
Consolidated Financial Result Digest

FY2019 Q2 (Fiscal Year Ending March 31, 2019)



TAIYO HOLDINGS CO., LTD.

November 2, 2018



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Our Reporting Segments

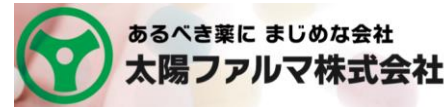
Electronics Materials

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



*The medical and pharmaceuticals business became fully operational from FY2018 Q4, and the reportable segments were therefore changed.

Terminology

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

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Classification of Product

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

1

The realized average exchange rate for Q2 was JPY110.0/USD, weaker yen than company's projection of JPY102.9/USD

2

Sales volume of dry film for PKG rose YoY while that of solder resist for rigid board materials slightly declined

3

TAIYO Pharma 13 long-term listed products are proceeding as per Mid-term plan

4

Acquired systems engineering company Thou-Management Corporation making it consolidated subsidiary (announced July 5, 2018)

Result Summary

Unit: JPY million

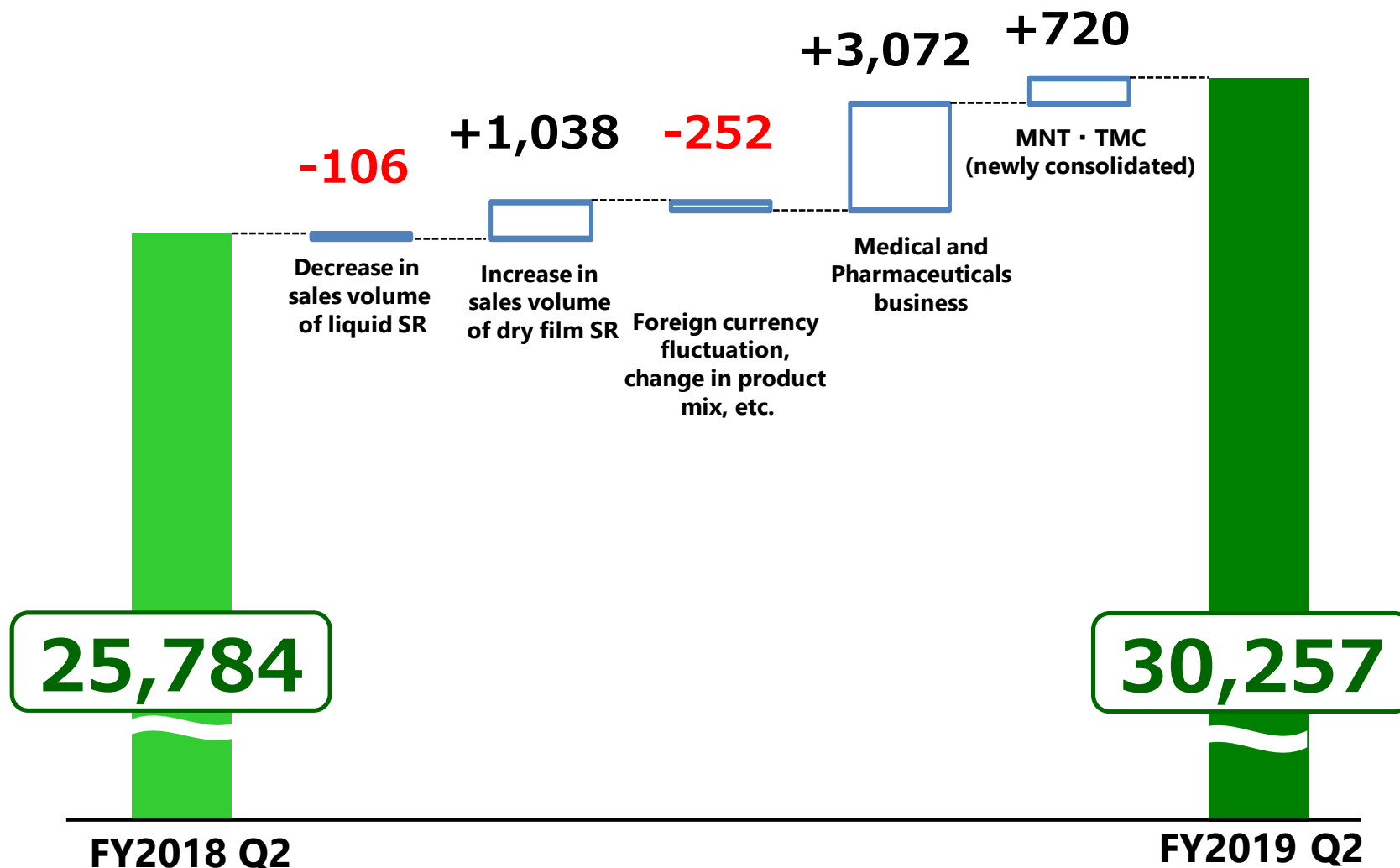
	FY2018 Q2 result	FY2019 Q2 result	YoY	%	FY2019 H1 forecast	Progress rate	FY2019 full year forecast
Net sales	25,784	30,257	+4,473	+17%	30,500	99%	60,200
Operating income	5,744	5,277	-467	-8%	5,100	103%	9,800
Ordinary income	5,690	5,230	-460	-8%	5,000	105%	9,600
Net income	3,998	3,747	-251	-6%	3,500	107%	6,700
Exchange rate of JPY/USD	111.4	110.0			102.9		101.5

