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# Consolidated Financial Result Digest

## FY2018 (Fiscal Year Ended March 31, 2018)

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TAIYO HOLDINGS CO., LTD.

May 2, 2018



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.

# Terminology

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

## 2

# Classification of Product

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	
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>

1

**The realized average exchange rate for the full year was JPY111/USD, in line with company's projection of JPY111/USD (announced February 2, 2018)**

2

**Sales volume of regular rigid board materials declined, but sales volume of dry film (DF) and flexible printed circuit (FPC) board materials rose YoY**

3

**In January, 2018, TAIYO Pharma Co., Ltd. completed the manufacturing and sales authorization, manufacturing and sales rights, and all related assets for 13 long-term listed products**

4

**Acquired systems engineering company Micro Network Technologies Corp., making it a consolidated subsidiary (announced April 6, 2018)**

4

# FY2018 Consolidated Financial Results

## Results Summary

JPY millions

	FY2017 results	FY2018 results	YoY	%	FY2018 * forecasts	vs.forecasts	
Net sales	47,866	52,241	+4,375	+9%	51,300	+941	102%
Operating income	9,221	11,337	+2,116	+23%	10,800	+537	105%
Ordinary income	9,202	11,199	+1,997	+22%	10,700	+499	105%
Net income	6,398	4,856	-1,542	-24%	7,600	-2,744	64%
Exchange rate of JPY/USD	109	111			111		

\*announced February 2, 2018

## <Content of Extraordinary Loss >

*Individual accounting*

Loss on valuation of stock of affiliated company : 4,174 million yen

*Consolidated accounting*

One-time amortization of goodwill : 3,278 million yen

## < Background and Reasons for Recording the Extraordinary Loss >

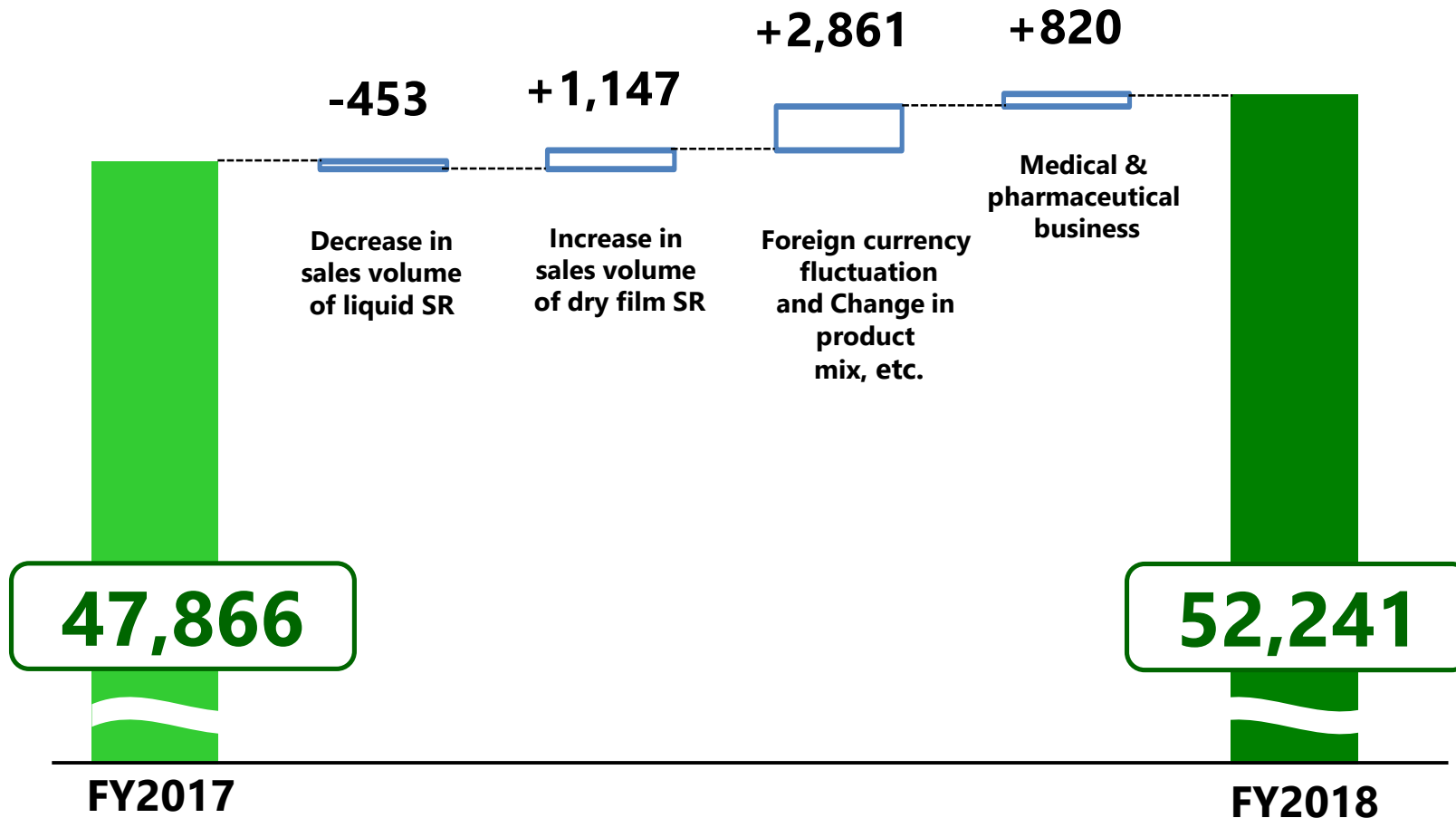
- Following the Taiwanese tax reform, with the end of December 2018, in consideration of the fact that tax deductions when dividing the retained earnings of the previous fiscal year will no be longer accepted, OTC has divided partial retained earnings in March 2018
- As a result of the net asset value of OTC after considering the decline in its net assets and the latest business plan, loss on the valuation of the stock of an affiliated company was recorded in individual accounting and one-time amortization of goodwill was recorded in consolidated accounting

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## FY2018 Net Sales (YoY)

