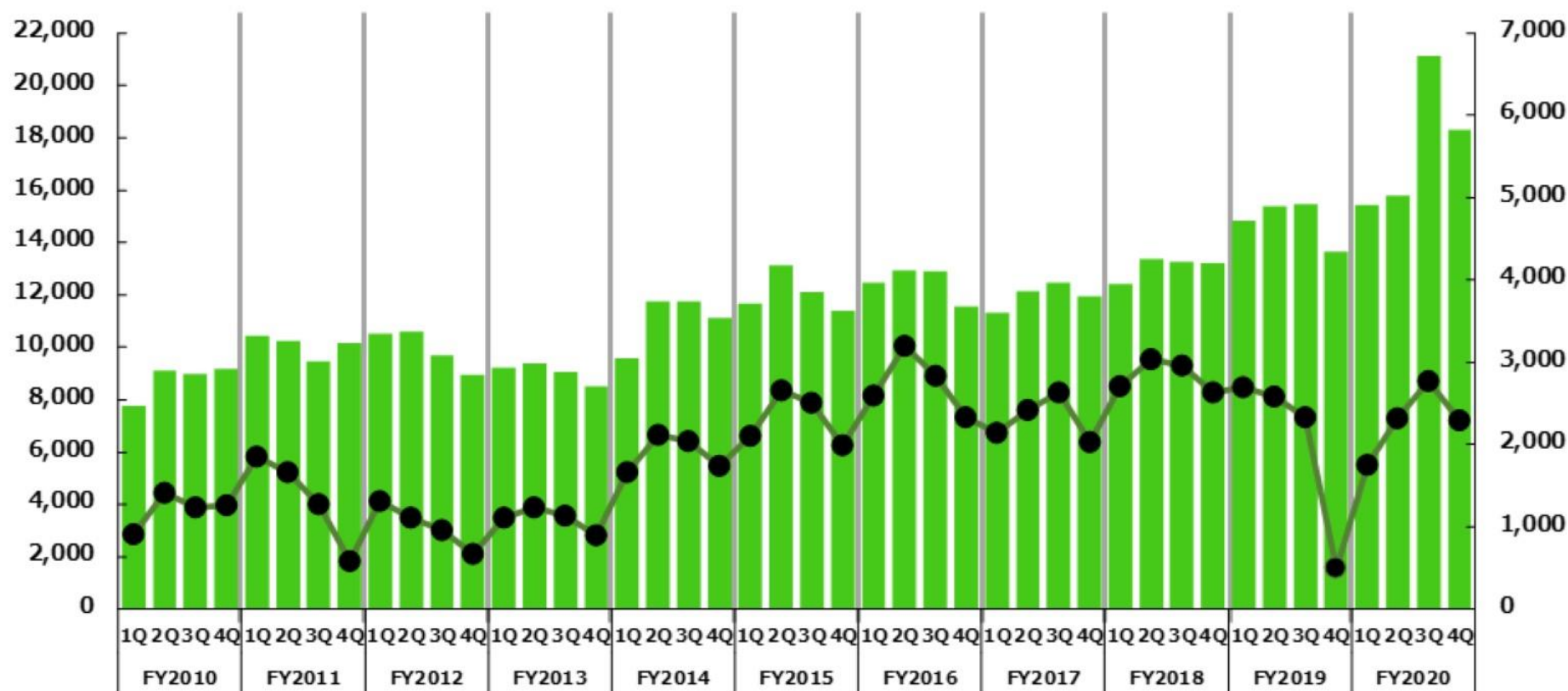


\*Since the third quarter of fiscal year ended March 31, 2020, we include Amortization of Goodwill among the each reportable segment.