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FY2019 Q2 Net Sales (YoY)

Analysis of Net Sales

Unit: JPY million

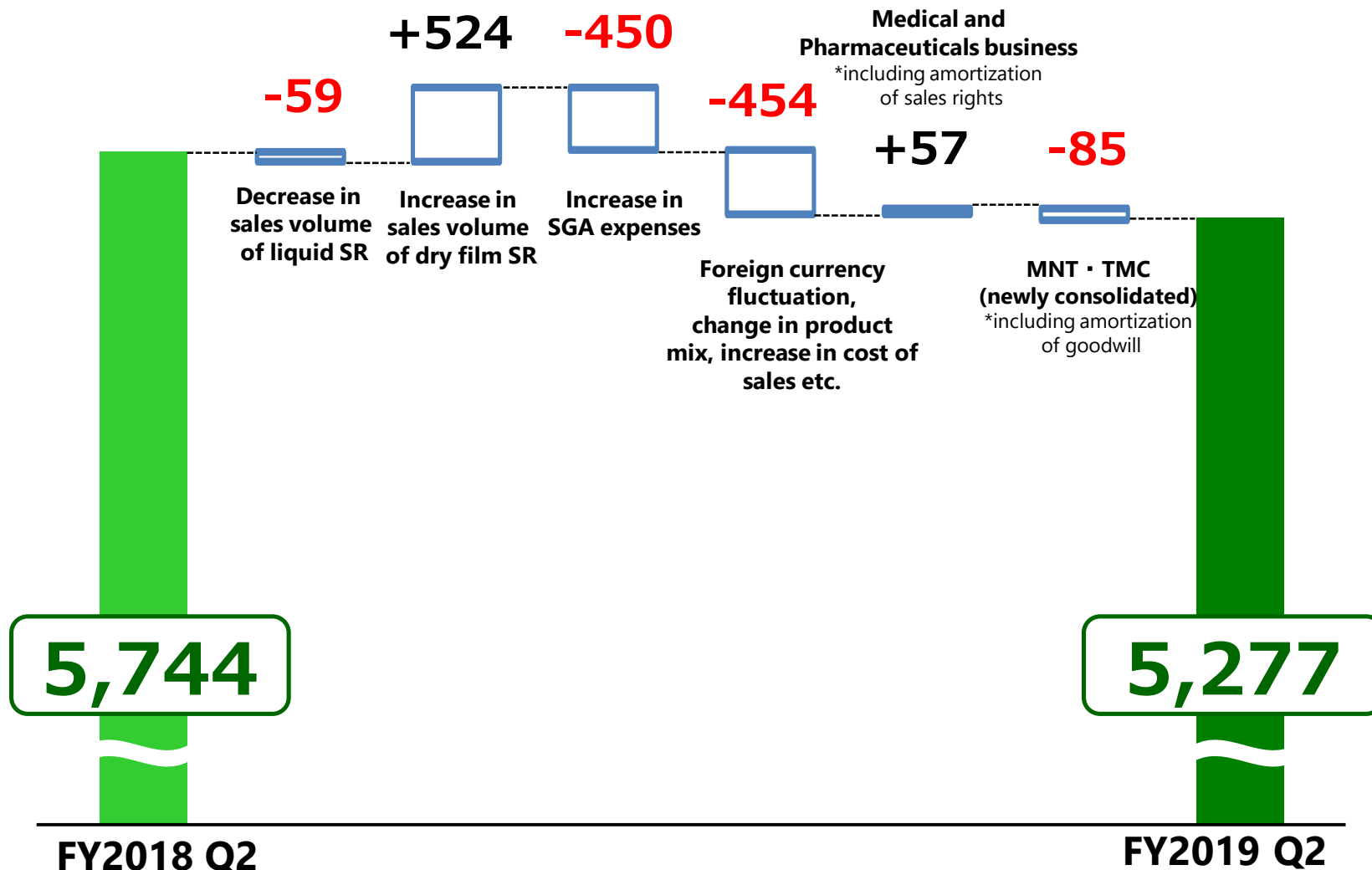


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FY2019 Q2 Operating Income (YoY)

