



Forward to the Next Stage

 **太陽ホールディングス株式会社**
TAIYO HOLDINGS CO., LTD.

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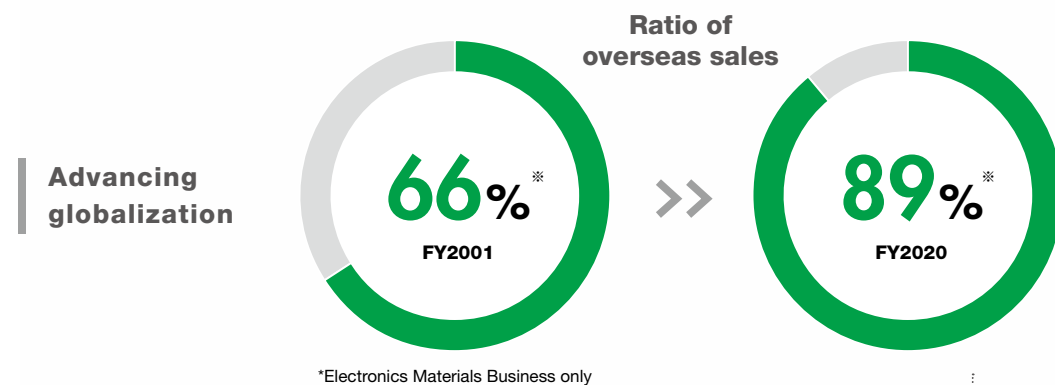
Management Philosophy

To achieve “a cheerful society” by further advancing “every technology” in our Group and by creating a wide range of innovative products to fulfill the dreams of the world.

*Forward to
the Next Stage*

Aiming to leap forward as a global comprehensive chemical company

Taiyo Holdings is a leading company for solder resists. By using our technological strengths as the foundation of our business platform, we work towards creating new businesses and strengthening global expansion through our innovative products. As a comprehensive chemical company, we strive to achieve “a cheerful society”.



1953 to 1975 Creation of business platform

Hiroma Kawahara, a print ink engineer, founded Taiyo Ink Mfg. Co., Ltd. for the manufacturing and sales of print ink. Timed perfectly with the boom in the printing industry, sales of print ink flourished.

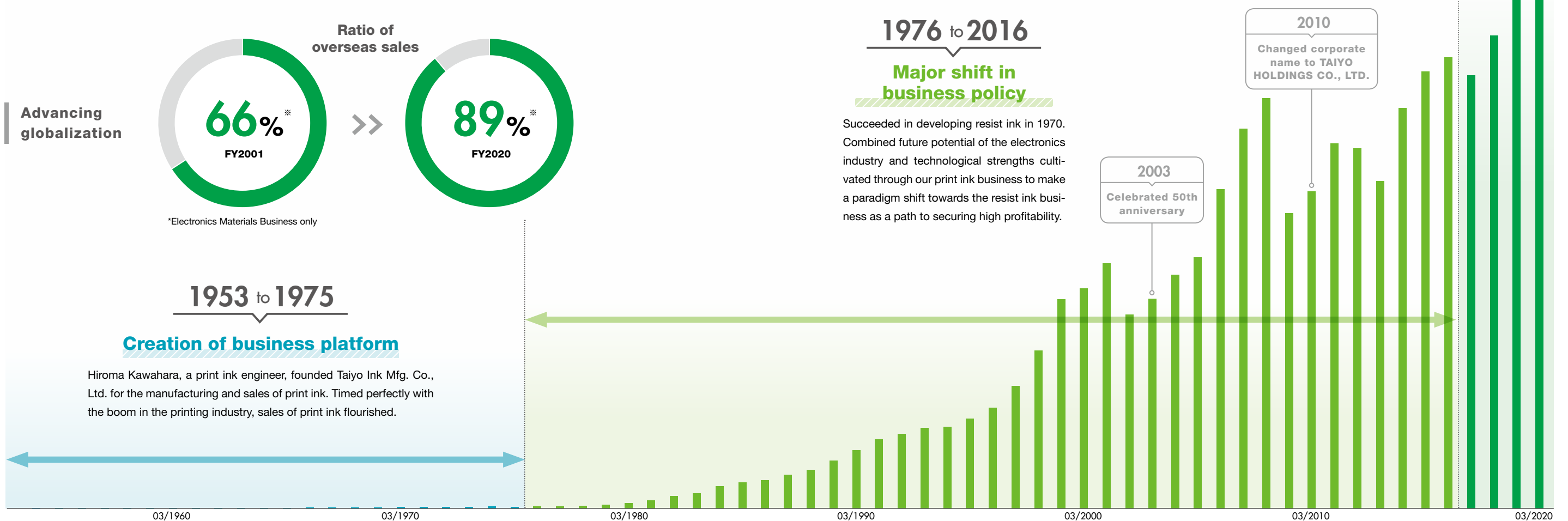
1976 to 2016 Major shift in business policy

Succeeded in developing resist ink in 1970. Combined future potential of the electronics industry and technological strengths cultivated through our print ink business to make a paradigm shift towards the resist ink business as a path to securing high profitability.

2017 to 2020 Becoming a comprehensive chemical company

Based on our management philosophy of achieving “a cheerful society” by further advancing “every technology” in our Group and by creating a wide range of innovative products to fulfill the dreams of the world, we shifted from a business model dependent on solder resists and began on a path towards becoming a comprehensive chemical company by focusing on new business development in the fields of medical and pharmaceutical products, food, and energy.

Net sales
70.6
billion yen



1953

Established TAIYO INK MFG. CO., LTD.



