
Consolidated Financial Result Digest

FY2018 Q2 (Fiscal Year Ending March 31, 2018)



TAIYO HOLDINGS CO., LTD.

October 31, 2017



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Terminology

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

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Classification of Product

Group	Category		Type	Remarks
PWB insulating materials	Rigid	high-end	Liquid	•SR materials for insulation and surface protection use
		regular		
	PKG		Liquid/Dry Film	
	FPC		Liquid/Dry Film	
	Build-up		Liquid/Dry Film	•build-up materials for interlayer insulation and hole plugging use
Other related products	Other		Liquid	•marking, etching, plating materials •flux, solvent etc. •conductive silver paste

1

Actual exchange rate of the yen against U.S. dollar almost the same as expectation *Estimated exchange rate:1USD=111yen

2

Sales volume increased year-on-year particularly in DF (Dry Film)

3

Revision to consolidated earnings forecasts for FY2018

4

**Established a pharmaceutical business subsidiary,
TAIYO Pharma Co., Ltd.**

Results summary

JPY millions

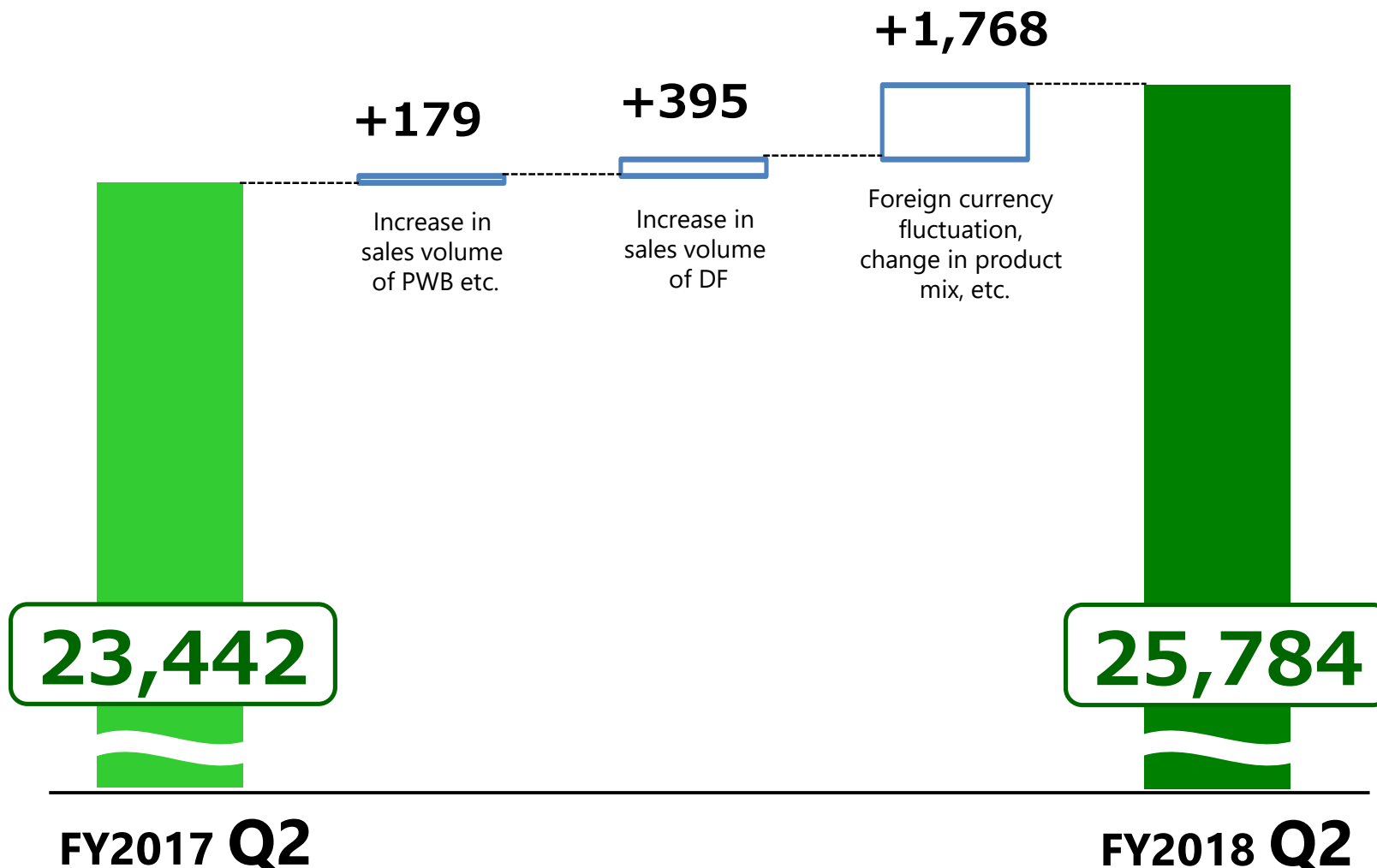
	FY2017 Q2 results	FY2018 Q2 results	YoY	%	FY2018 Q2 forecasts	progress rate	FY2018 full year new forecasts
Net sales	23,442	25,784	+2,342	+10%	25,000	103%	50,000
Operating income	4,557	5,744	+1,187	+26%	5,200	110%	10,200
Ordinary income	4,602	5,690	+1,088	+24%	5,100	112%	10,100
Net income	3,623	3,998	+375	+10%	3,600	111%	7,000

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FY2018 Q2 Net Sales (YoY)