Analysis of Operating Income

Unit: JPY million

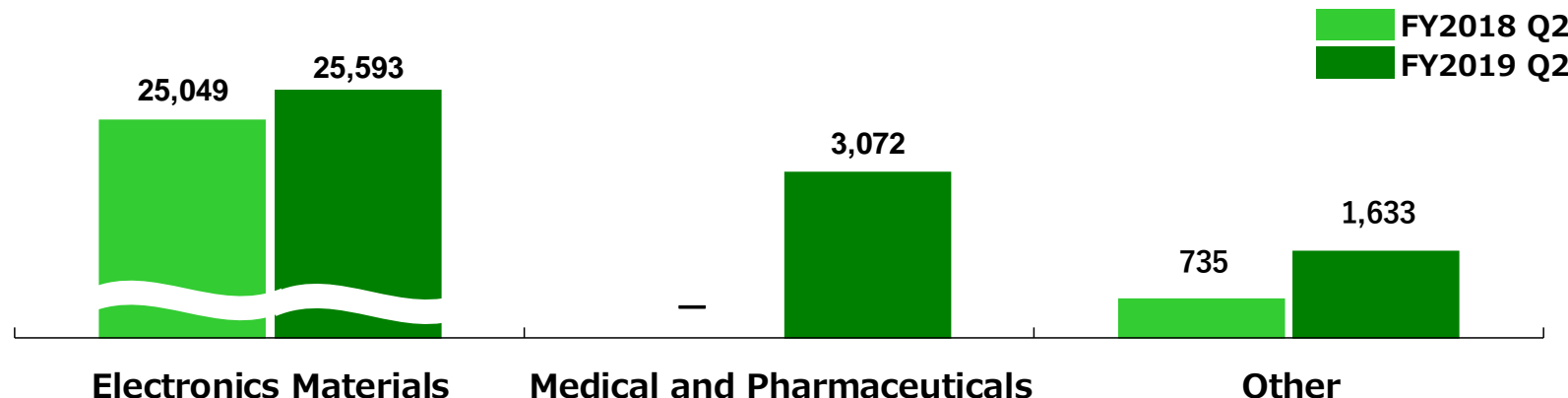


8 FY2019 Q2 Segment Information

Sales by Segment

(including inter-segment sales or transactions)

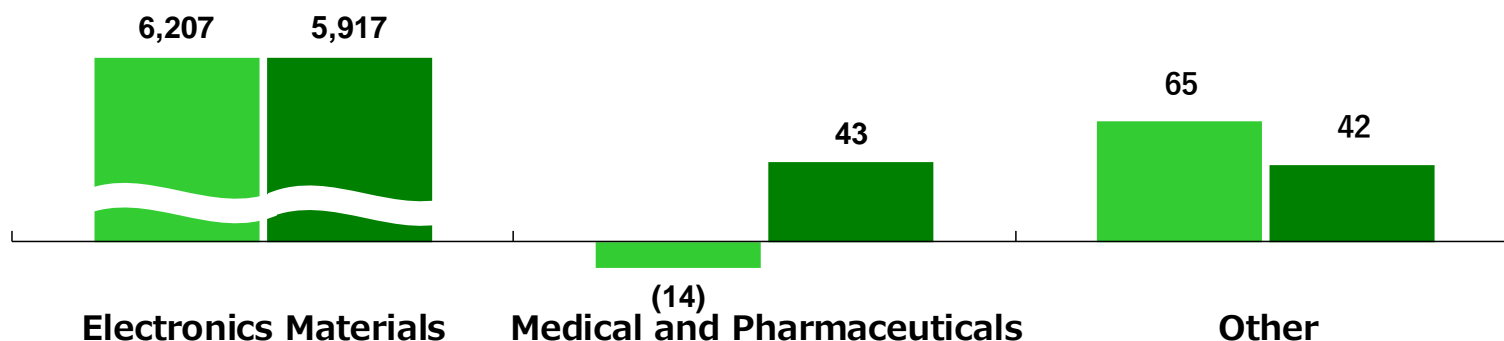
Unit: JPY million



Operating Income by Segment

(including inter-segment sales or transactions)

Unit: JPY million



Operating
Income ratio

25%

23%

—

1%

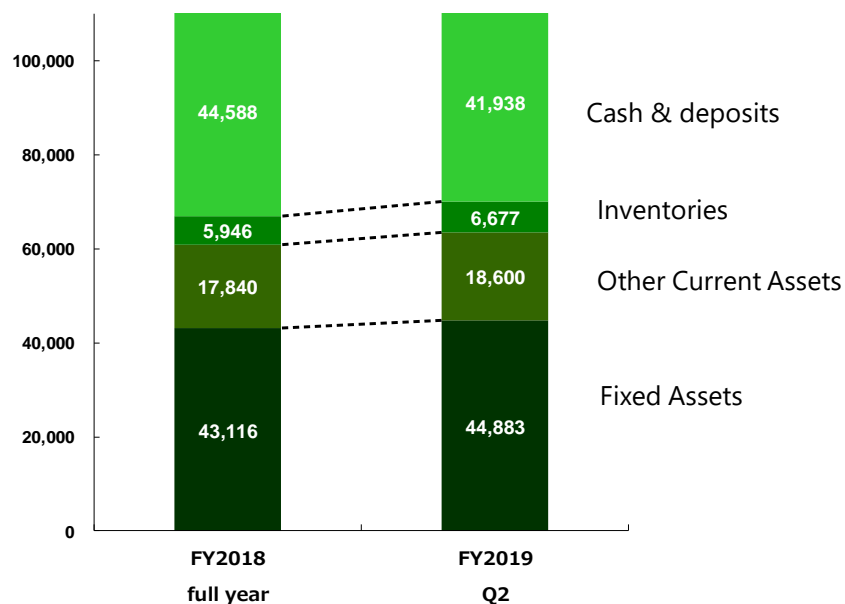
9%

3%

BS (YoY)