Established Taiyo Ink Mfg. Co., Ltd. in Shiba-Hamamatsu-cho, Minato-ku, Tokyo as a company for the manufacturing and sales of print ink. In Japanese, “taiyo” means “sun”. The company was named Taiyo Ink Mfg. Co., Ltd. based on the desire to be a beacon for society to exist as a company that benefits others.

1984

Presented liquid photo-imageable (LPI) solder resists (SR) at the JPCA Show.

Announced high-precision LPI SR compatible with high-density printed wiring boards (PWB). The following year in 1985, we filed a basic patent for liquid alkaline LPI SR (PSR-4000). Patents were registered in the UK, the USA, France, Germany, and Japan. Also gradually filed utility patents in major countries.

2001

Listed on the First Section of the Tokyo Stock Exchange (TSE)



Listed on TSE First Section on January 18, 2001. This day marked the first day of new listings in 2001, making Taiyo Ink Mfg. the first company to be listed on the TSE in the 21st century.

2017

Established pharmaceutical subsidiary TAIYO Pharma Co., Ltd.



We established Taiyo Pharma Co., Ltd. as a pharmaceutical subsidiary of the Taiyo Group. Staying devoted as “a company that is sincere to pharmaceuticals that are needed”, Taiyo Pharma manufactures and sells long-listed products, and works to ensure stable supplies by practicing strict quality control and safety management.

President and CEO
Eiji Sato



Leaping forward as a comprehensive chemical company by creating new businesses and strengthening global expansion

A look back on the Fiscal 2020 operating environment and our operating results

Fiscal 2020 saw the global economy continue to face difficult conditions and an increasing lack of transparency concerning economic policy due to US-China trade friction that has persisted since Fiscal 2019, as well as continued export restrictions on South Korea and the COVID-19 pandemic that broke out in January 2020.

Amid such conditions, the Electronics Materials Business performed steadily thanks to increased demand for 5G-related components, increased PC sales, and increased demand for servers. At the same time, certain automotive related products were impacted by decreased demand in China due to the COVID-19 pandemic that began in February. The Medical and Pharmaceutical Business was overall firm despite the slight contraction of the pharmaceutical market at the end of the fiscal year due to the impact of COVID-19. In October 2019, we added contract pharmaceutical manufacturer Taiyo Pharma Tech Co., Ltd. to the Taiyo Group. This addition resulted in net sales of 70,627 million yen and ordinary income of 8,898 million yen, outperforming the previous fiscal year. At the same time, profit attributable to owners of parent was 3,749 million yen, which represents a year-on-year decrease.

Looking back on Medium-term Business Plan NEXT STAGE 2020 and about future plans

To initiate a shift from our existing business structure that is dependent on solder resist (SR), we focused our Group's strengths in "chemistry" to propel ourselves towards becoming a comprehensive chemical company. As part of this shift, we launched NEXT STAGE 2020, a 3-year Medium-term Business Plan beginning from Fiscal 2018. Fiscal 2020 represents the final year of this Medium-term Business Plan and we feel we were largely successful in achieving all of the nine qualitative goals outlined in the basic policies of the plan, including improving SR profitability, launching the Medical and Pharmaceutical Business, and executing our M&A strategy. Of the management indicators we outlined as quantitative goals, we achieved "Dividend on Equity ratio (DOE) of 5% or higher" for three consecutive years. We also achieved the goal of "record high operating income" in the first year of the plan. At the same time, we did not achieve "Return on Equity ratio (ROE) of 11% or higher" due to having conducted a large-scale M&A as part of the process of engaging in the Medical and Pharmaceutical Business and drastic business expansion. For our next business plan, we are considering a long-term plan covering a period of 10 years instead of a three-year medium-term plan to reflect the fact that changes in trends in the electronics industry and the medical and pharmaceutical industry tend to occur over a longer period of time.

Medium-term Business Plan NEXT STAGE 2020

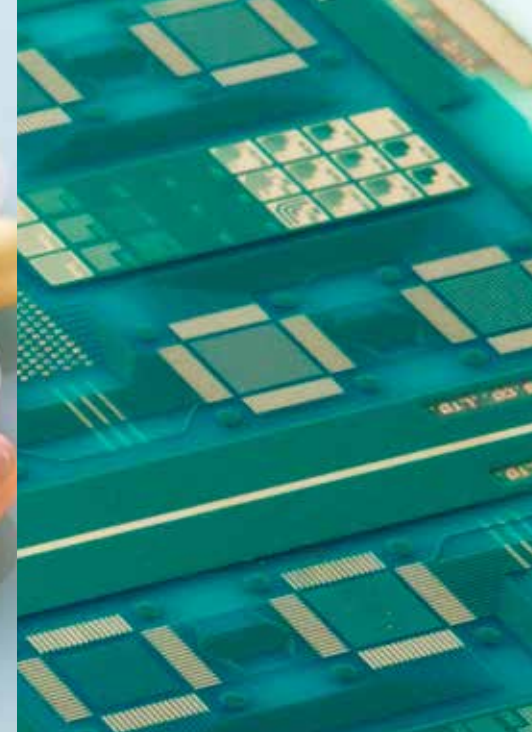
Basic Policy

- 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. Achieve profit for energy and food businesses
- 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

Status of Achievement of Management Indicators

Management Indicators		Goal	FY2018	FY2019	FY2020	
Operating margin	Profit structure	20% or higher	21.7%	13.6%	12.9%	
		Electronics Materials Business	24.3%	21.7%	21.4%	
		Medical and Pharmaceutical Business	1.0%	-4.6%	7.1%	
Return on Equity (ROE) ratio		Profitability	11% or higher	6.8%	6.2%	5.4%
Dividend on Equity (DOE) ratio		Shareholder returns	5% or higher	6.5%	5.3%	5.4%
Operating income	Operating results	Achieve record high for operating income	11,337 million yen	8,099 million yen	9,136 million yen	
		FY2016 10,964 million yen				

Interview with the President and CEO



Leap forward as a global comprehensive chemical company

Our business domains have grown beyond electronics to include medical and pharmaceutical, and we are further expanding into the food and energy domains. As a comprehensive chemical company, we will continue to expand our business domain.