## Analysis of Net Sales

JPY millions

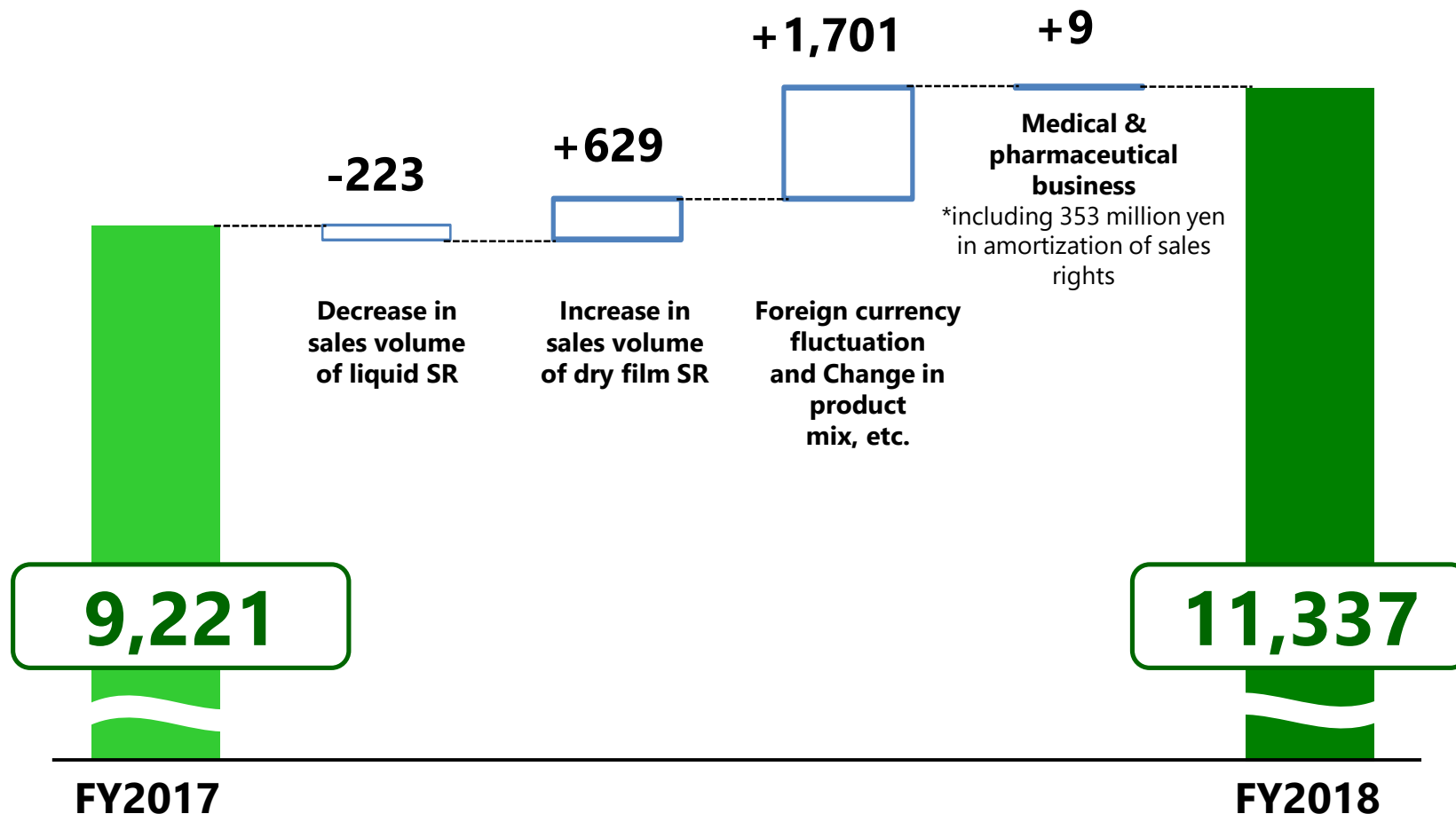


# 7

## FY2018 Operating Income (YoY)

### Analysis of Operating Income

JPY millions

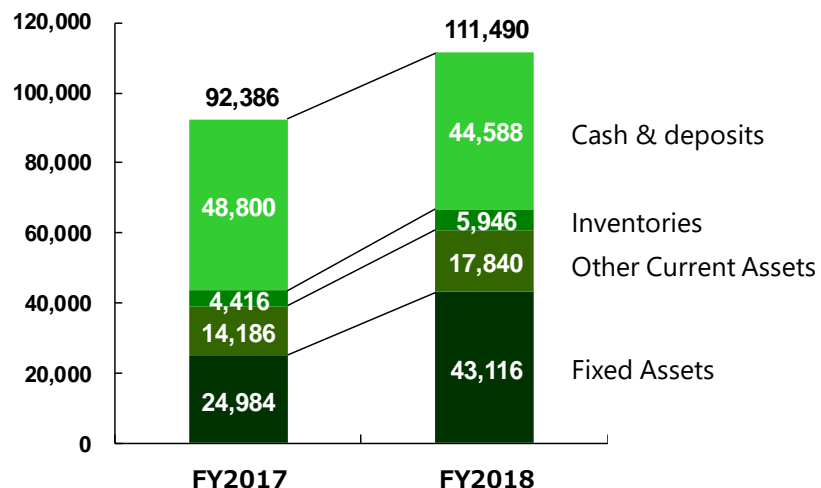




## BS (YoY)

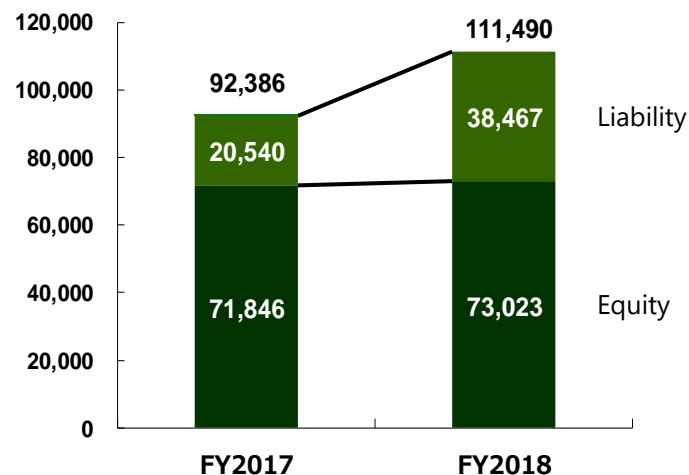
JPY millions

## Assets



- Decline in cash & deposits but increase in intangible assets due to acquisition of manufacturing and sales rights for long-term listed products
- Increase in cash & deposits from borrowings
- Decline in intangible assets resulted from an one-time amortization of goodwill of OTC

## Liabilities and Equity

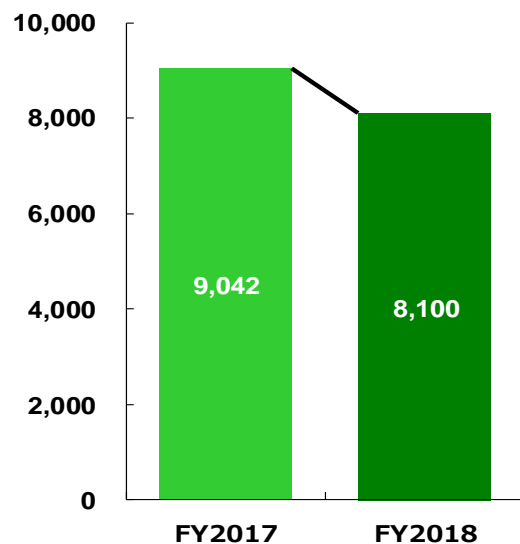


- Financing by borrowings
- Increase in retained earnings

## CF (YoY)

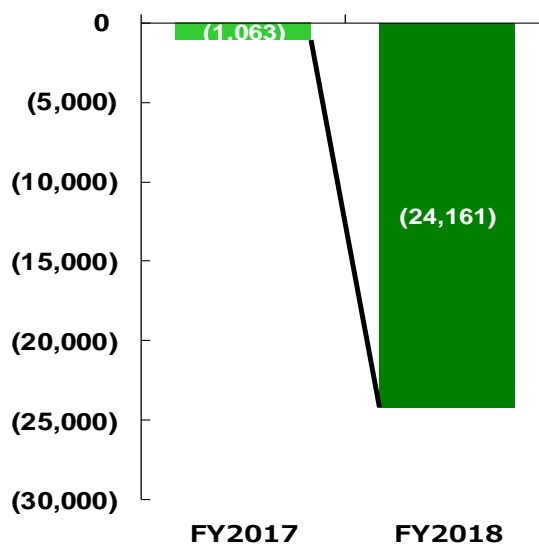
JPY millions

## Operating CF



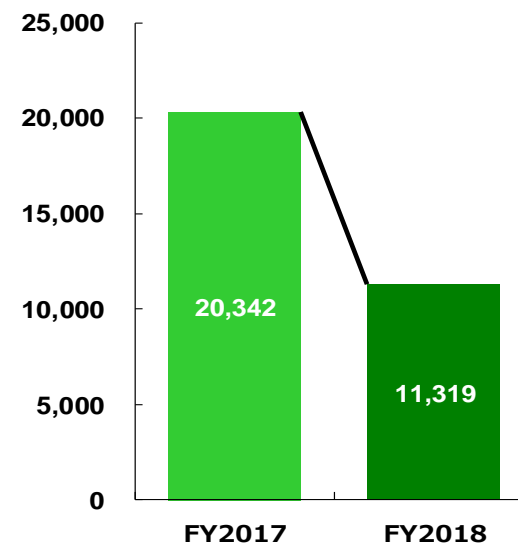
- Increase in notes and accounts receivable-trade, inventories