Analysis of Net Sales

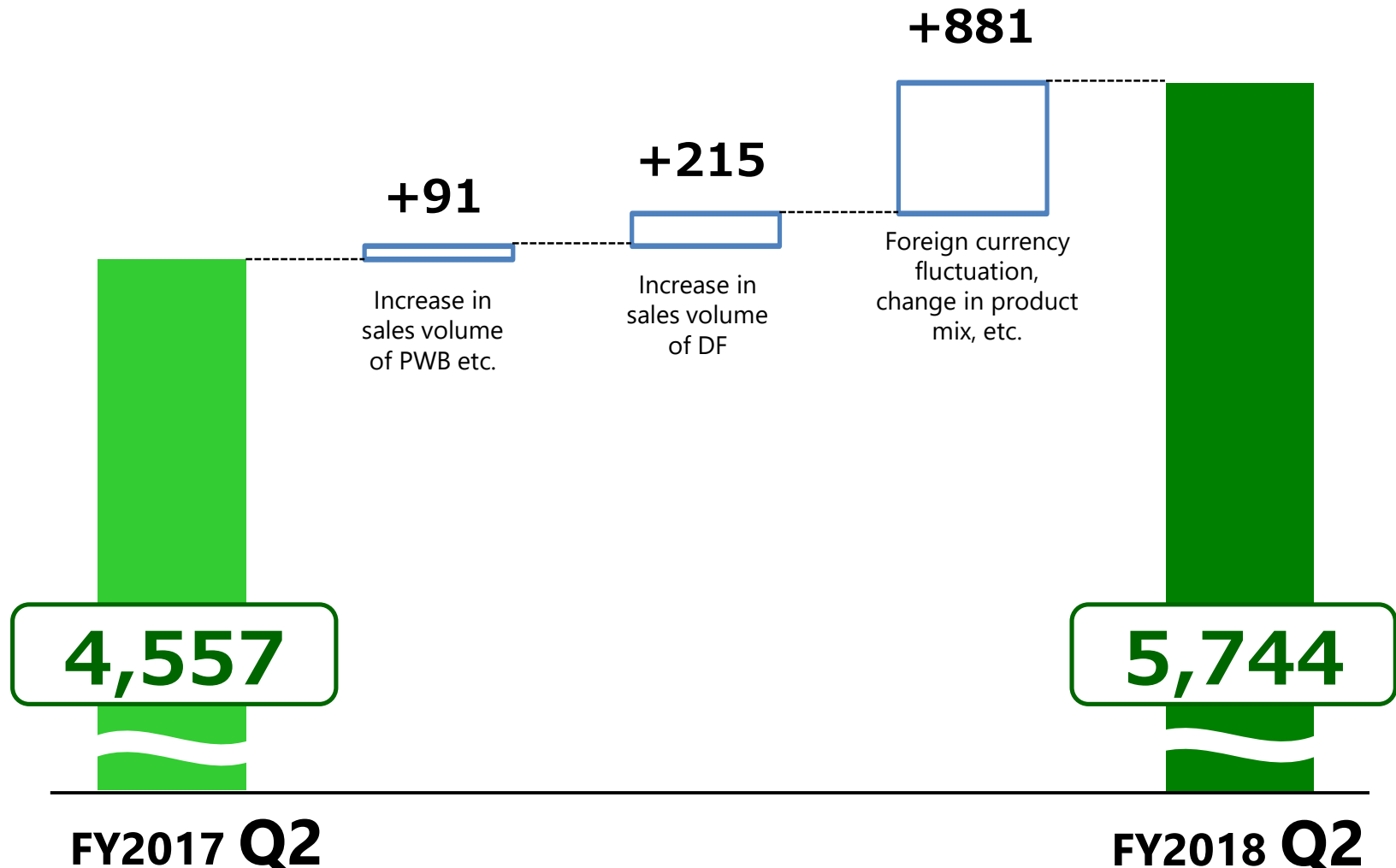
JPY millions



6 FY2018 Q2 Operating Income (YoY)

Analysis of Operating Income

JPY millions



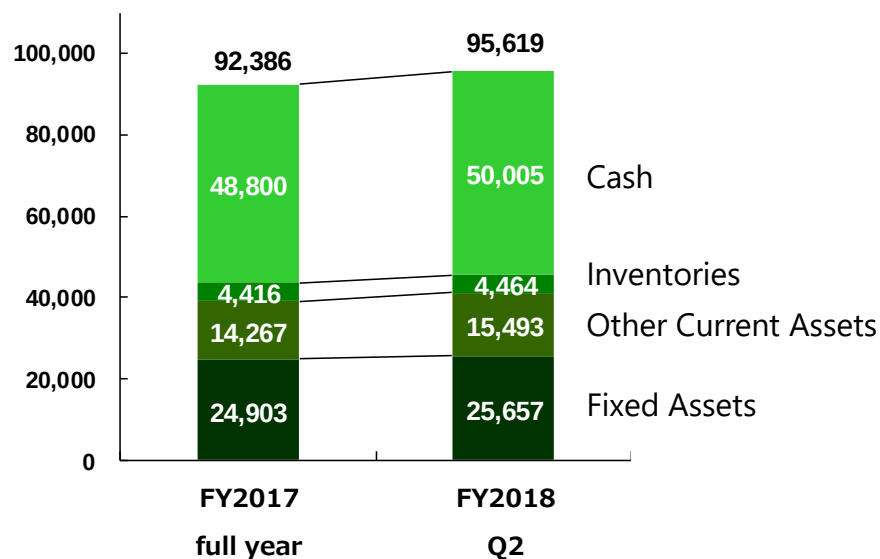
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FY2018 Q2 BS Highlights

BS (YoY)