In the electronics sector, the business domain in which we have been involved for so many years is part of the semiconductor materials market. We will apply the technology we have cultivated over the years to achieve business expansion by creating high-value-added products. We also are working to expand our product share in the display sector.

In the medical and pharmaceuticals sector, we will first work to increase business as a contract development and manufacturing organization (CDMO) and then use M&A and business alliances

to increase contracts in new sectors such as regenerative therapy and gene therapy. We also will target the Asia region for the global expansion of the CDMO business and long-listed products as pillars in our future growth strategy. Furthermore, by seizing business opportunities in the food sector and energy sector, areas in which we are still in the R&D phase, we will establish a framework that enables business development and expansion.

To support these business expansion efforts, we will continue to focus on the hiring and development of self-sufficient personnel. This refers to people who are able to think and act on their own. In other words, who are able to set their own goals without the need for instructions or orders, and who enjoy the process of working to achieve those goals. We view this type of self-sufficient personnel as valuable assets who are critical to our future growth.

Working towards realizing a sustainable society and increasing our corporate value

By engaging in ESG management, we work to resolve societal issues through our business activities and contribute to regional development and the achievement of the Sustainable Development Goals (SDGs).

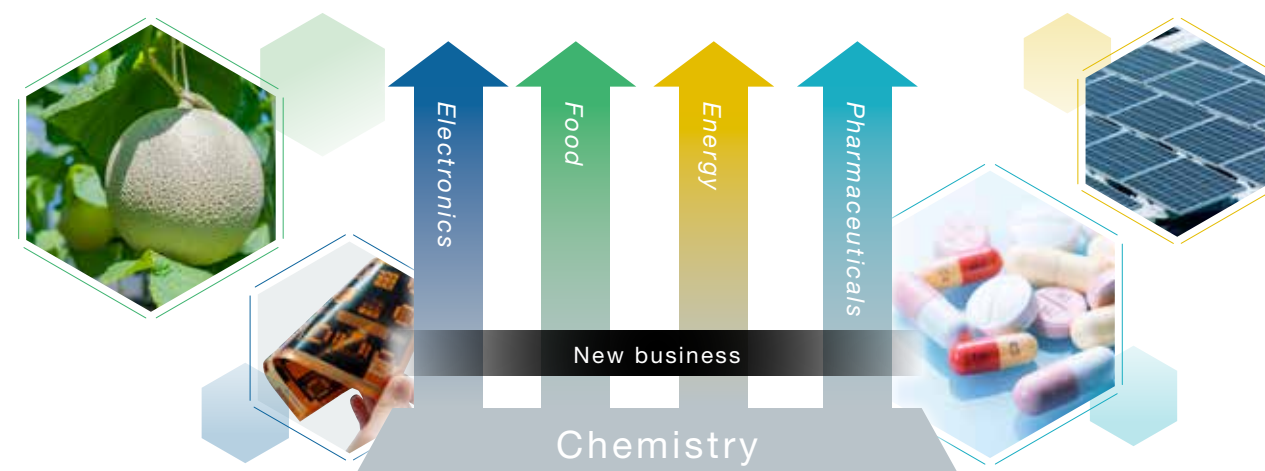
Embracing an awareness that a company is a member of the local community and an entity meant to serve society, throughout our history we have engaged in a variety of social contribution activities, including local events and volunteerism. Placing a priority on the work environment of our employees, we also have engaged in progressive initiatives such as installing genderless toilets more than 10 years ago. These activities ultimately are aligned with the direction of the SDGs. In addition to continued efforts related to such initiatives, we also are developing new business that will promote the achievement of the SDGs.

In the energy sector, we are embracing the concept of shifting from being an energy consumer to becoming an energy producer. With this in mind, we installed floating solar power plants which, excluding the Takatsuki Plant, are covering over 100% of our plant power consumption. In the food sector, we are using land adjacent to our plants to produce high-quality strawberries in IT-equipped greenhouses, grow grapes on abandoned farmland, and operate a plant factory on main office grounds, and we are engaged in research into animal feed using bred crickets. We also use local produce in our employee cafeteria and operate a Kodomo-Shokudo (children's cafeteria) out of Ekimae Ranzan Shokudo. We remain committed to realizing a sustainable society and will continue to proactively engage in such activities as part of our efforts to exist as a company that is trusted in society.

Shareholder returns and our financial strategy

We position profit returns to shareholders in the form of cash as a critical management policy. For the most recent three years, dividends per share were 160.20 yen for Fiscal 2018 (of which, 30 yen was a commemorative dividend), and 130.20 yen for Fiscal 2019 and Fiscal 2020. We are committed to maintaining stable, high-level shareholder returns. As outlined in our Medium-term Business Plan, we have set DOE as one of our management indicators with the goal of achieving a medium- and long-term DOE of 5% or higher based on consolidated earnings. For equity ratio, our basic policy is to maintain a level of 50% or higher.

As we engage in our business activities, we must operate in an economic environment that is more unpredictable than ever due to the global COVID-19 pandemic. By focusing on developing self-sufficient personnel capable of adapting to the changing times regardless of the surrounding conditions, and by diligently implementing policies to address the various issues we face, we will advance towards establishing the operating platform we need to succeed as a comprehensive chemical company while promoting environmentally and socially conscious activities to ensure we remain a corporate Group that is trusted by our stakeholders. We ask for your continued support and understanding.