## Net Sales &amp; Operating Income

Unit: JPY million

Net sales (left axis)  
Operating income (right axis)



# 10 BS Highlights

## BS (YoY)

JPY millions

	FY2019/3	FY2020/12	YoY
Cash and deposits	31,340	29,191	-2,149
Accounts receivable - trade	16,610	19,513	2,903
Inventory assets <sup>※</sup>	8,446	11,407	2,961
Other	1,740	2,267	527
<b>Total current assets</b>	<b>58,136</b>	<b>62,380</b>	<b>4,244</b>
Property, plant and equipment	22,313	44,761	22,448
Intangible assets	21,436	30,769	9,333
Other	3,779	4,281	502
<b>Total non-current assets</b>	<b>47,529</b>	<b>79,811</b>	<b>32,282</b>
<b>Total assets</b>	<b>105,666</b>	<b>142,192</b>	<b>36,526</b>

	FY2019/3	FY2020/12	YoY
Loans payable <sup>※</sup>	20,306	55,711	35,405
Notes and accounts payable - trade	6,285	7,231	946
Other	8,555	9,726	1,171
<b>Total liabilities</b>	<b>35,146</b>	<b>72,668</b>	<b>37,522</b>
Capital stock	69,336	69,651	315
Other	846	-429	-1,275
Non-controlling interests	337	301	-36
<b>Total net assets</b>	<b>70,520</b>	<b>69,523</b>	<b>-997</b>
<b>Total liabilities and net assets</b>	<b>105,666</b>	<b>142,192</b>	<b>36,526</b>

<b>Equity ratio</b>	<b>66.4%</b>	<b>48.7%</b>	<b>-17.7%</b>
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※ Inventory assets: Merchandise and finished goods + Work in process + Raw materials and supplies

※ Loans payable: Short-term borrowings + Current portion of long-term borrowings + Long-term borrowings