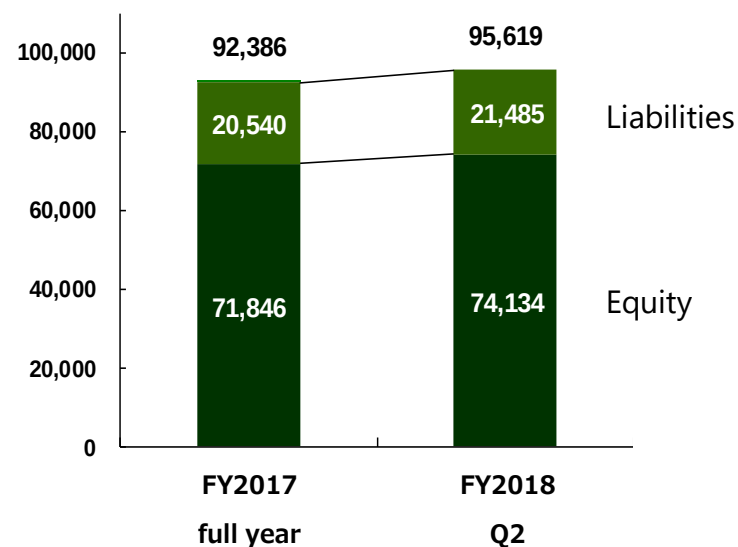
JPY millions

Assets



- Increase in assets due to strong sales and increased foreign currency denominated assets from depreciation of the yen

Liabilities and Equity

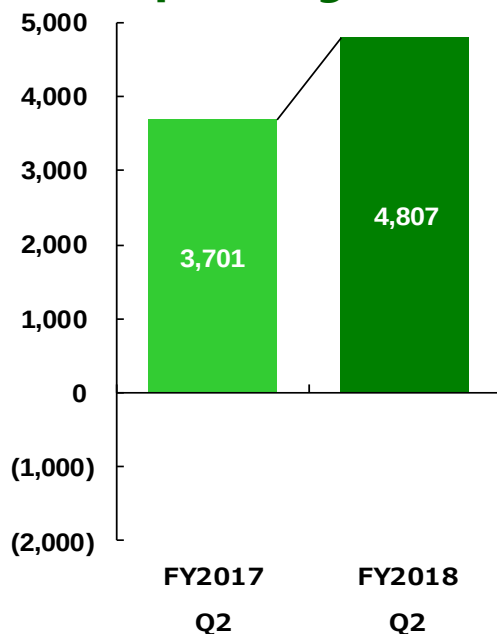


- Increase in short-term loans payable for the purpose of hedging exchange risk
- Increase in retained earnings

CF (YoY)

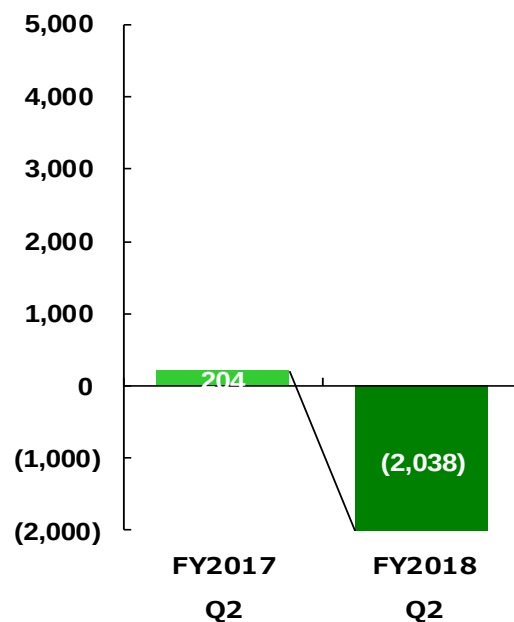
JPY millions

Operating CF



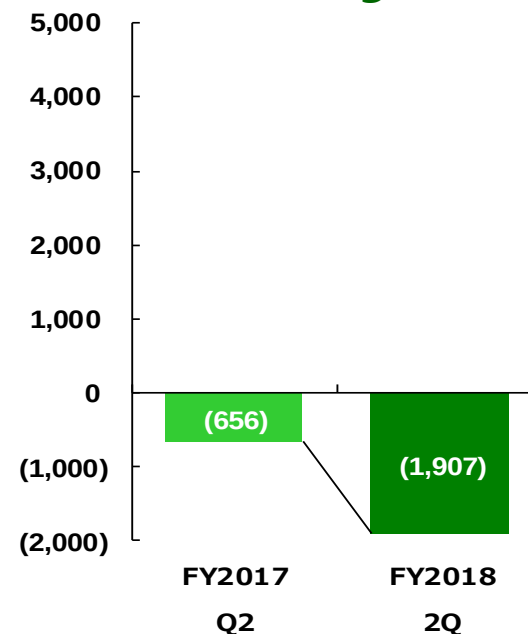
- Increase in net income before income taxes