Three Unique Points

Linking Taiyo Group Businesses

As the world's No. 1 manufacturer for solder resists (SR), Taiyo Holdings has cultivated three unique points that we will use to propel our expansion into new business domains as a comprehensive chemical company.

Electronics Materials Business

Quality backed by a long history of performance

As a leading player in the industry, we apply technology cultivated over the years by responding to market demands and customer feedback to provide high-quality products. We have established a structure that enables speedy R&D and value our stance as being a proactive organization.

Overseas sales ratio exceeding 80% Cumulative experience of overseas plants

In response to the increasing ratio of overseas sales, in the 1980s we established Taiyo Ink Mfg. Co., (Korea) Ltd. to start overseas production. Since then, in addition to Korea, we have established production sites in the USA, Taiwan, and China, and have set up sales offices in Thailand and Singapore.

POINT 1

Production technology and product development capabilities to achieve high-quality products

POINT 2

Global expansion and operations knowhow

POINT 3

Creating a work environment that increases employee motivation Redefining the employee cafeteria experience

Medical and Pharmaceuticals Business

Advanced, GMP-compliant manufacturing and quality control structure

The manufacturing and sales of pharmaceuticals is conducted under a structure of close collaboration between quality control and safety management personnel, through which we have established a long history of delivering high-quality pharmaceuticals to patients. We continue to create and provide new product value to meet the needs of the market.

Global expansion driven by Japanese formulation technology and quality control

We strive for global expansion and work to respond to the needs of global society by applying the quality and technology strengths of Taiyo Pharma and the Taiyo Pharma Tech Takatsuki Plant together with the overseas plant operating knowledge accumulated within the Taiyo Group.

The Taiyo Group believes that the key to developing self-sufficient personnel is to have a good balance of a healthy work environment, fair evaluations and compensation, and work motivation. As part of providing a healthy work environment, we have established in-house cafeterias that focuses on ingredients, menu, and interior. The cafeteria uses vegetables grown in the Taiyo Green Energy plant factory as well as local ingredients to provide local delicacies such as handmade noodles and fresh-baked bread. The cafeterias continuously develop new menus to suit the tastes and detailed requests of employees as part of their effort to provide highly satisfying food and atmosphere.

We value providing an appealing workplace environment and work to foster the development of self-sufficient personnel. To promote these initiatives, we provide a nursery school, which is located in the Ranzan Office and enables employees to adopt workstyles to suit their individual lifestyles. We also decorate the entire building with paintings, metal sculptures, bonsai plants, calligraphy, and more to create an office that stimulates creativity.

TOPICS

Global Expansion of the CDMO

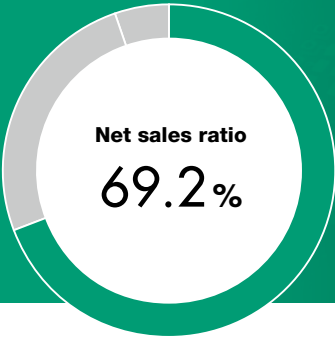
Our Electronics Materials Business has established production sites not only in Japan, but also in China, Korea, Taiwan, and the USA, and we are currently in the process of constructing a plant in Vietnam. We are proactively engaged in overseas production as we strive to provide high-quality products on a

Business

global scale. The Medical and Pharmaceutical Business is working with the Takatsuki Plant, which has over an 80-year history of producing high-quality pharmaceuticals, to develop the CDMO business with a focus on the keyword "chemistry".

Electronics Materials Business

The Electronics Materials Business is mainly involved in the manufacturing and sales of chemical products for the electronics industry. Parts and materials for printed wiring boards (PWB) are used by the PWB internal production departments of electronics manufacturers and dedicated PWB manufacturers. These parts are critical components in personal computers, smartphones, tablet , and numerous other IT devices as well as digital appliances and automotive related products such as electric control units (ECU). We apply our fundamental technology towards developing new product fields for the electronics materials industry.

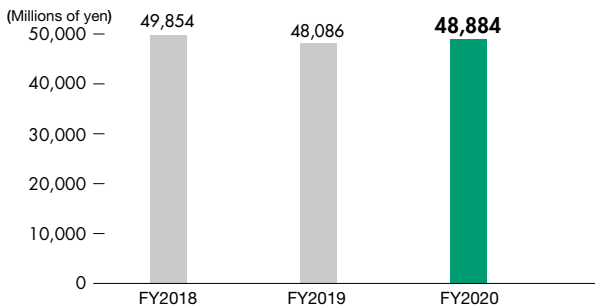


Fiscal 2020 Summary

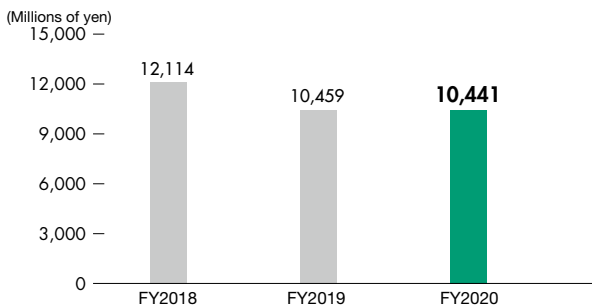
The Electronics Materials Business saw decreased demand for rigid board materials used in automotive related products due to a global decline in the number of vehicles sold but sales of materials for consumer electronics were firm in China. As a result, overall sales volume for rigid board materials was largely

unchanged year on year. On the other hand, sales volume for materials for semiconductor packages (PKG) boards increased year on year thanks to a recovery of the semiconductor markets driven by higher PC sales and higher demand for servers.