## Investing CF



- Acquisition of intangible assets

## Financing CF

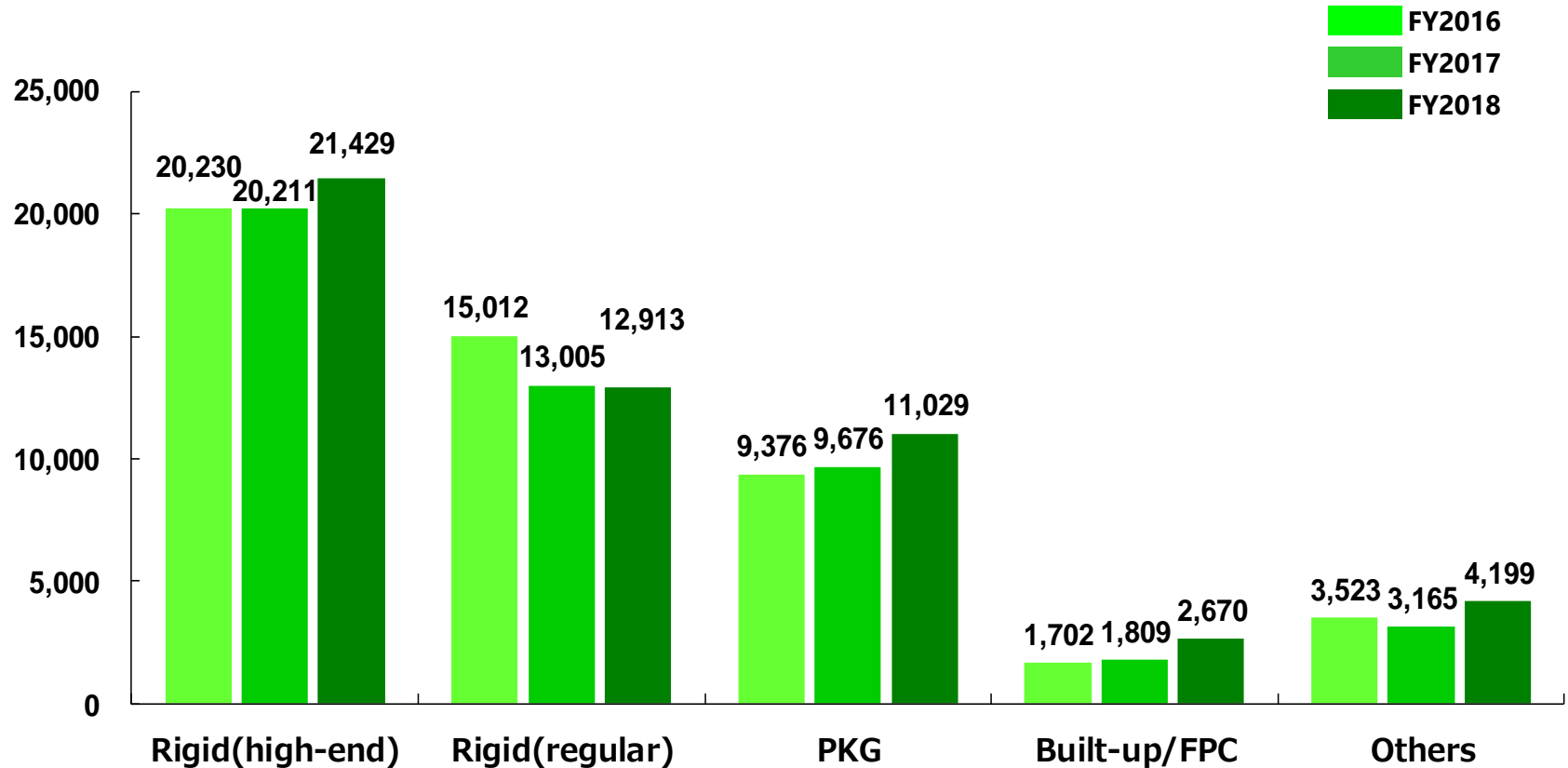


- FY2017: Financing by the disposition of treasury stock
- FY2018: Financing by borrowings

# 10 FY2018 Sales Results by Product Group Category

## Sales Results by Product Group Category

JPY millions

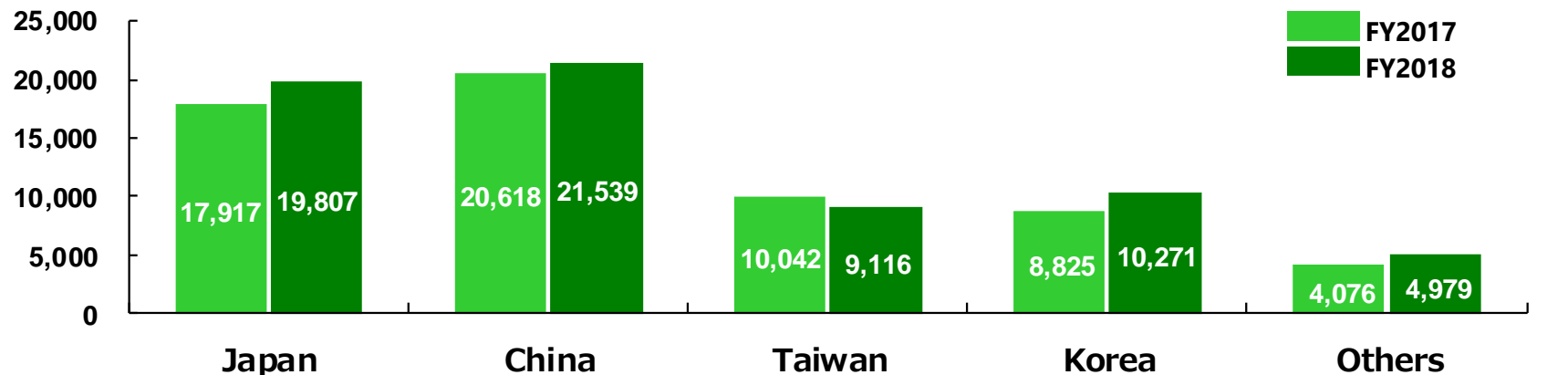


\*This category differs from the classification of "sales results by product group category" mentioned in consolidated financial results and annual securities report, etc.