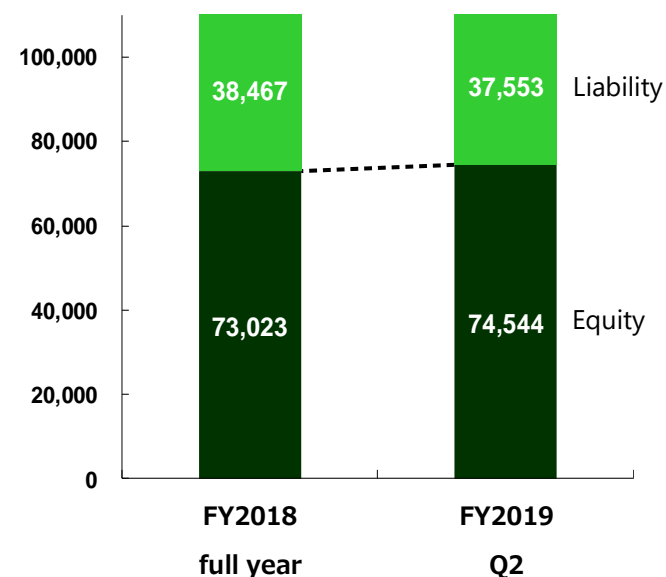
JPY millions

Assets



(Cash & deposits) Decreased by dividend
 (Non-current assets) Increase in goodwill by M&A

Liabilities and Equity

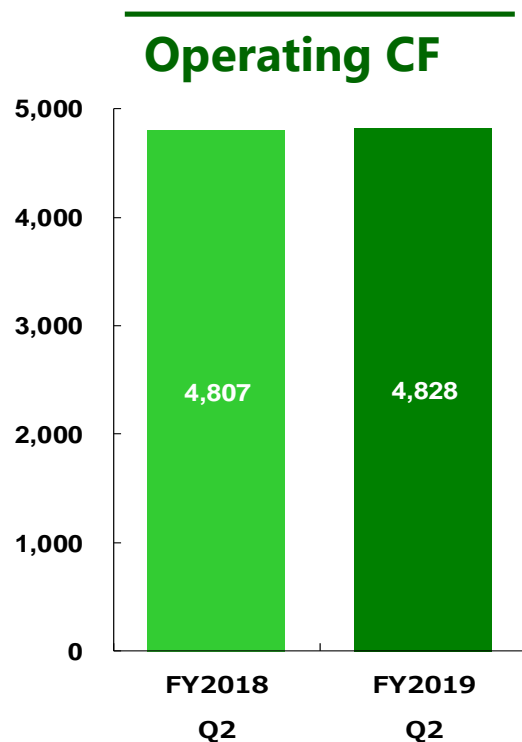


(Liabilities) Decrease in long-term loans payable
 (Net assets) Increase in retained earnings

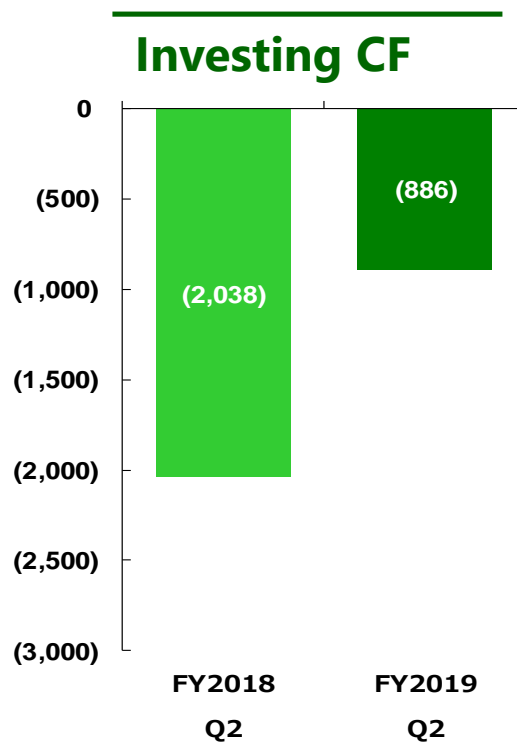
10 FY2019 CF Highlights

CF (YoY)