Investing CF



- FY2017 Q2: Cancellation of fixed deposit
- Purchases of investment securities

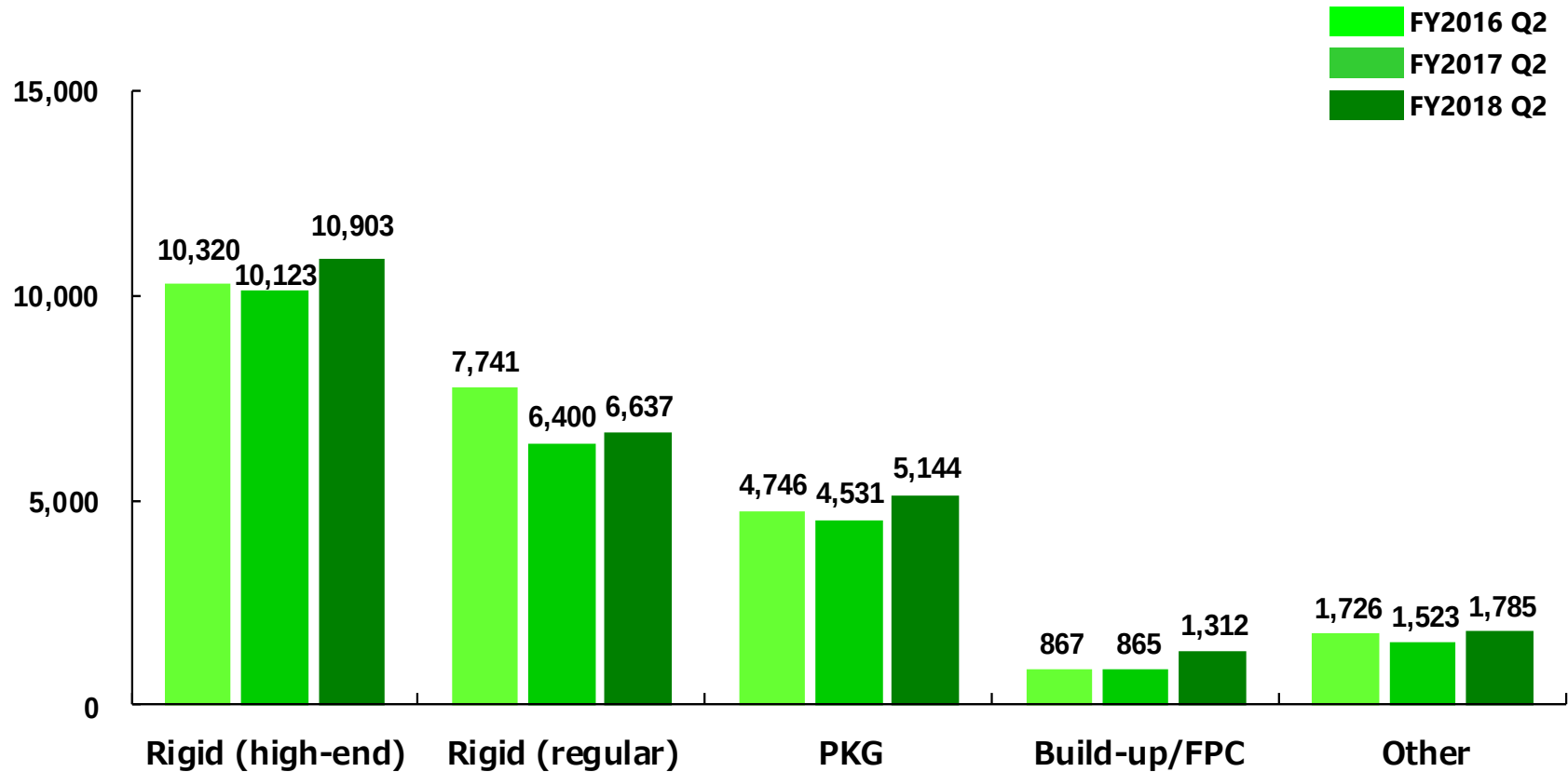
Financing CF



- Increase in payment of dividend
- Acquisition of shares of subsidiary

Sales Results by Product Group Category

JPY millions

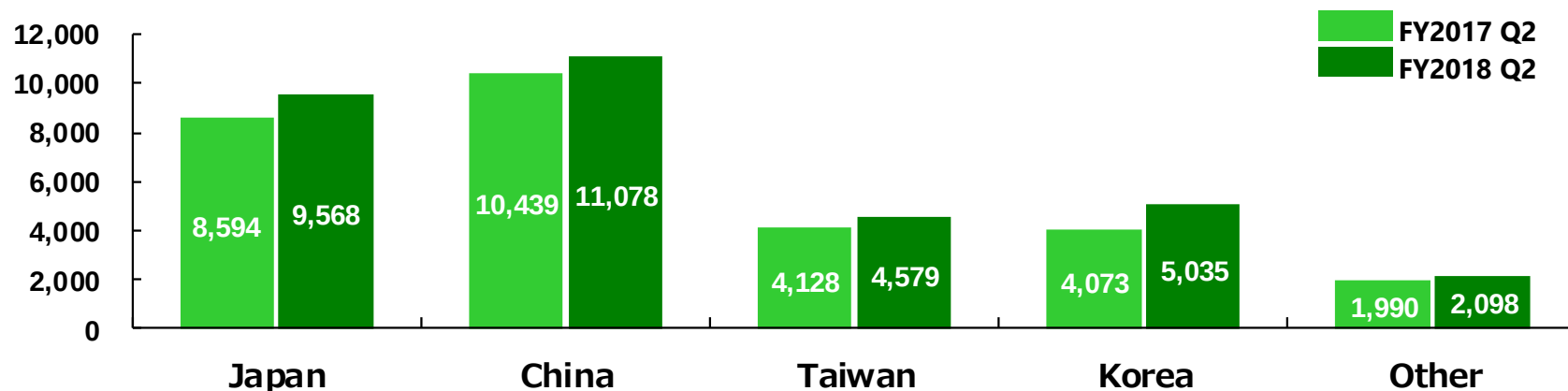


*This category differs from the classification of "sales results by product group category" mentioned in consolidated financial results and annual securities report, etc.