Net sales



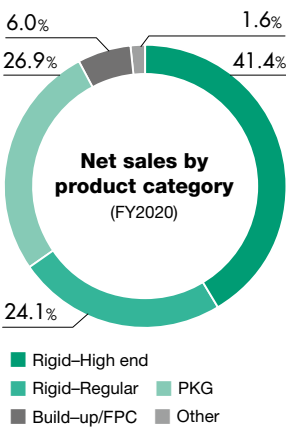
Operating income



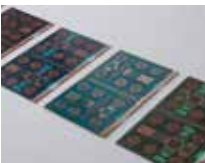
*From the Fiscal 2020 consolidated third quarter, goodwill amortization previously included under company wide expenses under matters concerning difference adjustments is now allocated to the respective reporting segments.

Product categories

Product categories center on chemical materials for electronic components, including the solder resists (SR) used in printed wiring boards (PWB). They are broadly divided into Rigid regular, Rigid High end, FPC, Build-up and other material.



Segment	Category	Shape	Application
Insulation materials for PWB	Rigid	Regular	Liquid
		High end	Liquid/DF
	PKG		Liquid/DF
	FPC		Liquid/DF
Other related materials	Build-up		Liquid/DF
			Build-up materials for intralayer insulation and hole filling
Other related materials	Other		Liquid
			Materials for marking, etching, and plating, flux, solvents, conductive silver paste



For rigid boards



For package (PKG) boards



For flexible boards



For Build-up

Strengths

- Strong market share and global network
- R&D strengths
- High-quality manufacturing technology
- Able to provide total solutions
- Diverse product line

Risks and opportunities

- Increased demand related to 5G (5th-generation mobile communication systems)
- Increased demand for semiconductor devices due to higher PC sales and server demand
- Decreased demand for automotive related products on China market
- Downturn in global economy due to COVID-19

Basic policy

The mainstay product of our Electronics Materials Business is SR. We hold a global top share in the SR market, and 80% of SR sales are from overseas markets. Amid such conditions, we will aim for continuous growth as a corporate Group by implementing the following policies.

- **Electronic Materials Business: Expand SR market share**
 - Strengthen existing SR business (existing customers x existing technology)
 - Accelerate continuous launching of new products (existing customers x new technology)
 - Promote development of new applications (new customers x existing technology)
- **Other electronic materials**
 - Rapid creation of business to follow SR as a profit pillar.

Future strategy

We will increase our basic research capabilities by forming research teams specializing in medium- to long-term research without being bound by specific commercialization concepts. Furthermore, we have established a development department focused on developing new technology for commercialization and discovering new applications for existing technology. This enables us to increase our ability to link basic research results with new product development. We also are aggressively engaged in capital investments for R&D and focused on the hiring and development of talented researchers and technicians.

We created a dedicated team comprised of members from the sales, manufacturing, and development departments and have allocated certain responsibilities and authority to this team. By creating an environment enabling team members to focus on new product commercialization, we will increase our ability to overcome the obstacles from product commercialization to business creation.

To address currency risks, we promote a policy of local production and local sales (products sold in a specific market are produced in that market), and are increasing the ratio of locally-sourced raw materials as we aim to align the transaction currencies of income and expenditures. We also are working to reduce business continuity risks by strengthening customer service, reducing raw material costs, and diversifying raw material suppliers.

TOPICS

Constructing a new plant in Hanoi, Vietnam

The new Taiyo Ink Vietnam Co., Ltd. plant will be the Group's first production site in Southeast Asia.

By engaging in the Vietnam market, which is seen as a future growth market, and supplying products to ASEAN and China, we will further strengthen our Electronics Materials Business.



R&D

We conduct R&D related to the various insulation materials and conductive materials that contribute to our advanced information society and a pleasant environment. FY2020 R&D expenses increased by 196 million yen to 3,312 million yen.

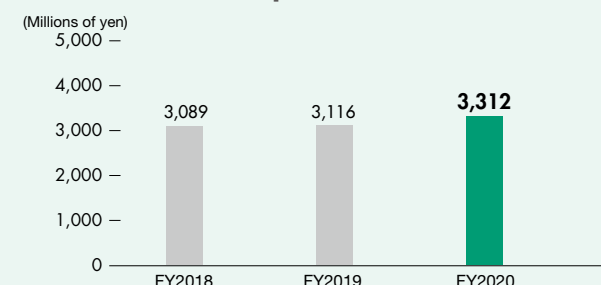


» Solder resists (SR)

Solder resists (SR), our Group's mainstay product, are widely used in rigid boards and PKG boards. With each year bringing increased performance requirements for each product, we are engaged in development with a focus on increasing communication with customers and development speed to ensure our ability to meet the needs of the market.

Our R&D structure is comprised of research teams specializing in medium- to long-term research themes aimed at improving our basic research capabilities. We conduct aggressive capital investments to promote R&D and focus on the hiring and development of talented researchers and technicians from Japan and overseas.

■ Trends in R&D expenses



» Other focus areas

- **Intralayer insulation materials** : We conduct development and technology proposals for new intralayer insulation materials compatible with the needs related to 5G (5th-generation mobile communication systems) high-speed communications boards and photoimageable DF for next-generation fine wiring.
- **Photoimageable coverlay** : We developed photoimageable coverlay enabling the mechanical properties that meet the needs of the market. These coverlay have begun to be adopted in various electronic devices.
- **Conductive adhesive** : We developed an anisotropic conductive adhesive that achieves low-temperature, fast hardening. Promoting customer evaluation activities by distinguishing this product from an anisotropic conductive adhesive film.
- **Materials for wearable devices** : The stretchable conductive materials we developed are gaining a footing in the market.
- **SR for inkjets** : We launched mass production after a customer selected our products for use in a rigid board for vehicles. We will strengthen our reputation for rigid boards and advance development of materials for the growing markets of flexible boards and semiconductor boards.
- **Materials for displays** : We are developing shielding materials that simplify processes and have a low environmental load.