## Sales by Segment

(including inter-segment sales or transactions)

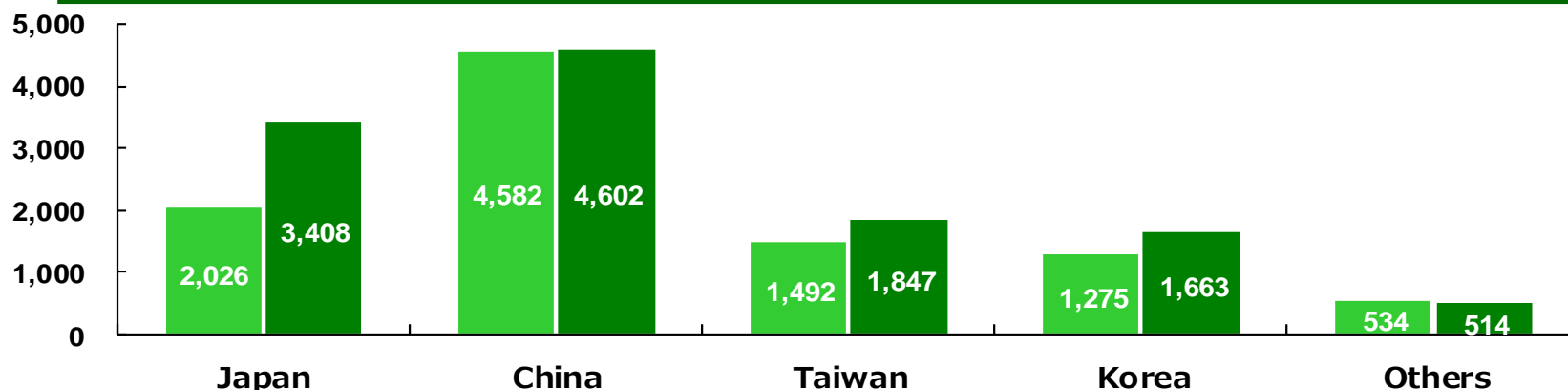
JPY millions



## Operating Income by Segment

(including inter-segment sales or transactions)

JPY millions

Operating  
Income Ratio

11% 17%

22% 21%

15% 20%

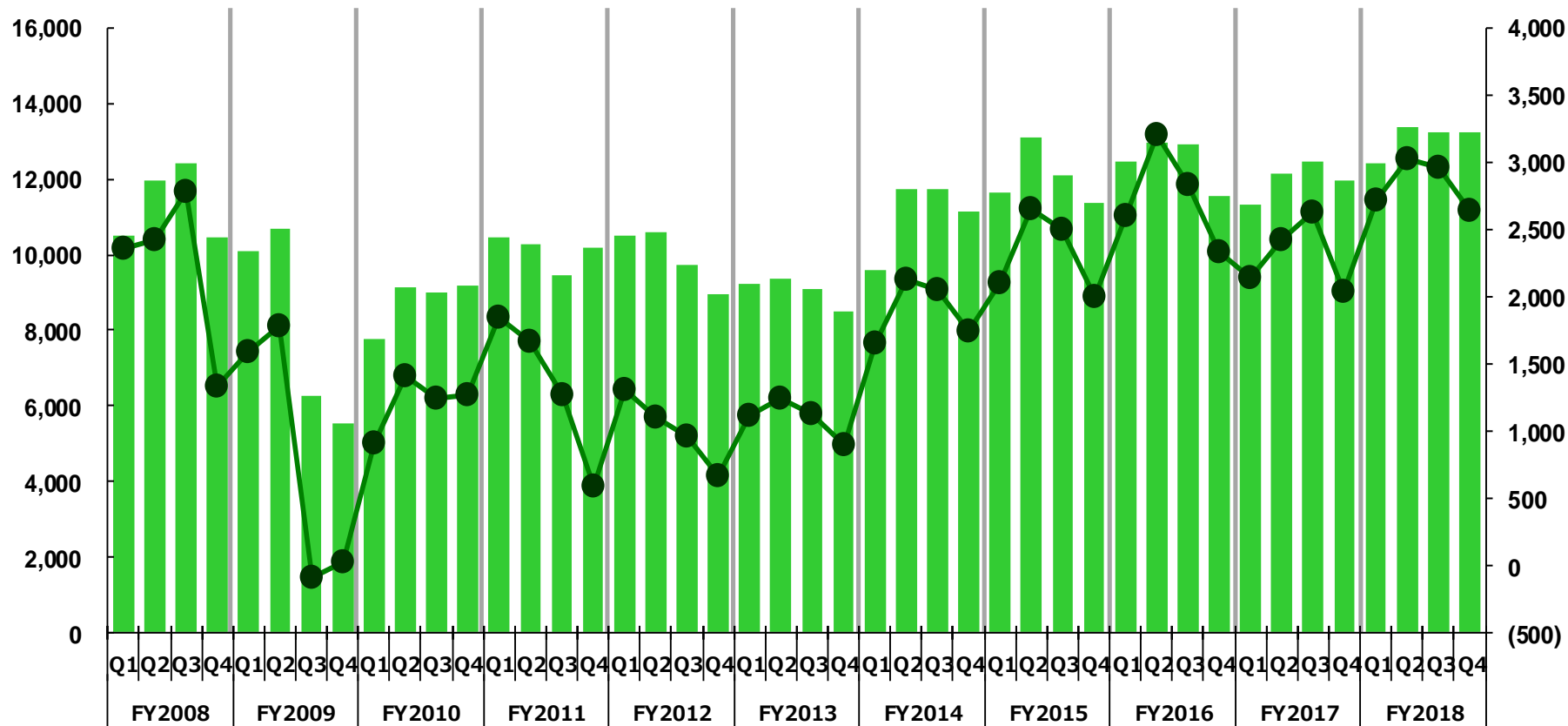
14% 16%

13% 10%

## Net Sales & Operating Income

JPY millions

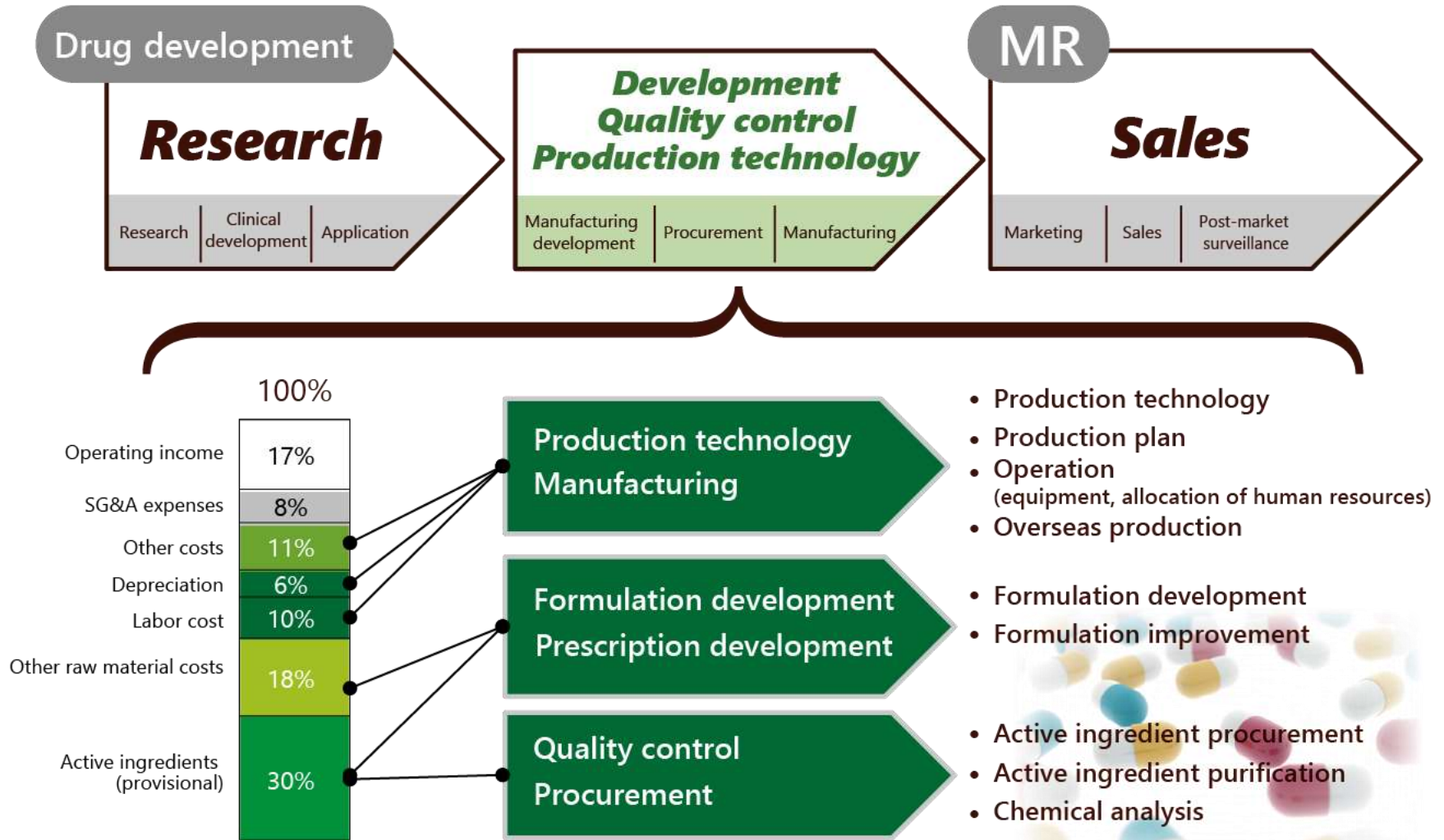
Net sales (left axis)  
Operating income (right axis)