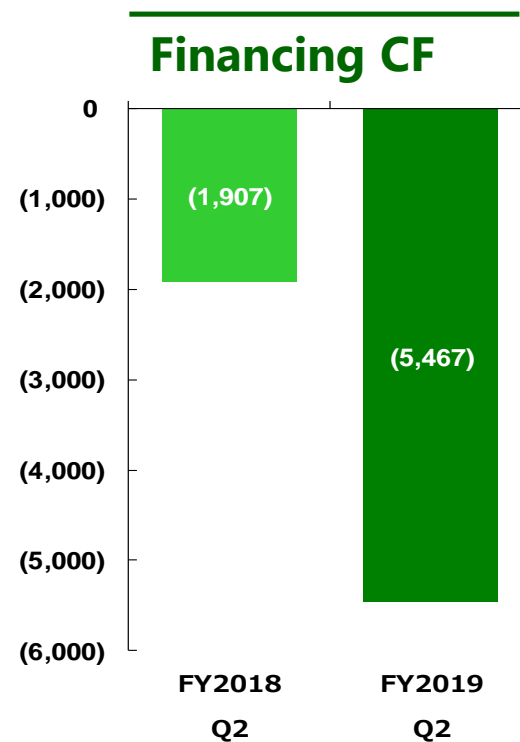
JPY millions



Operating CF stays flat due to an increase in depreciation, and tax refund despite of decline in operation profit



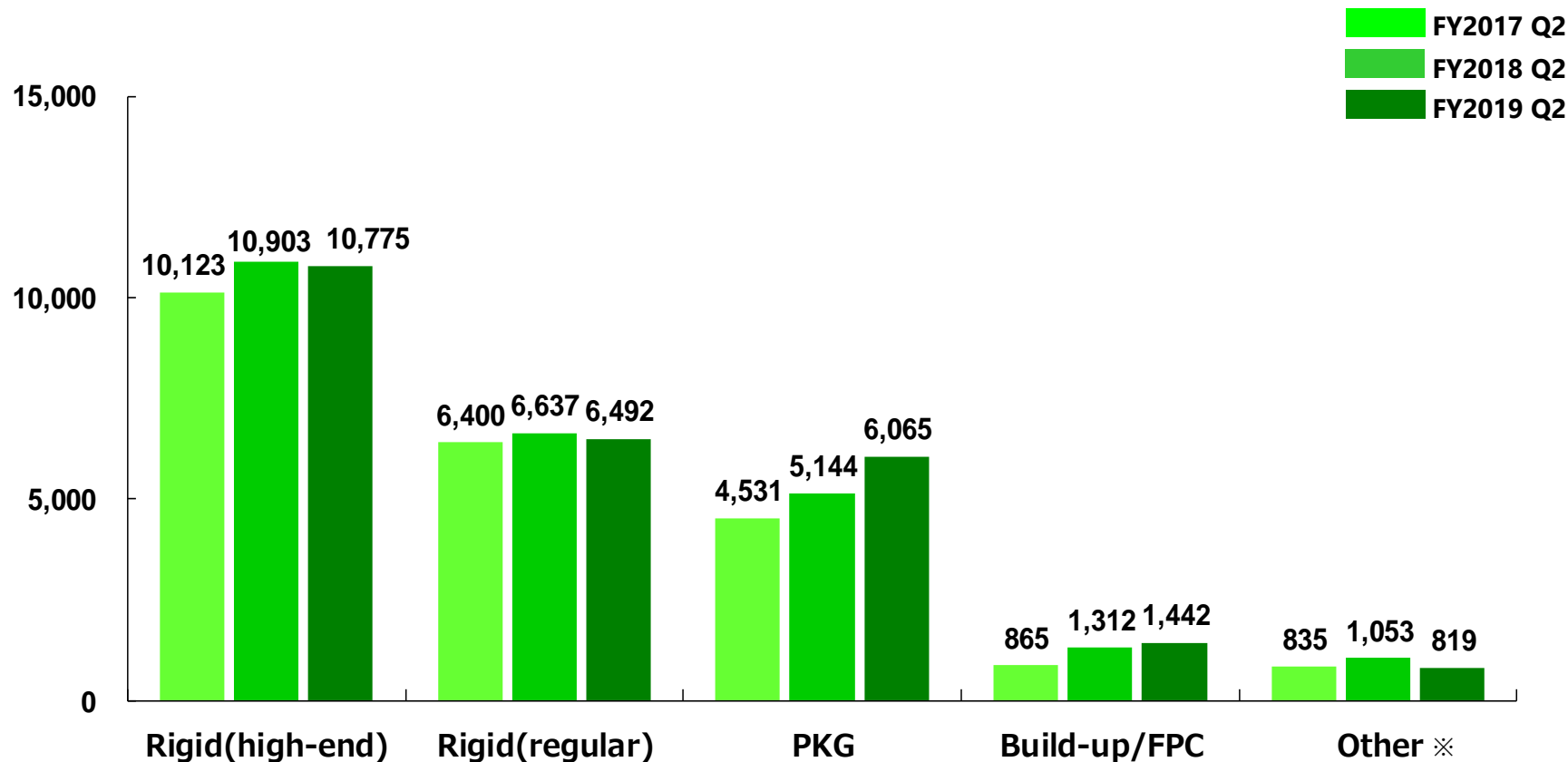
An increase in income due to term deposit returns