Sales by Segment

(including inter-segment sales or transactions)

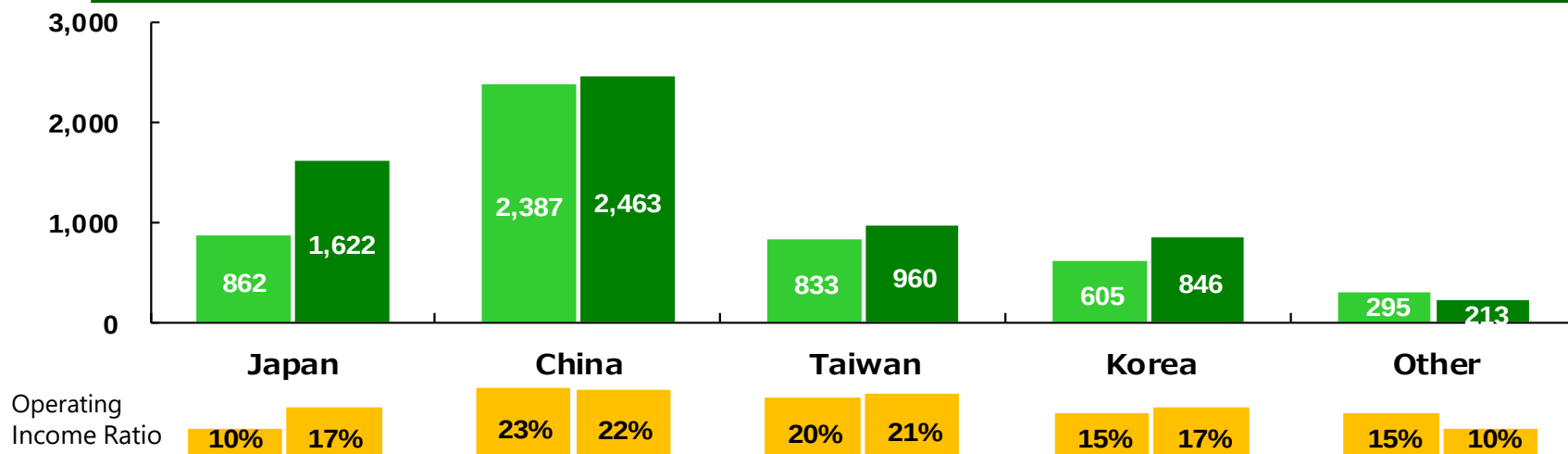
JPY millions



Operating Income by Segment

(including inter-segment sales or transactions)

JPY millions

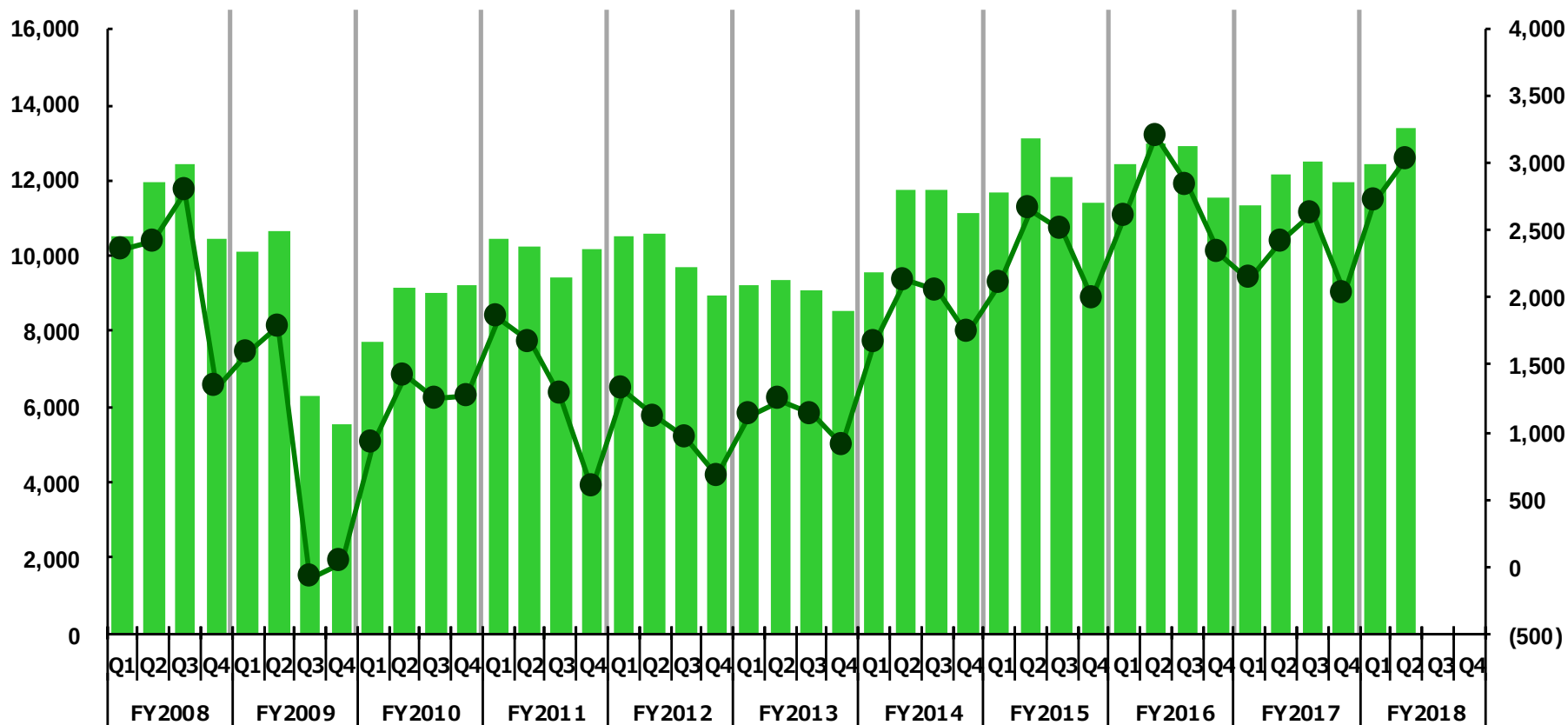


Net Sales & Operating Income

JPY millions

Net sales (left axis)