Global Network

Our Group continues to expand globally, with manufacturing and sales sites in Japan, China, Taiwan, Korea, the USA, and Vietnam. We also have sales and service sites in Singapore, Hong Kong, China, Korea, and Thailand.

Through our high-quality product and services and a strong global network, we have secured a top share for SR on the global market.



Global network structure

The center of PWB production has shifted from the USA to Europe, Japan, and emerging markets. Most recently, production has also shifted to China. As we continue to respond to changes in global business, our Group continues to engage in transactions with PWB manufacturers from around the world.

Over the medium- and long-term, we expect to see increased demand for PWB materials used in electronics on global markets. We will further strengthen our global network to respond to rapid global growth of the market.

» Local production and local sales as a risk response measure

Many of our Group's products are sold in foreign currencies, meaning that currency rate fluctuations can easily impact performance. In response to this risk, we have adopted a policy of local production and local sales (products sold in a specific market are produced in that market). And by increasing the rate of local procurement for raw materials, we are working to align the transaction currencies for income and expenditures. These policies contribute to the rapid development of products that meet the needs of our customers and help strengthen our customer response capabilities.



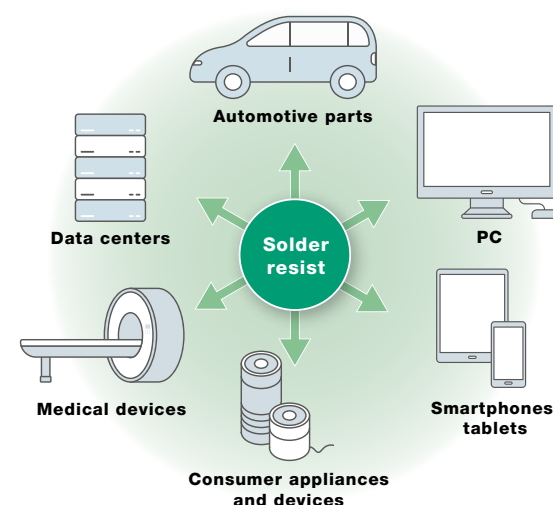
Role of solder resists and market trends

About solder resists (SR)

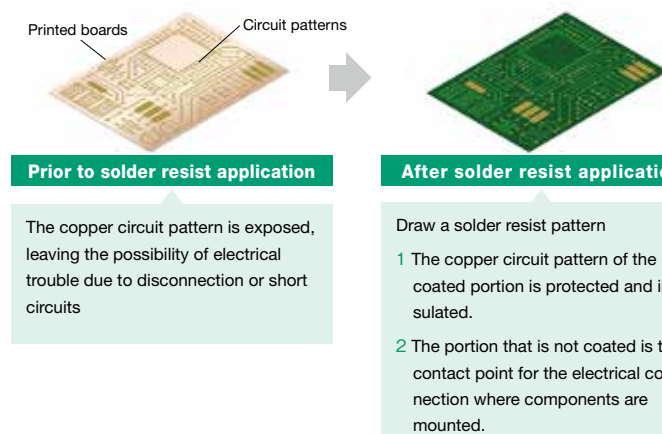
A solder resist (SR) is an ink that serves as an insulation film that covers the surface of a printed wiring board (PWB) to protect the circuit pattern of the board.

As the word resist suggests, the role of the SR is to prevent solder from adhering to unintended areas when mounting parts. At the same time, SR serves as a permanent protective layer that protects and insulates the circuit pattern from dust, heat, and humidity.

We will continue to create new markets by developing new products based on our core technology in the semiconductor devices used in the 5G and IoT devices that will continue to grow in markets around the world.



Role of solder resists



① Preventing solder adhesion to unnecessary areas

When various components are mounted on the PWB by soldering, the SR serves to prevent solder from adhering to areas other than the electrical connection contact point, which can result in a short circuit.

② Protect circuit pattern from dust, heat, and humidity

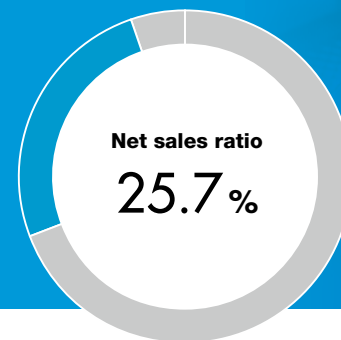
SR protects the circuit pattern from external elements such as dust, heat, and humidity, which supports long-term stable operation for electronic devices.

③ Maintain electric insulation between circuit patterns

With continuous size reductions in electronic components, the circuit pattern of a typical board is approximately 40 to 150μm, and the wiring on package boards is even finer. SR maintains the insulation between circuit patterns to prevent short circuits.

Medical and Pharmaceutical Business

The Medical and Pharmaceutical Business is operated through two companies, Taiyo Pharma Co., Ltd., which conducts the manufacturing and sales of therapeutic pharmaceuticals, and Taiyo Pharma Tech Co., Ltd., which conducts contracted manufacturing. Moving forward, we will expand global operations by acquiring new products to increase our portfolio for the long-listed products business and by using the Takatsuki Plant as a platform from which we will expand our overseas network.