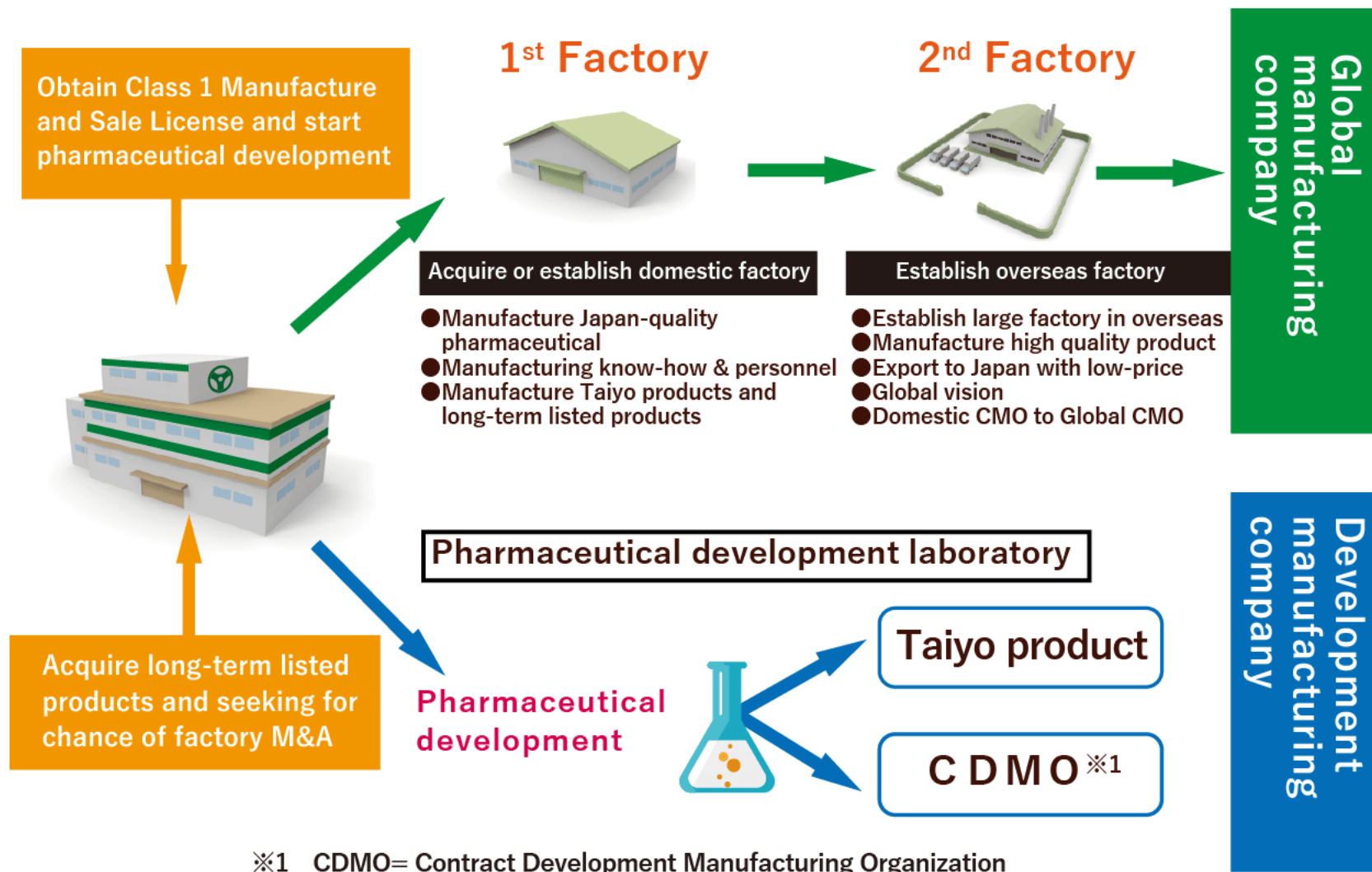
# Medical and Pharmaceutical Business Strategy

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## Pharmaceutical Value Chain



E.g.: Pharmaceutical Manufacturer



※1 CDMO= Contract Development Manufacturing Organization



## Long-term Listed Products

- Additional acquisition of manufacturing and sales rights for long-term listed products

## Manufacturing Factory

- Acquire factory and change the company's owned long-term listed products manufacturing from outsourcing to in-house production
- Accumulate manufacturing know-how and personnel training
- Engage in manufacturing the other company's outsourced products
- Establish overseas factory

## Research and Development

- Acquire or obtain laboratory to start doing R&D
- Pharmaceutical development such as new dosage form of drugs

JPY millions

	FY2018 August-March (Year 0)	FY2019 April-March (1 <sup>st</sup> year)	FY2020 April-March (2 <sup>nd</sup> year)	FY2021 April-March (3 <sup>rd</sup> year)	FY2022 April-March (4 <sup>th</sup> year)	FY2023 April-March (5 <sup>th</sup> year)
<b>Net Sales</b>	820 <sup>*1</sup>	7,592 <sup>*2</sup>	9,113	8,634	8,362	7,732
<b>Gross Profit</b>	820	3,816	4,053	3,920	4,626	4,093
<b>SGA Expenses</b>	811	4,151 <sup>*3</sup>	3,701	3,388	3,363	2,961
<b>Operating Profit</b>	9	(334)	351	532	1,263	1,132
Amortization of Sales Rights	353	1,411	1,411	1,411	1,411	1,411
<b>Operating Income before Amortization of Sales Rights</b>	361	1,077	1,763	1,943	2,674	2,543

<sup>\*1</sup> Net sales before from the transfer of manufacturing and sales authorization between January 2018 and March 2018 does not include production cost, selling expenses, commissions and other expenses in Chugai Pharmaceutical and Roche

<sup>\*2</sup> Transfer of manufacturing and sales authorization was started from April 2018 and it is scheduled to be completed by end of December, 2018

<sup>\*3</sup> FY2019 includes approximately 500 million yen in expenses for transfer of production and other start-up expenses.