Operating income (right axis)



Forecasts Revision Summary

JPY millions

	FY2018 Q2 results	FY2018 full year previous forecasts(A)	FY2018 full year new forecasts(B)	Change (B-A)	Change (%)
Net sales	25,784	48,200	50,000	1,800	4%
Operating income	5,744	9,200	10,200	1,000	11%
Ordinary income	5,690	9,100	10,100	1,000	11%
Net income	3,998	6,400	7,000	600	9%
Exchange rate of JPY/USD	111	106	108		

In light of the higher-than-expected demand and the higher-than-anticipated depreciation of the yen, consolidated earnings forecasts for FY2018 were revised as mentioned above.

Medium-Term Business Plan

We have formulated the Next Stage 2020 three-year medium-term business plan to extricate the Group from this business structure and make the leap to becoming a comprehensive chemical company, based on the keyword, “chemicals,” which we have adopted as our guideline.

Targets

Profit structure

Operating margin: 20% or more

Profitability

ROE (Return on Equity ratio): 11% or more

Shareholder return

DOE (Dividend on Equity ratio): 5% or more

Operating results

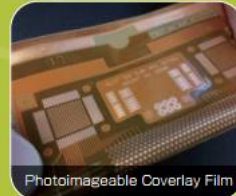
Achieve a new record high in term of operating profit

Basic Policy

- 1** Improve profitability of solder resist (SR)
- 2** Expand into areas related to printed wiring board (PWB) other than solder resist
- 3** Launch a medical and pharmaceutical business
- 4** Move the energy and food businesses into the black
- 5** Strengthen basic research capabilities
- 6** Business alliance with DIC Corporation
- 7** Execute M&A strategy
- 8** Expand CSR activities
- 9** Develop and utilize self-sufficient personnel capable of acting independently



Dry Film-Type SR



Photoimageable Coverlay Film



Medical & Pharmaceutical Business



Water-Based Solar Power



Plant Factory



Laboratory



Marathon Sponsorship



On-Site Daycare Center



Amateur Athlete Support



Local Volunteer Activity

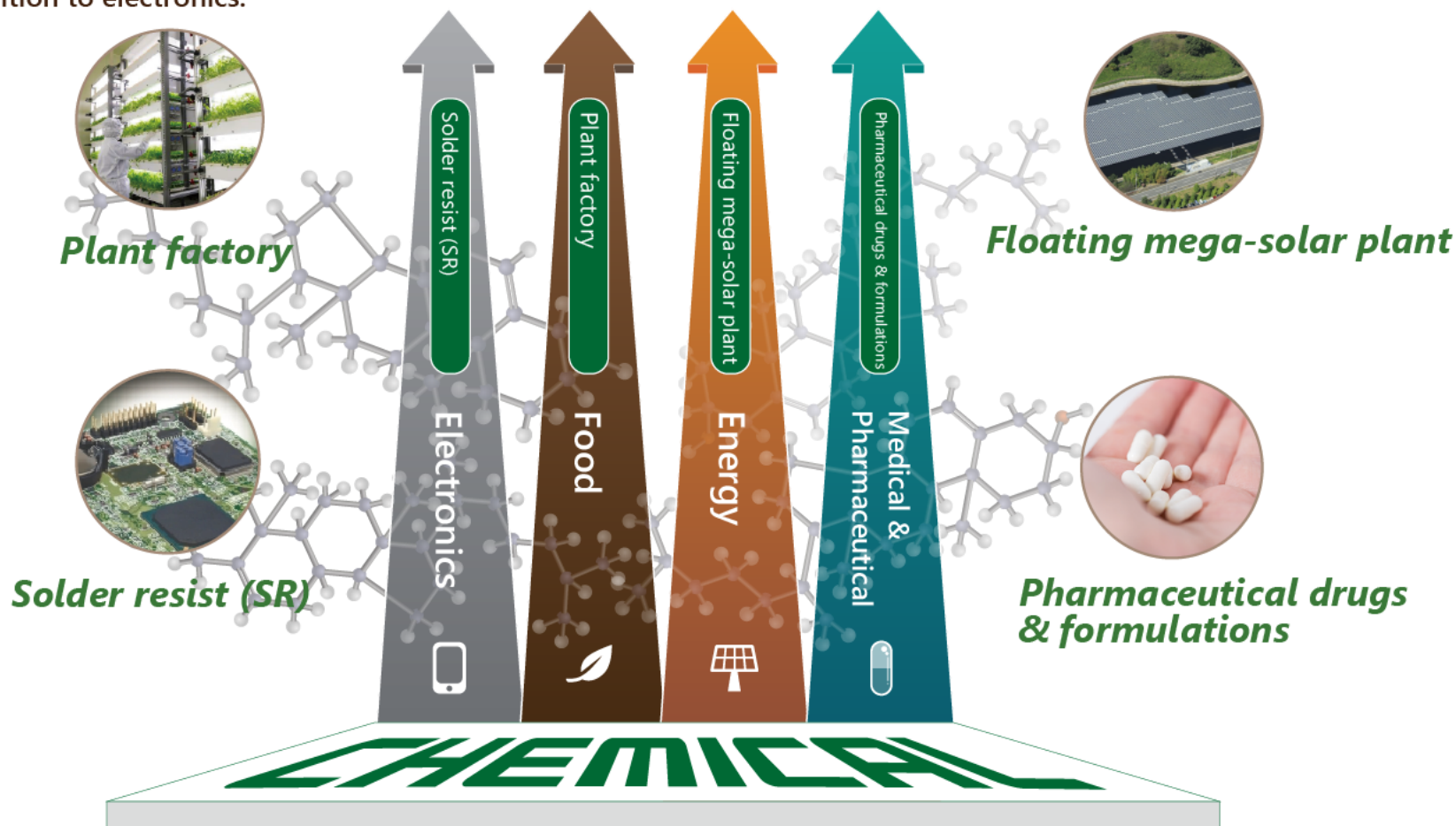
Medical and Pharmaceutical Business Subsidiary