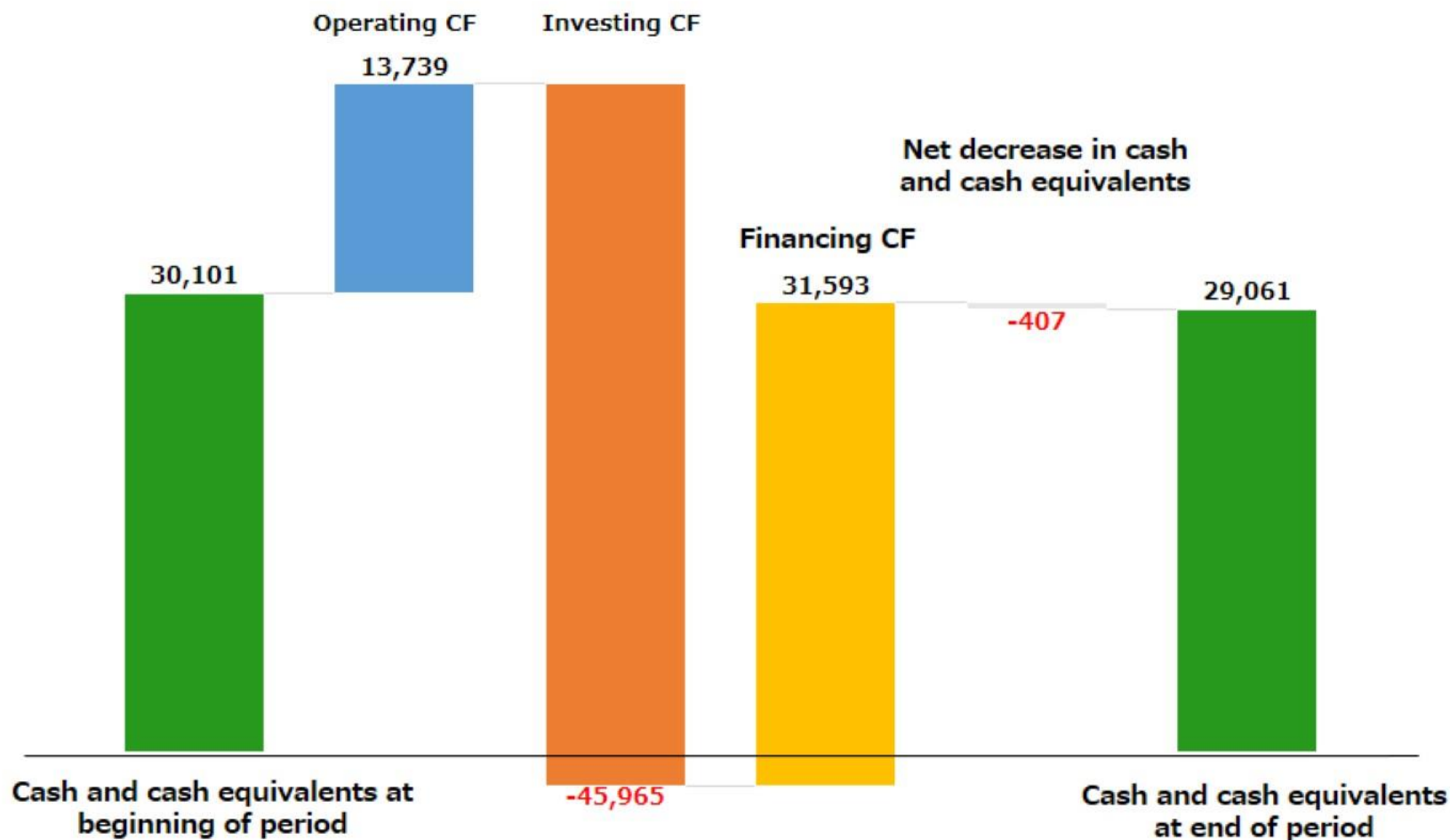


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## Overview of CF

### Breakdown of CF

JPY millions



# Electronic Materials Business

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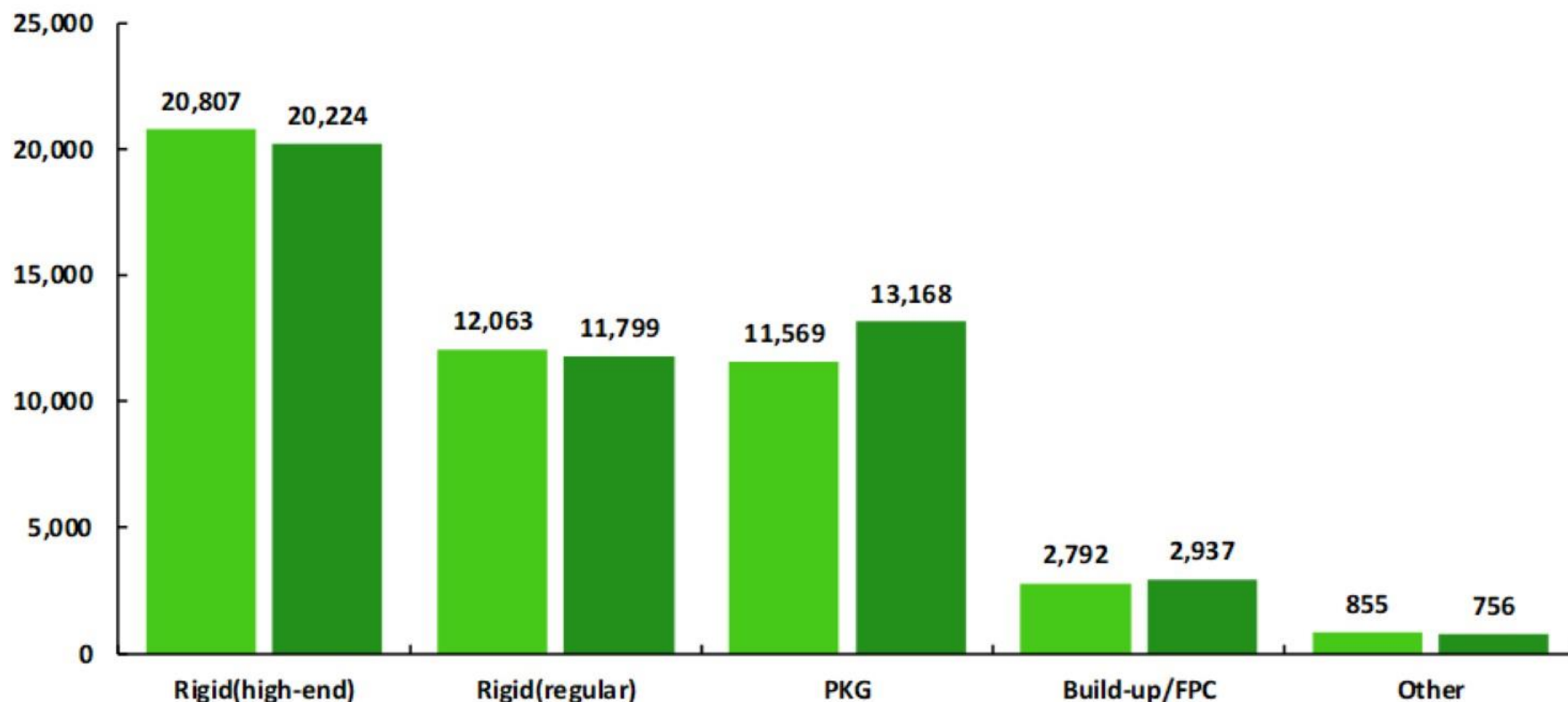
Term	Definition
PWB	Printed wiring boards
SR	"Solder resist ink" or "Solder mask"
PKG	Semiconductor packages
DF	Dry film