# Acquisition of Systems Engineering Company

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Company  
information

「人 × 社会 × 技術」

未来を想造し “デザイン” する Global Gateway Company

Company	Micro Network Technologies Corp., (“MNT”)
Japanese	株式会社マイクロネットワークテクノロジーズ
Head Office	18F, Otemachi Financial City Grand Cube, 1-9-2 Otemachi Chiyoda-ku, Tokyo
Stockholders	Taiyo Holdings Co., Ltd. 100%
Capital	59,000 thousand yen
Established	March, 2013
Number of Employee	232 (193 engineers) *as of January 2018
Sales	1,240,810 thousand yen (FY17/7)
Company Description	Micro Network Technologies Corp. is a Japanese company that engages in software development, network systems design, and provision of system engineering services.



## Background

External factor : A chronic shortage of IT talent

Internal factor : It has been 20 years since the last IT system installation. There is an urgent need to renovate IT system and construct a new system in order to prevent from increasing maintenance cost and system failure risk

consider to acquire a system engineering company

## Expected effects

<Taiyo Group>

- Rapid action for IT system renovation and new system construction, which is a crucial task for the company's management
- Acquire knowledge on software engineering such as IoT, Big data and AI, that the company lacks

<MNT>

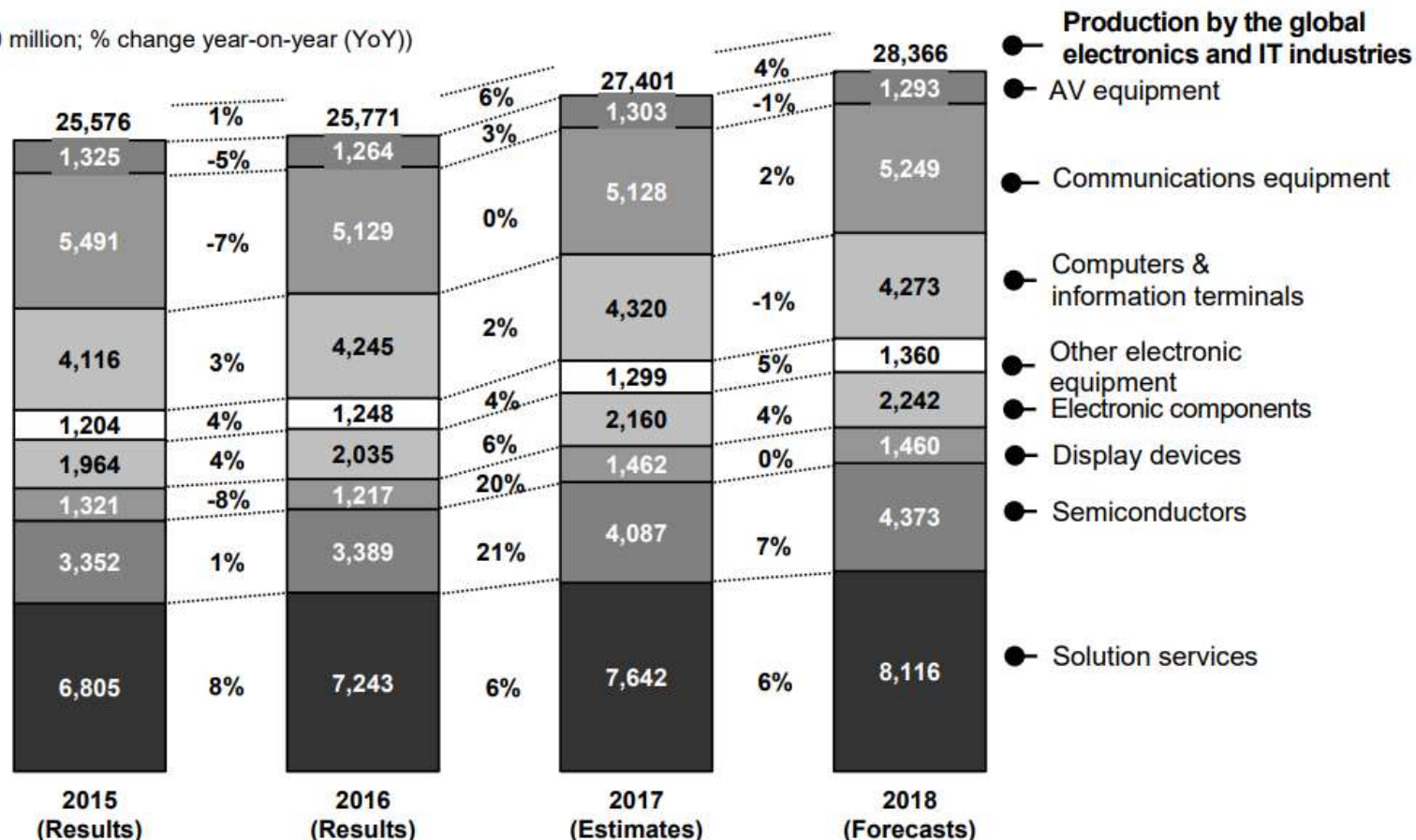
- Strengthen business foundation and actively invest in business
- Able to provide value-added services by gaining technical knowledge of chemical manufacturer

# **FY2019 Financial Forecasts**

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## Production by the Global Electronics and IT industries

(\$100 million; % change year-on-year (YoY))



Source: JEITA (December 19, 2017). *Production Forecasts for the Global Electronics and Information Technology Industries*, p4.