We are aiming to continue creating products that will benefit the world by power of chemistry as a comprehensive chemical manufacturer while employees are proudly working at the company.

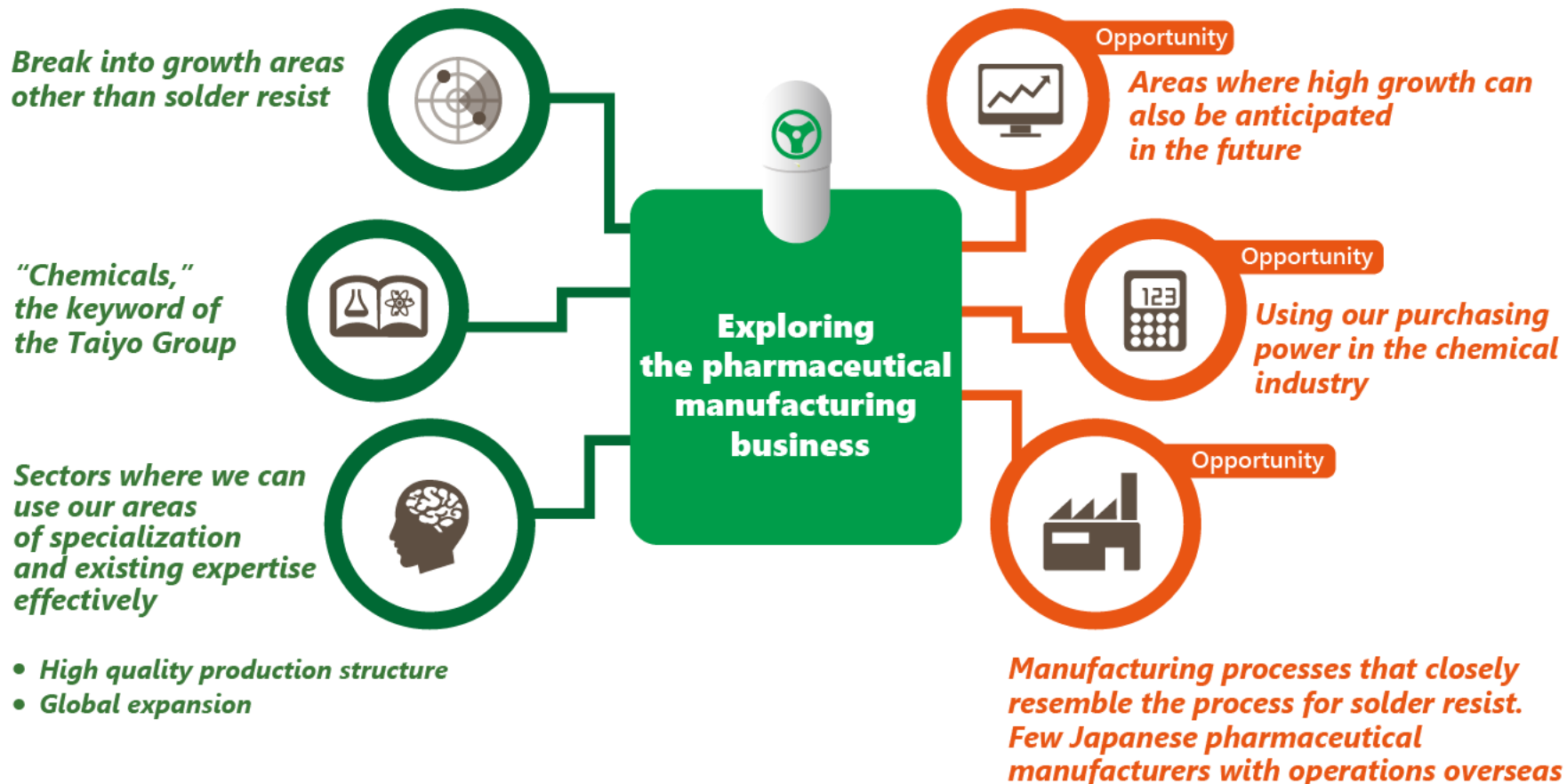


From the top in niche markets to a global comprehensive chemical manufacturer

The Taiyo Group has long operated a chemical-based business in the electronics sector. In the future, we will pursue business in three additional sectors where growth can be anticipated and that will motivate employees, in addition to electronics.