Due to repayment of long-term loans payable, expenditure increase

Sales Results by Product Group Category

Unit: JPY million

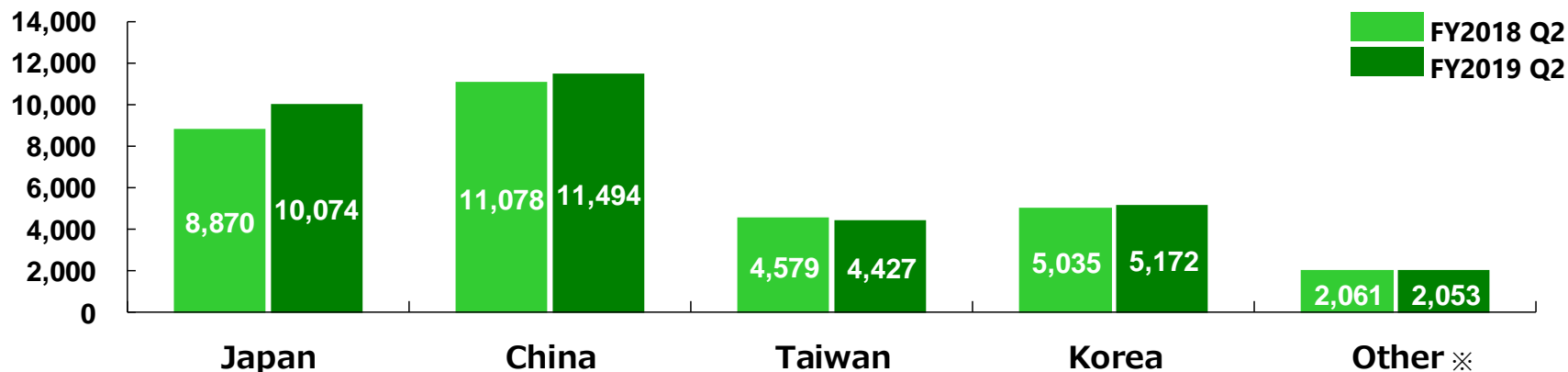


* Due to the change in reportable segments from FY2018 Q4, the "Other" category of the electronics materials business no longer includes the net sales of Taiyo Pharma Co., Ltd., Chugai Kasei Co., Ltd., Taiyo Green Energy Co., Ltd., MNT and TMC.

Sales by Region

(including inter-regional sales or transactions)

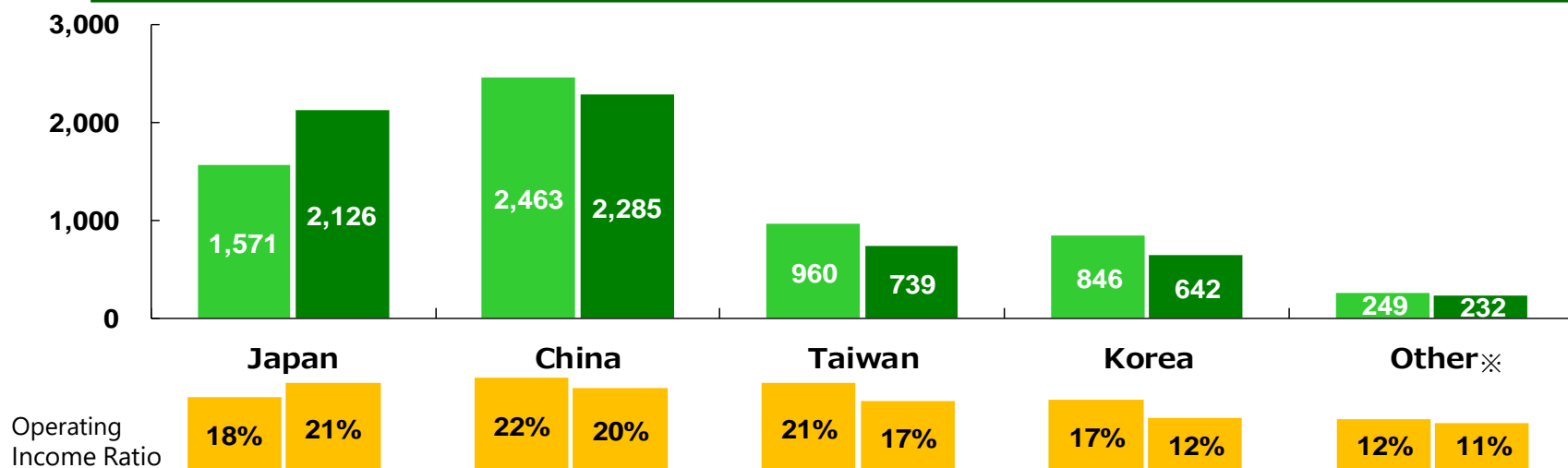
Unit: JPY million



Operating Income by Region

(including inter-regional sales or transactions)