## Financial Results Forecasts

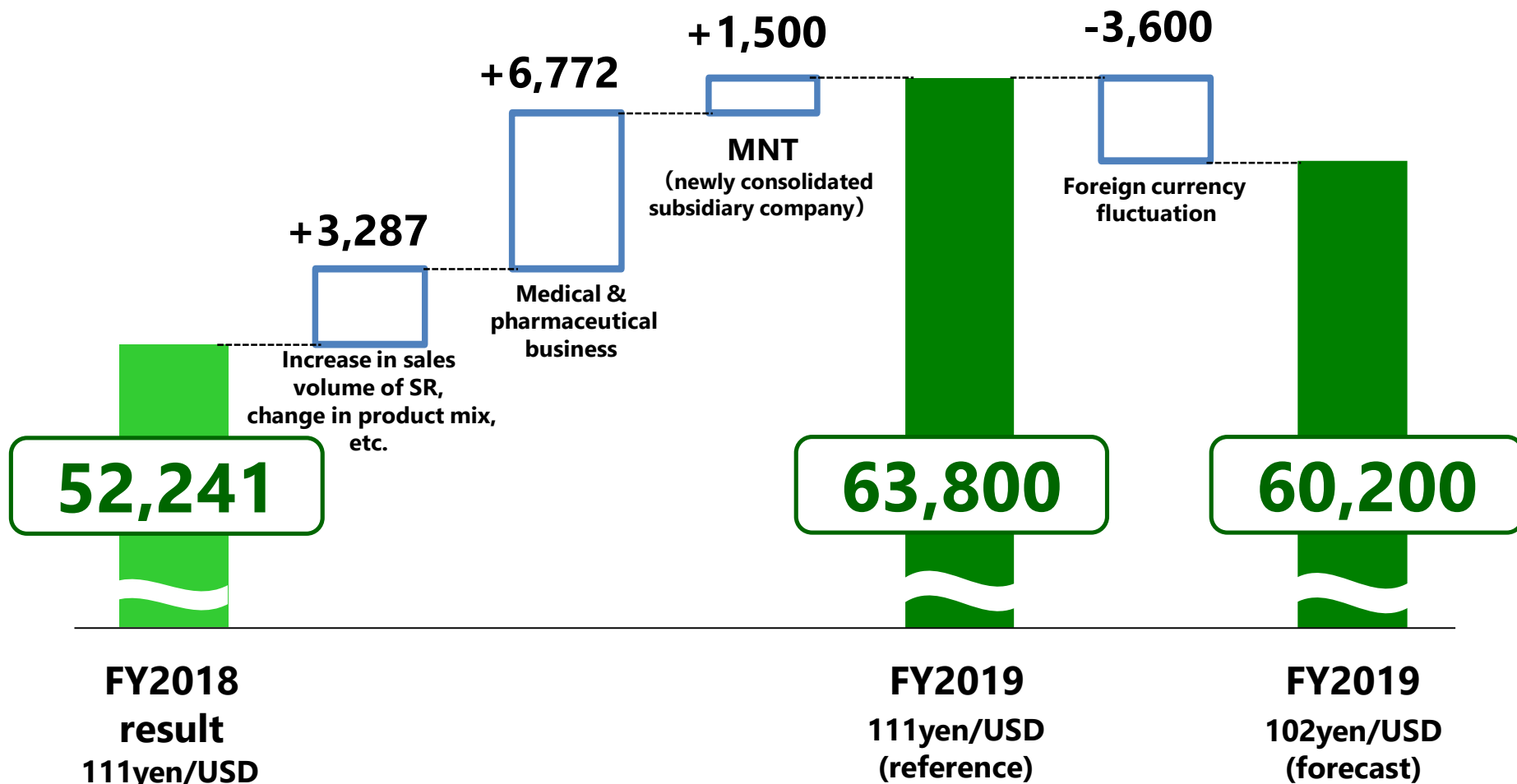
JPY millions

	FY2018 result	FY2019 forecast (reference)	vs. reference		FY2019 forecast	vs. forecast	
Net sales	52,241	63,800	+11,559	+22%	<b>60,200</b>	+7,959	+15%
Operating income	11,337	11,400	+63	+1%	<b>9,800</b>	-1,537	-14%
Ordinary income	11,199	11,200	+1	+0%	<b>9,600</b>	-1,599	-14%
Extraordinary income	40	-	-	-	-	-	-
Extraordinary losses	3,298	-	-	-	-	-	-
Net income	4,856	7,800	+2,944	+61%	<b>6,700</b>	+1,844	+38%
Exchange rate of JPN/USD	111	111			102		