Group	Category		Type	Remarks
PWB insulating materials	Rigid	high-end	Liquid	<ul style="list-style-type: none"> <li>• SR materials for insulation and surface protection use</li> </ul>
		regular		
	PKG		Liquid/Dry Film	
	FPC		Liquid/Dry Film	
	Build-up		Liquid/Dry Film	<ul style="list-style-type: none"> <li>• build-up materials for interlayer insulation and hole plugging use</li> </ul>
Other related products	Other		Liquid	<ul style="list-style-type: none"> <li>• marking, etching, plating materials</li> <li>• flux, solvent etc.</li> <li>• conductive silver paste</li> </ul>

## Sales Results by Product Group Category

JPY millions

 FY2019 4Q  
 FY2020 4Q

※Since the product classification has been partially revised from FY2020, there is a difference from the figures disclosed in the past.

## Establishing a new company (Plant) in Hanoi, Vietnam

We aim to expand our electronic materials business by entering Vietnam market.

### Company Profile

Name	TAIYO INK VIETNAM CO., LTD.
Address	Quang Minh Industrial Park, Quang Minh Town, Me Linh District, Hanoi, Vietnam.
Representative	Koji Kurihara
Business areas	Manufactures and markets solder resist for PWBs and other electronic components
Capital	100,000 USD
Ratio of capital contribution	100%
Fiscal year	April 1 to March 31
Establishment	June, 2020 (TBD)





## Establishing a new company (Plant) in Korea

Establishing a dry film solder resist plant in Korea, where the market is expanding, we will strengthen our business and support BCP.

### Company Profile

<b>Name</b>	<b>TAIYO Advanced Material CO., LTD.</b>
<b>Address</b>	Dangjing-si, Chungcheongnam-do, South Korea
<b>Representative</b>	Bae Hyunki
<b>Business areas</b>	Manufacturing and sales of dry film solder resist.
<b>Capital</b>	14.3 billion KRW
<b>Ratio of capital contribution</b>	TAIYO HOLDINGS CO., LTD. 70%, TAIYO INK MFG. CO., (KOREA) LTD. 30%
<b>Fiscal year</b>	April 1 to March 31
<b>Establishment</b>	June, 2020 (TBD)