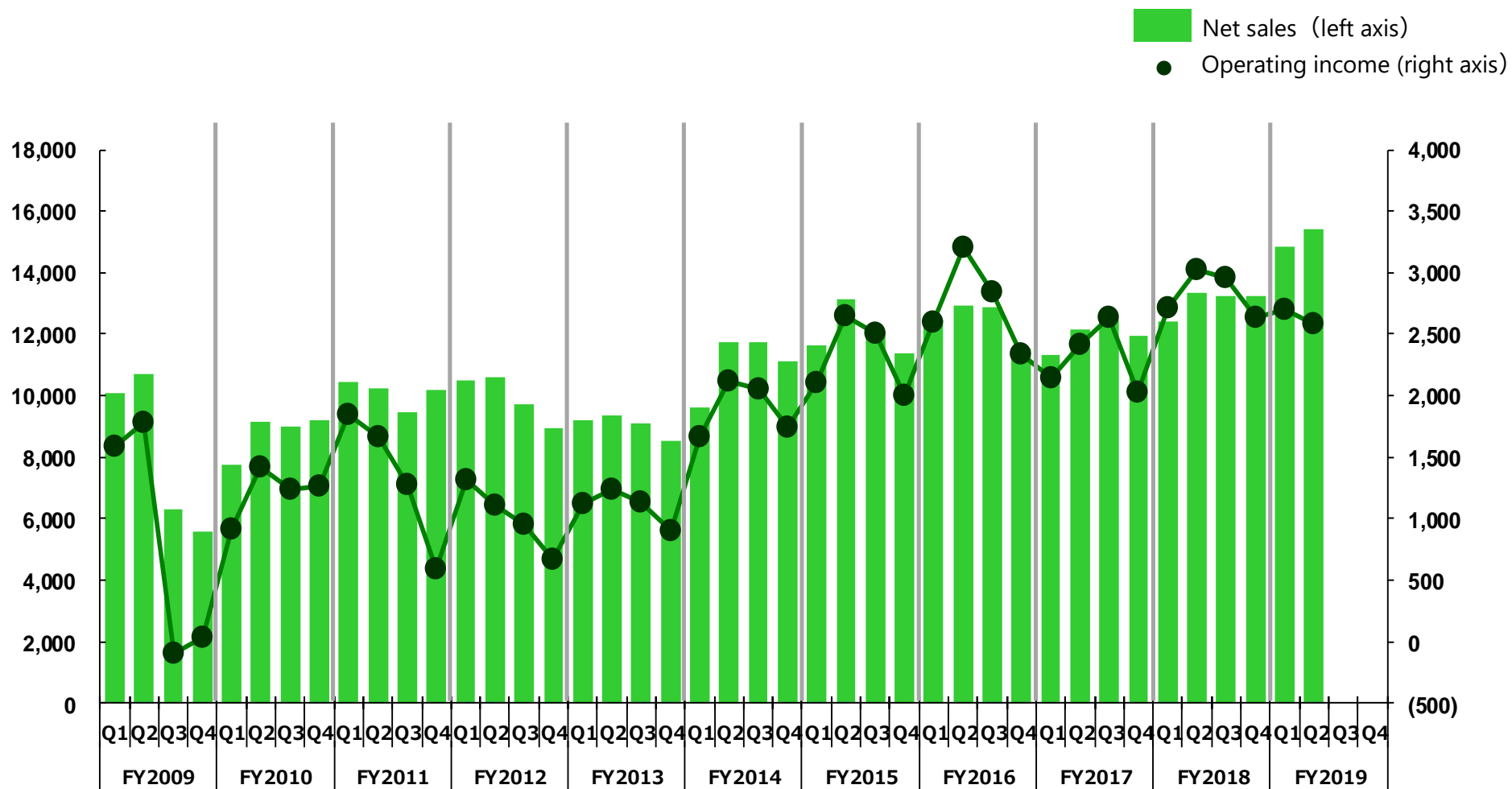
Unit: JPY million



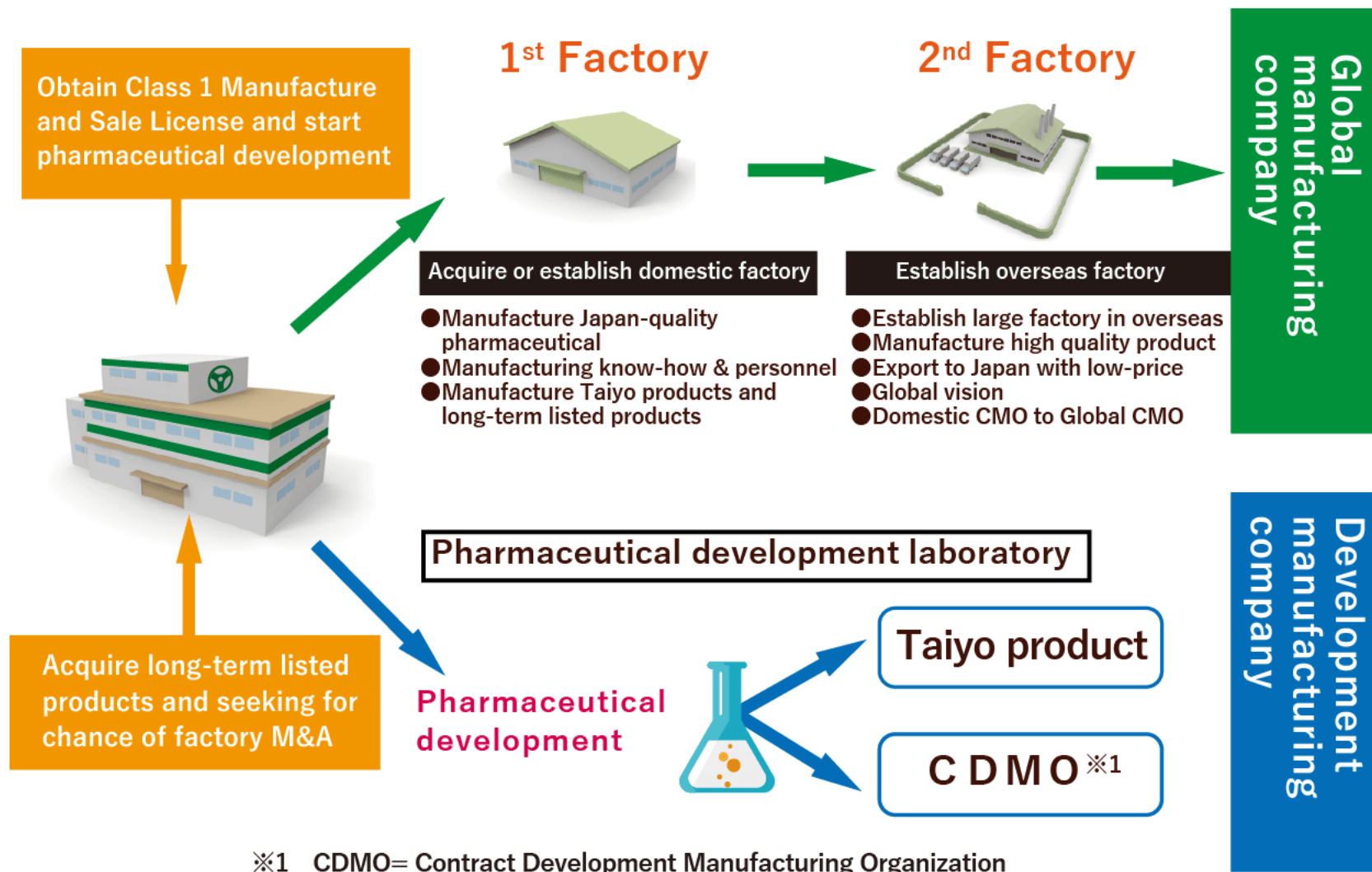
* Due to the change in reportable segments from FY2018 Q4, the sales results by region of the electronics materials business no longer include the net sales and the operating income of Taiyo Pharma Co., Ltd., Chugai Kasei Co., Ltd., Taiyo Green Energy Co., Ltd., MNT and TMC.

Net Sales & Operating Income

Unit: JPY million



Medical and Pharmaceutical Business Strategy



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

17 Mid-term Plan of 13 Long-term Listed Products

JPY millions

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

^{*1} 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

^{*2} Transfer of manufacturing and sales authorization was started from April 2018 and it is scheduled to be completed by end of December, 2018

^{*3} FY2019 includes approximately 500 million yen in expenses for transfer of production and other start-up expenses.

Acquisition of Systems Engineering Company

19 Acquisition of System Engineering Company

Company information

Thou.

情報通信(ICT)・モバイルアプリケーションの
トータルインテグレーター

Company	Thou-Management Corporation ("TMC")	
Japanese	株式会社サウマネジメント	
Head Office	OR Bldg, 1F, 3-23-3 Takadanobaba shinjuku-ku, Tokyo	
Stockholders	Taiyo Holdings Co., Ltd. 100%	
Capital	5,000 thousand yen	
Established	March,2001	
Number of Employee	17 * as of October 2018	
Company Description	As a total integrator that responds all the needs of Information Communication Technology(ICT) and IoT use needs, We are engage in system engineering and integration business . (Business system and IoT platform design and development business)	



Background

External factor : A chronic shortage of IT talent

Internal factor : 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>

- Acquire knowledge on software engineering such as IoT, Big data and AI, that the company lacks

- Corroborated with MNT to create synergy

<TMC>

- Strengthen business foundation and actively invest in business

- Able to provide value-added services by gaining technical knowledge of chemical manufacturer



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