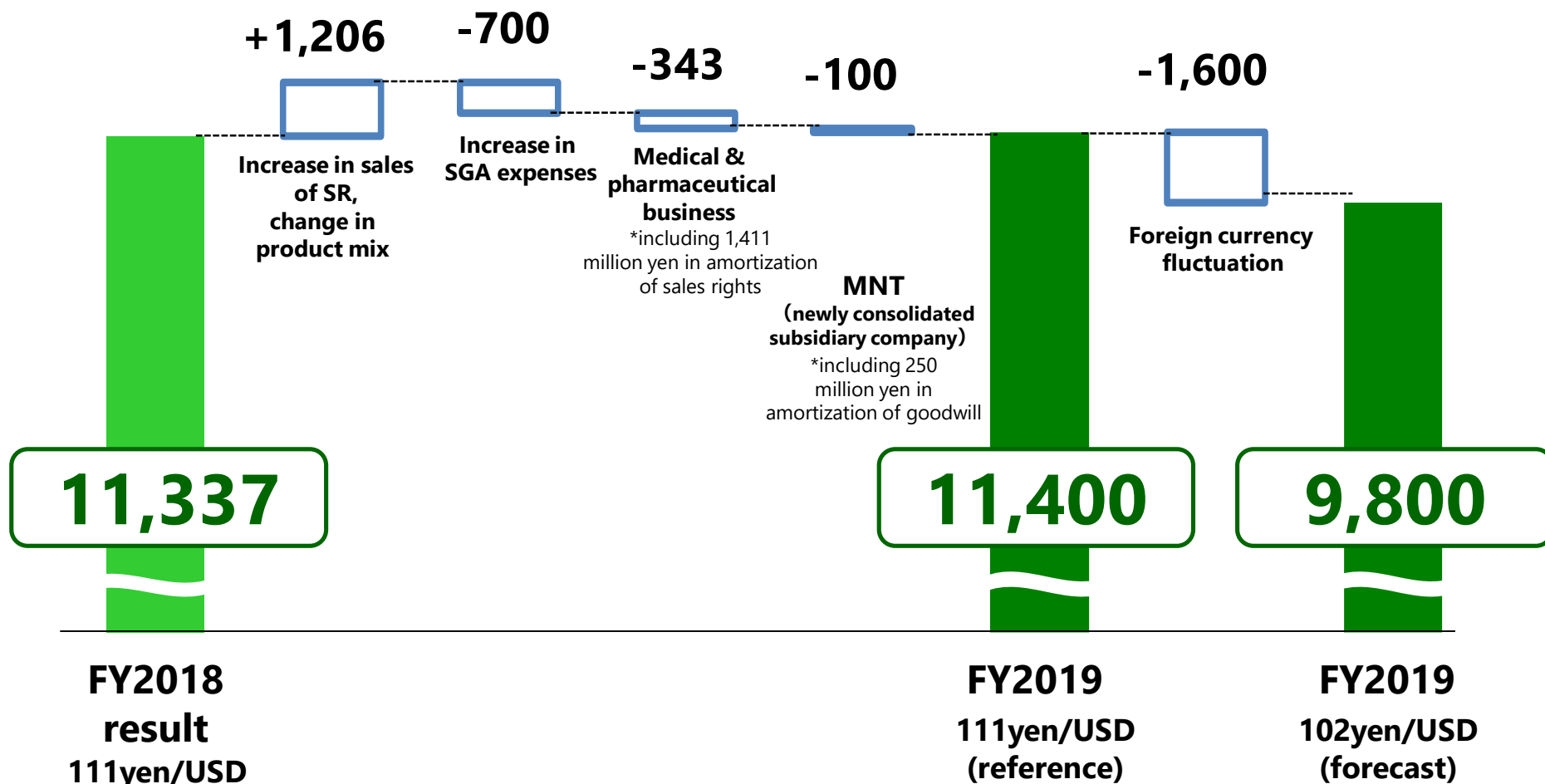
## Net Sales Forecast

JPY millions



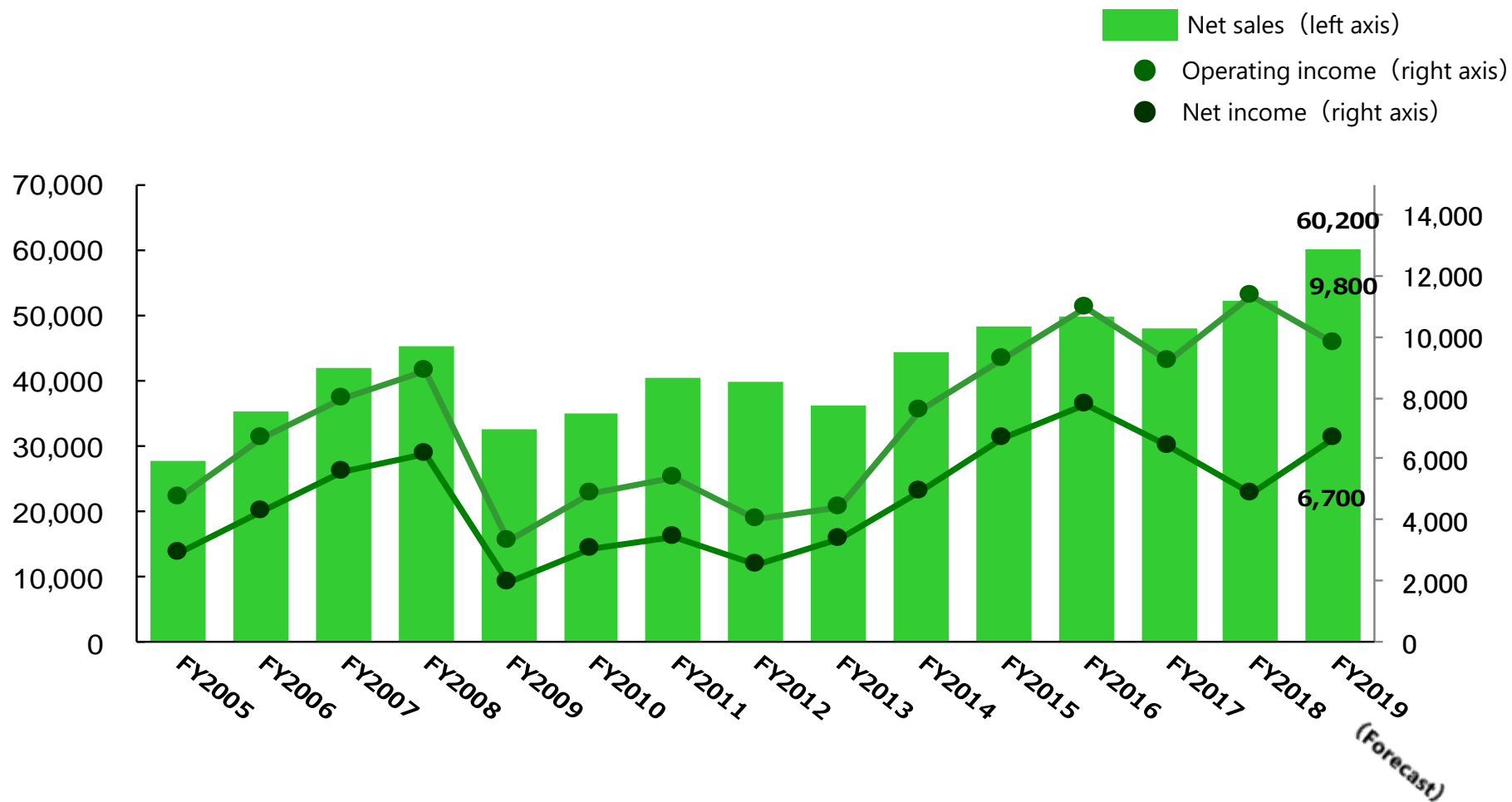
## Operating Income Forecast

JPY millions



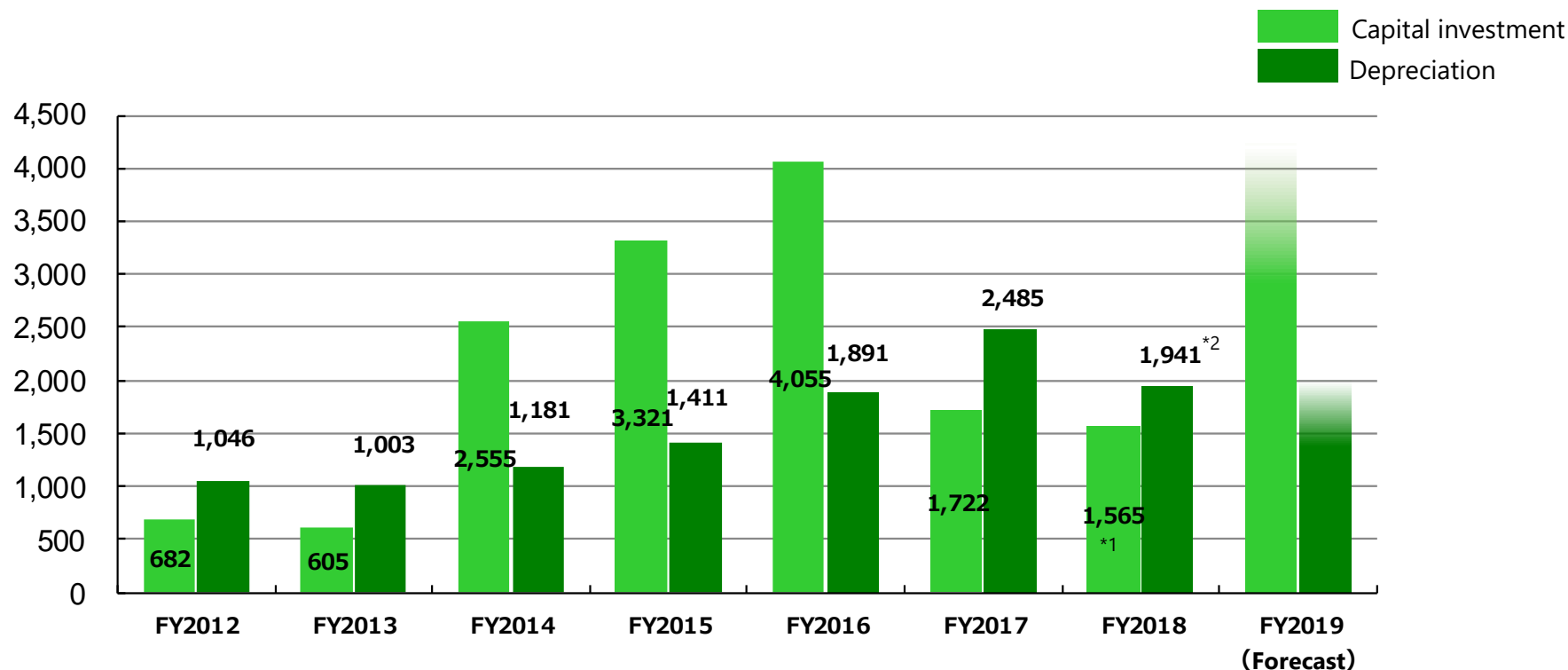
## Trend of Financial Results

JPY millions



## Trend of Capital Investment &amp; Depreciation

JPY millions



\*1 Capital investment does not include sales rights of 13 long-term listed products

\*2 Depreciation does not include amortization of sales rights mentioned above

**We will continue conducting investment for enhancement of existent business and new business in FY 2019. Estimated amount is 4 billion yen.**

## On April 10, 2018, Apple announced that “Nine More Apple Suppliers Commit to 100 Percent Clean Energy Production”<sup>\*1</sup>

<sup>\*1</sup> Source: Apple’s press release on April 10, 2018

<https://www.apple.com/newsroom/2018/04/apple-now-globally-powered-by-100-percent-renewable-energy/>

(Excerpt from Apple’s press release)

To get to 100 percent renewable energy for its own facilities, the company worked to set an example for others to follow. Apple also announced today that 23 of its suppliers are now committed to operating on 100 percent renewable energy, including nine new suppliers. Altogether, clean energy from supplier projects helped avoid over 1.5 million metric tons of greenhouse gases from being emitted in 2017 — the equivalent of taking more than 300,000 cars off the road. In addition, over 85 suppliers have registered for Apple’s Clean Energy Portal, an online platform that Apple developed to help suppliers identify commercially viable renewable energy solutions in regions around the world.

New supplier commitments include:

- Taiyo Ink Mfg. Co., which produces solder masks for printed circuit boards in Japan.  
(8 other companies)