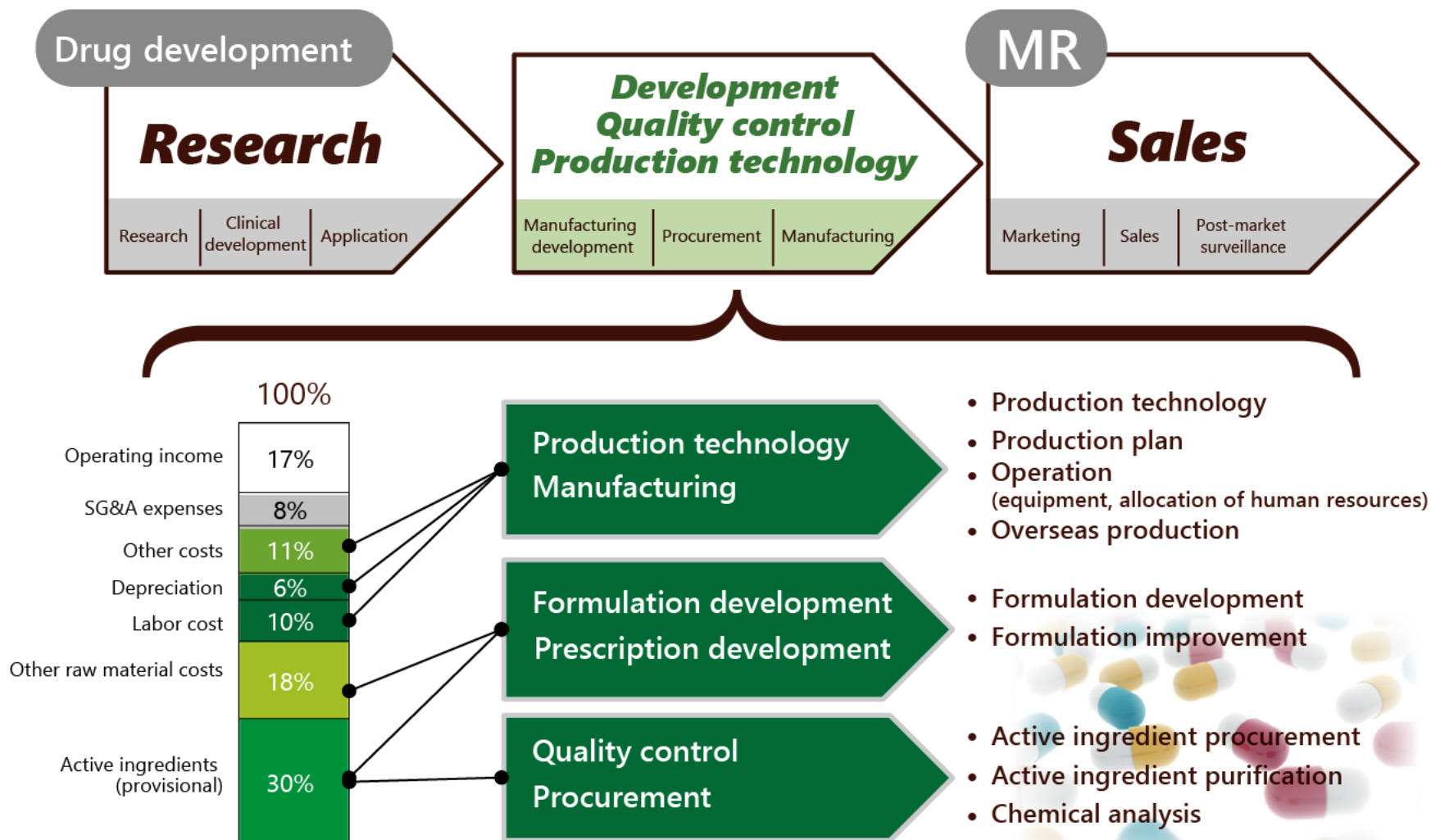


After considering various elements such as the environment surrounding the company, areas of specialization, and industries in which growth can be anticipated, we arrived at the conclusion that the pharmaceutical manufacturing business would be the best choice. We plan to enter the medical and pharmaceuticals sectors in a manner that will minimize business risk as much as possible.





Pharmaceutical Value Chain



E.g.: Pharmaceutical Manufacturer

22 Considering Entry

Means of Entry

Assume long listed drugs

Corporate acquisition

Plant acquisition

Own plant

Growth Strategy

Proprietary products

- No drug development
- Improve profitability of long listed drugs
- Assume additional long listed drugs
- Authorized generics (including antibody drugs)
- Super generics

Overseas Production

- Low cost operation for proprietary products
- Consignment production using a technology platform
- Out-in contract plant

Initiatives in ESG

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Environmental

- Bringing floating solar power plant online (October 2015 onward)
- Bringing plant factory online (November 2015 onward)
- Installing energy-saving production equipment
- Switching plant lighting to LED lighting

Social

- Opening a daycare center inside the office and accepting local children (December 2015 onward)
- Holding plant tours and chemistry labs for local elementary school children (November 2014 onward)
- Supporting and participating in local events (Ogawa Washi Marathon, 2014 onward; Nerima Kobushi Marathon, 2015 onward)
- Donation of solar power generation equipment to communities during disasters (Received “Medal with Dark Blue Ribbon” (national award) in September 2016)
- Early use of employee stress checks (September 2012 onward)

Governance

- Establishment of Compensation Advisory Committee and Nomination Advisory Committee as discretionary organizations (Compensation: December 2009 onward; Nomination: November 2015 onward)
- Appointment of two or more outside directors (June 2015 onward)
- Introducing a results-based system of compensation through the award of shares with multiple year restrictions on transfer (June 2014 onward)
- Rapid disclosure of summary financial statements (January 2017 onward)
- Early disclosure of agenda for general shareholders' meetings, and early mailing of invitation notices (from fiscal year ending March 31, 2015 onward)

Taiyo Group floating solar power plant (1.2MW)





NEXT STAGE — 新たな展開へ —

明日の地球に出来ること
For Tomorrow