# Medical and Pharmaceuticals Business

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## 19 Terminology

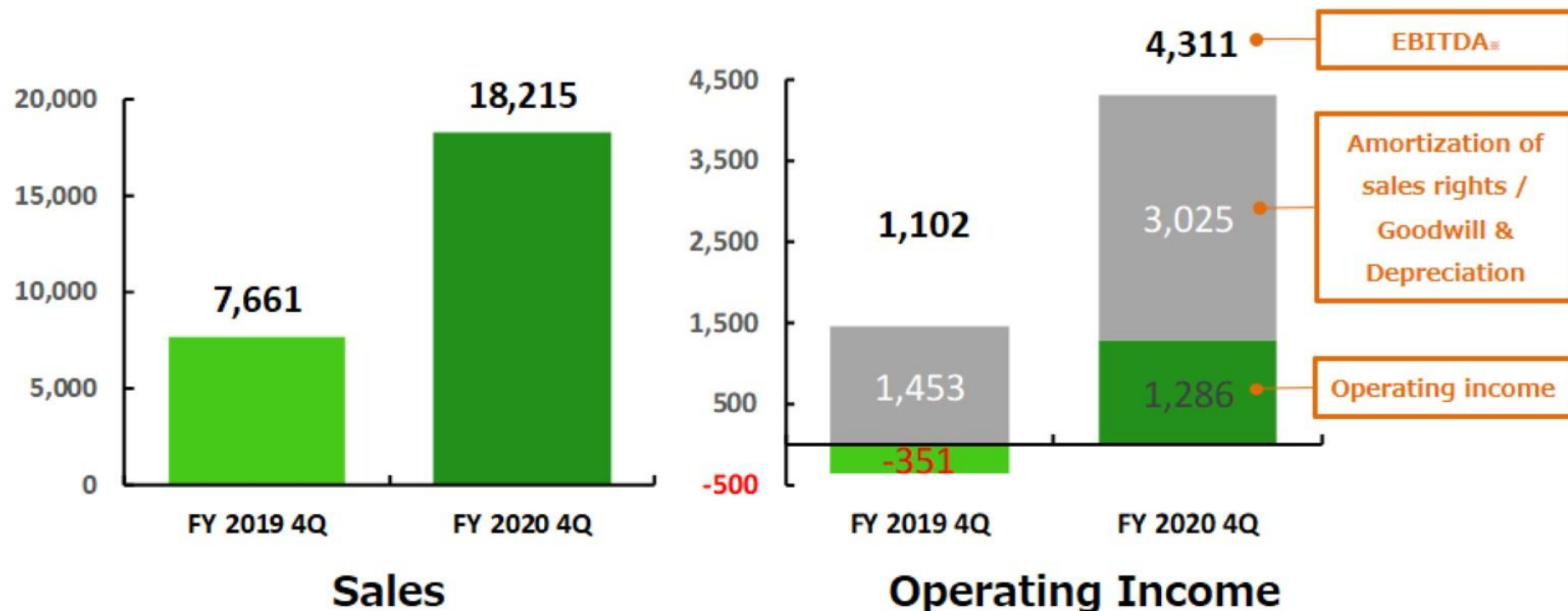
Term	Definition
Long-listed drugs	Drugs for which the patent has expired or the re-examination period has ended and there exist generic alternatives that have the same efficacy as the long-listed drug
CDMO	Contract Development Manufacturing Organization
GMP	Good Manufacturing Practice



## Sales, Operating Income, EBITDA

JPY millions

FY2019 4Q  
FY2020 4Q



※EBITDA=operating profit + depreciation + Amortization of sales rights and goodwill

## Acquisition of Daiichi Sankyo Pharmaceutical Co., Ltd. Takatsuki Plant

Completed the acquisition of Takatsuki Plant with the goal of newly establishing an internal manufacturing center for 38 billion yen (acquisition value) on October 1<sup>st</sup> 2019



## 22 Medical and Pharmaceutical Business

### Overview of TAIYO PHARMA TECH(Takatsuki Plant)

The Taiyo Pharma tech Takatsuki plant started operation in 1933.

<b>Name</b>	TAIYO PHARMA TECH CO., LTD.
<b>Head Office</b>	4-38, Aketacho, Takatsuki, Osaka
<b>Area</b>	Plant Area : 52,584 m <sup>2</sup>
<b>Beginning of operation</b>	December 25, 1933
<b>number of employees</b>	370 (as of April 1, 2020) * Including employees seconded from Taiyo Holdings
<b>Production dosage form</b>	Injections / solids
<b>Member of the Board</b>	President and CEO Eiji Sato Director Masato Mori Director Suguru Ominato Corporate Auditor Hidenori Sugiura
<b>Shareholder</b>	Taiyo Holdings 100%

**Takatsuki Plant continues to conduct the contracted manufacturing business from the Daiichi Sankyo Group. From now on, Takatsuki Plant aims to capture new drug manufacturing contracts from customers outside the Daiichi Sankyo Group and to leap to become a CDMO.**