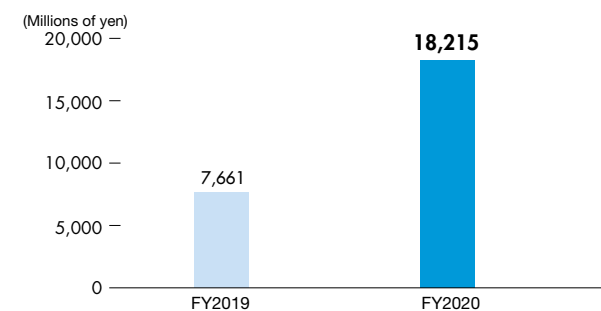


Fiscal 2020 Summary

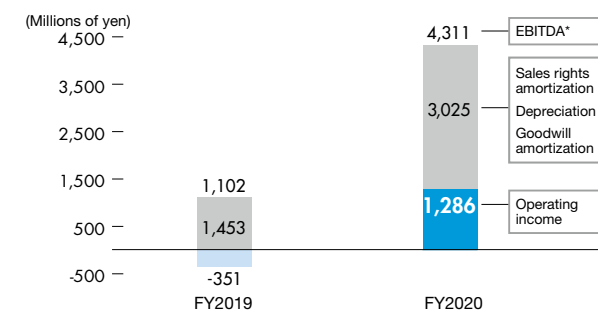
In October 2019, Taiyo Pharma Co., Ltd. completed the transfer of one long-listed product, increasing our portfolio of products for which the Medical and Pharmaceutical Business has obtained

manufacturing and sales approval to 14 products. Taiyo Pharma Tech Co., Ltd., which conducts contracted pharmaceutical manufacturing, joined the Group in October 2019.

Net sales



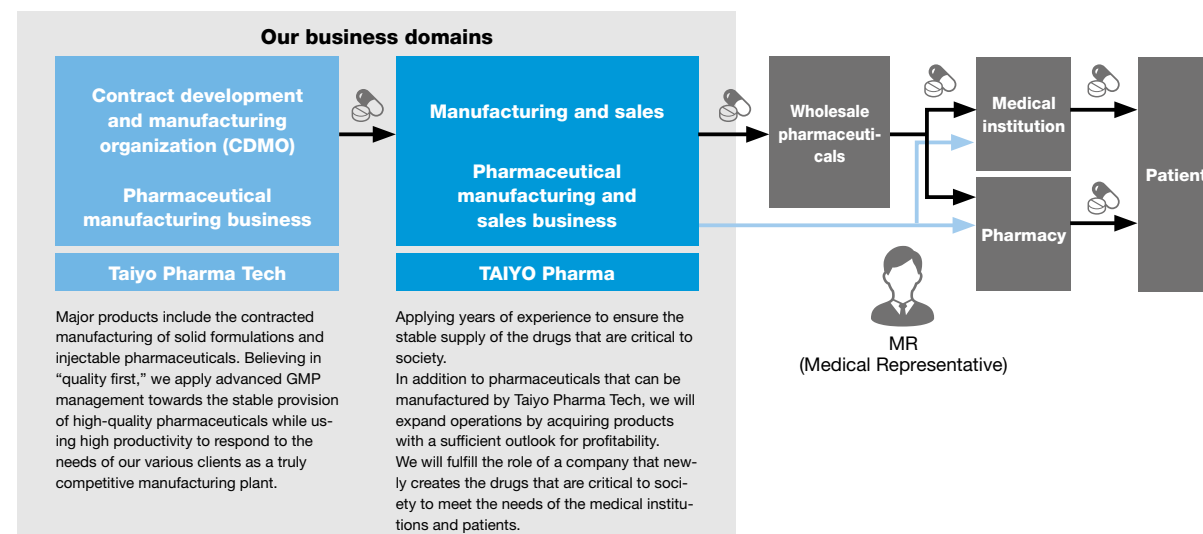
Operating income



*EBITDA = operating income + sales rights amortization + depreciation + goodwill amortization

Summary of Medical and Pharmaceutical Business

Our Group conducts the manufacturing and sales of therapeutic pharmaceuticals through Taiyo Pharma and manufacturing through Taiyo Pharma Tech.



- High-quality manufacturing technology
- Stable production structure
- Overseas plant operational knowhow
- Strong purchasing power in the chemical industry
- Global network



- Changes in industrial structure
- Creation of innovative pharmaceuticals through technological innovation and partnerships between industry, government and academic institutions
- Controlling costs for brand-name pharmaceuticals
- Promotion of generics
- Reform of medical system



Amid decreasing predictability as the government continues discussions on policies for controlling medical costs and reforms to the medical system, we will establish a business structure that is not easily impacted by environmental factors. At the same time, we will build the structures required for us to continue with the stable provision of existing products while also striving to provide new pharmaceuticals that meet the needs of medical institutions and patients.

Future strategy

As new developments for the contracted manufacturing business, Taiyo Pharma Tech Co., Ltd., which took over ownership of the Takatsuki Plant from Daiichi Sankyo Propharma via a company split, became a Group subsidiary. Through this acquisition, we will create an even stronger business structure and work to expand the scope of the Medical and Pharmaceutical Business.

In October 2019, Taiyo Pharma Co., Ltd. added a product to its product line after completing takeover of manufacturing and sales licensing for a long-listed product. The company will continue to ensure the stable provision of pharmaceuticals to medical institutions. Moving forward, we will aggressively pursue the acquisition of long-listed products as we seek to provide new pharmaceuticals to the market.

In response to compensation liability risks related to pharmaceutical product recalls, suspension of sales, health damage, etc., we reinforce compliance with the Pharmaceutical and Medical Device Act* and will enroll in necessary liability insurance. We are working to minimize our financial liability in the event such an event might occur.