# 23 Medical and Pharmaceutical Business

## Investee : Gene Therapy Research Institution

**What is Gene therapy :** Gene therapy is an approach to treat diseases by introducing specific genes into a patient.

### Company Profile

Name	Gene Therapy Research Institution Co., Ltd.  株式会社遺伝子治療研究所
Address	25-22, Tonomachi 3-chome, Kawasaki-ku, Kawasaki-shi, Kanagawa 210-0821, JAPAN
Establishment	May 16, 2014
Representative	President: Katsuhito Asai
Business areas	Research, development and manufacture of gene therapy drugs using the adeno-associated virus (AAV) as a vector to carry therapeutic genes

### The Advantages of Investment

- ✓ Acquire knowledge of manufacturing facility and manufacturing process of gene therapy drugs



## 24 Medical and Pharmaceutical Business

### Regarding the transfer of new long-listed products

Taiyo Pharma signed an asset transfer agreement relating to the succession of manufacturing and marketing approval.

- Transferor AstraZeneca PLC
- Date of transfer April 27, 2020
- Succession of manufacturing and marketing approval 2nd half of FY ending March 2021 (planned)

	Sales name	Medicinal classification
1	Inderal® Tablets 10 mg Inderal® Injection 2 mg	Antihypertensive / angina / arrhythmia / migraine treatment Beta-blocking arrhythmia / angina treatment
2	Omepral® Tablet 10 Omepral® Tablet 20 (Excluding 20 for Omepral®)	Proton pump inhibitor
3	Seroken® tablets 20mg Seroken L® Tablet 120mg	Antihypertensive / angina / arrhythmia treatment Sustained-release antihypertensive agent
4	Tenormin® Tablet 25 Tenormin® Tablets 50	Cardiac selective beta blocker

# Medium-term management plan (FY2017-FY2019)

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## **26** Medium-term management plan "NEXT STAGE 2020"

In order to break away from the business structure that relies heavily on SR, and to leap into a comprehensive chemical company centered on the keyword “chemistry” of the Group, we have been working on three years from the year ending March 2018.

### **Profit structure**

**Operating profit margin 20% or more**

### **Profitability**

**ROE (return on equity) of 11% or more**

### **Shareholder return**

**DOE (dividend on equity) 5% or more**

### **Business performance**

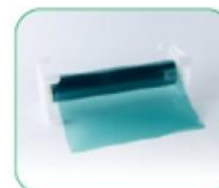
**Achieve a new record high on term of operating profit**



# 27 Medium-term management plan "NEXT STAGE 2020"

## Basic Policy

- 1 Strengthening SR profitability
- 2 Expansion of areas related to printed wiring boards other than SR
- 3 Launch of medical / pharmaceutical business
- 4 Turning the energy and food business into the profitable
- 5 Strengthen basic research capabilities
- 6 Business alliance with DIC Corporation
- 7 Execution of M&A strategy
- 8 Expansion of CSR activities
- 9 Fostering and utilizing autonomous human resources





Management indicators	Goal	Year ended March 2018	Year ended March 2019	Year ended March 2020
Operating profit margin	Over 20%	21.7%	13.6%	12.9%
	Electronic Materials	24.3%	21.7%	21.4%
	Medical and Pharmaceutical	1.0%	-4.6%	7.1%
ROE (Return on equity)	Over 11%	6.8%	6.2%	5.4%
DOE (Shareholders' equity dividend rate)	Over 5%	6.5%	5.3%	5.4%
Operating Income (Unit: Million Yen)	Record high profit update FY2015 10,964	11,337	8,099	9,136

Black letters achieved  
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# Earnings forecast

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## Financial Results Forecasts

JPY millions

	FY2020 full year result	FY2021 full year forecast	YoY	Progress rate	FY2021 full year forecast (Reference value)	YoY	Progress rate
Net sales	70,627	80,600	+9,973	+14%	82,700	+12,073	+17%
Operating income	9,136	10,100	+964	+11%	11,100	+1,964	+21%
Ordinary income	8,898	9,700	+802	+9%	10,800	+1,902	+21%
Net income	3,749	6,400	+2,651	+71%	7,100	+3,351	+89%
Exchange rate of JPY/USD	109.1	105.0			110.0		

**Consolidated earnings forecast by segment**

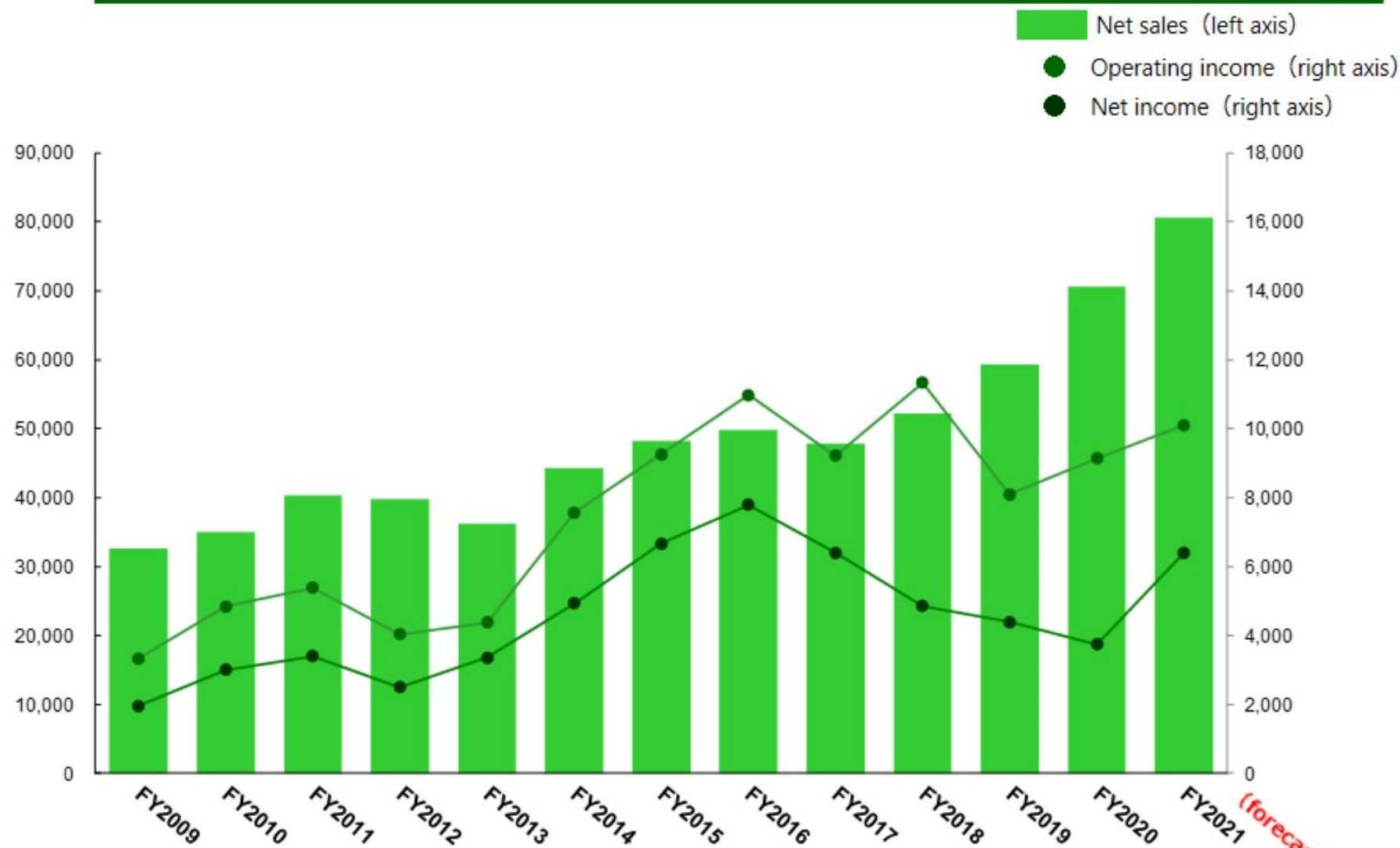
JPY millions

	FY2021 full year forecast	FY2021 Electronic Materials	YoY	Progress rate	FY2021 Medical and Pharmaceutical	YoY	Progress rate
Net sales	80,600	50,000	+1,116	+2%	26,500	+8,285	+45%
Operating income	10,100	9,100	-1,341	-13%	3,600	+2,314	+180%
EBITDA	17,300	10,700	-1,403	-12%	8,300	+3,989	+93%
Exchange rate of JPY/USD	105.0	105.0			105.0		



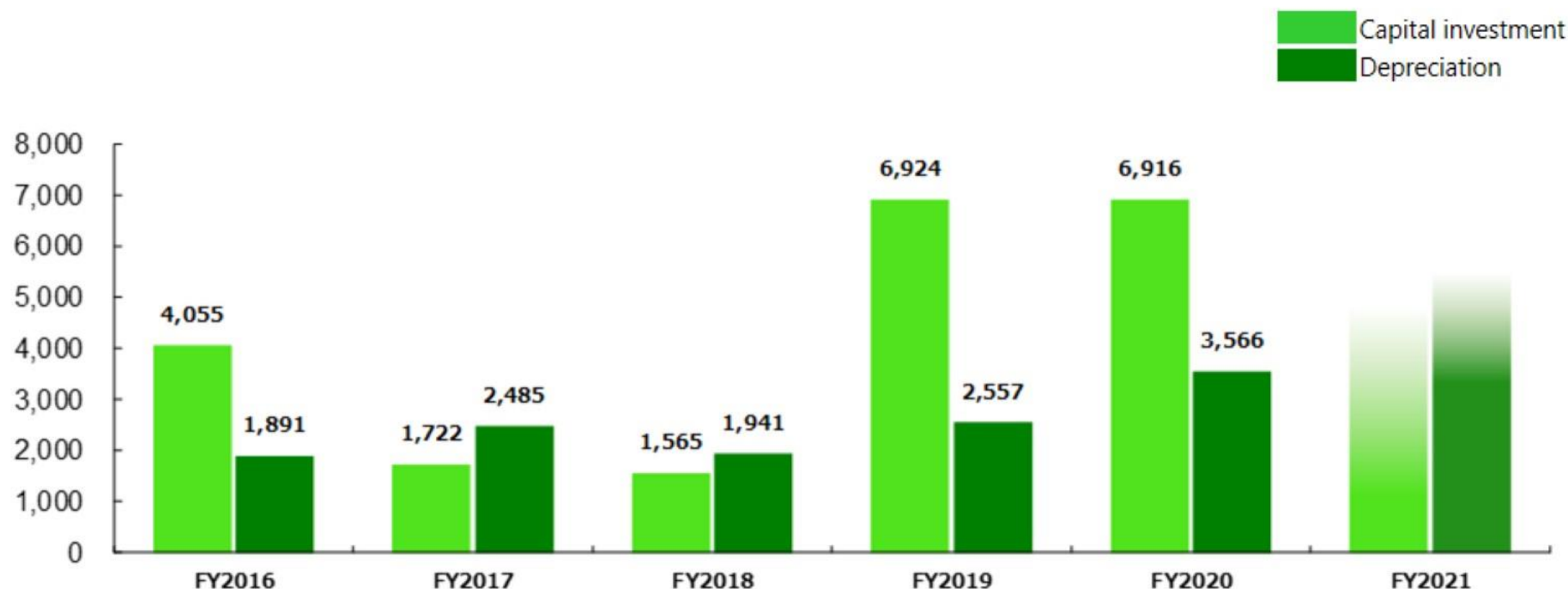
## Trend of Financial Results

JPY millions



## Trend of Capital Investment & Depreciation

JPY millions



(Forecast)

\* 1 Depreciation costs do not include goodwill amortization costs.

\* 2 Goodwill for acquiring long-listed products is not included in the capital investment amount.

\* 3 Depreciation of goodwill for long-listed products has not been included in depreciation since the fiscal year ended March 31, 2018.

\* 4 Goodwill for the acquisition of Taiyo Pharma tech in the fiscal year ending March 31, 2020 is not included in the capital investment amount.