*Law concerning ensuring pharmaceutical and medical device quality, efficacy, and safety, etc.

TOPICS

Acquisition of Daiichi Sankyo Propharma Takatsuki Plant

To secure a new manufacturing site, on October 1, 2019, we completed the acquisition of the Daiichi Sankyo Propharma Takatsuki Plant for the acquisition cost of 38.0 billion yen. We will continue to conduct contracted manufacturing for the Daiichi Sankyo Group while also working to acquire manufacturing contracts from customers other than Daiichi Sankyo as we strive to grow as a contracted development and manufacturing organization.

Investment in Gene Therapy Research Institution

We made an investment in Gene Therapy Research Institution Co., Ltd., which conducts the development and manufacturing of gene therapy. Gene therapy is defined as "the administration of a gene or cells with introduced genes into the human body to treat diseases." Gene therapy products have gained attention for their potential to treat previously incurable diseases. This investment creates the opportunity for our Group to acquire knowledge concerning the manufacturing facilities and technology involved in gene therapy.



Taiyo Holdings Co., Ltd.
Executive Officer
General Manager of Corporate
Planning
Department

Sayaka Tomioka

Involved in projects for the healthcare industry at McKinsey & Company Inc. and Industrial Growth Platform, Inc. Joined Taiyo Holdings in 2018.

Conversations: Corporate Planning
Executive Vice President of Taiyo

Department General Manager &
Pharma Tech's Takatsuki Plant

Using technology and a
open new doors for the

As a Group that aims to be a comprehensive chemical company, Co., Ltd., which is engaged in pharmaceutical manufacturing and Takatsuki Plant in October 2019 to engage in the CDMO business. Masato Mori, Executive Vice President of Taiyo Pharma Tech's Corporate Planning Department, got together to discuss the role

spirit of challenge to
pharmaceutical business

we followed up the August 2017 establishment of Taiyo Pharma sales, by taking over ownership of the Daiichi Sankyo Propharma ness. Takatsuki Plant, and Sayaka Tomioka, General Manager of the Cor- they envision for the Takatsuki Plant and their future expectations.



Taiyo Pharma Tech Co., Ltd.
Member of The Board
Executive Vice President of
Takatsuki Plant
and Technical Director

Masato Mori

Joined Sankyo Co., Ltd. in 1982
Joined Taiyo Pharma Tech in 2019
after spending time at Daiichi
Sankyo Co., Ltd. and Daiichi
Sankyo Propharma Co., Ltd.
Involved in supply chain
departments for some 38 years.

Takatsuki Plant plays a critical role as
the Group's domestic mother plant

Tomioka: It has been one year since establishing Taiyo Pharma Tech but how are things going now at the Takatsuki Plant?
Mori: Operations are proceeding quite smoothly. Thanks to the efforts of all involved, we successfully achieved stable production rather quickly and have been able to advance towards preparations for future growth strategies.
Tomioka: I have been involved as a member of the Taiyo Holdings team since the Company engaged in preparations to take over ownership of the Takatsuki Plant. You have such advanced knowledge of pharmaceutical manufacturing and the unwavering trust of your subordinates. Knowing that you would continue on as Executive Vice President of the Takatsuki Plant made the transition to Taiyo Pharma Tech a smooth and reassuring experience for a lot of employees. We are all very grateful for that.
Mori: The reason I decided to stay on as Executive Vice President was because I wanted to do what I could to ease the concerns of the transferring employees and I wanted to take personal responsibility for growing a new company.
Tomioka: The objective of acquiring the Takatsuki Plant was to establish a platform for engaging in overseas markets. The pharmaceutical industry has high barriers to entry and earning work from customers required having experience and a high-level production system in Japan. This acquisition was about establishing a domestic mother plant for manufacturing pharmaceuticals in Japan and using that experience to establish a similar plant overseas. However, what I realized was that the Takatsuki Plant had incredible potential as an individual entity.
Mori: I too was greatly surprised by the fact that we received new contract offers from customers despite the fact that we weren't engaged in sales activities. Taking on employees from the Daiichi Sankyo Group's main plant as part of the acquisition

meant that we'd maintained that high level of technology and quality. This was a source of reassurance and trustworthiness that was recognized by customers.
Tomioka: As a result, the Takatsuki Plant not only has become a domestic mother plant serving as a springboard for engaging in overseas markets, but we also want to promote the growth of the Takatsuki Plant as an important driver for the Group's pharmaceutical business.
Using Group synergy to promote pharmaceutical business growth
Tomioka: My first impression of the Takatsuki Plant was the convenience of access in being only a three-minute walk from Takatsuki Station, one of the major stations in the Kansai Region. Also, the inside of the Plant is very clean and it was clear that the Plant was taken care of very well.
Mori: Pharmaceutical manufacturing plants are governed by the GMP, which outline strict rules concerning manufacturing and quality management. We work diligently to make sure the Plant is always clean and tidy.
Tomioka: A convenient location and appealing environment are beneficial when it comes to hiring and can make it easier to attract elite personnel. This further increases expectations for the potential of the Takatsuki Plant.
Mori: From my perspective, Taiyo Holdings is an energetic company that has removed the barriers between the workplace and corporate management. I was surprised at how easy it is to make proposals and how quickly they are adopted. The company is also very diverse and has excellent facilities, including a cafeteria. You can feel Company's commitment to valuing employees.
Tomioka: Taiyo Holdings is investing in medical ventures involved in fields such as regenerative therapy and gene therapy.

The company is currently evaluating manufacturing those types of innovative products at the Takatsuki Plant.
Mori: The Takatsuki Plant at its core is a plant for new drug manufacturers, so the Plant is rooted in the idea of challenging ourselves to the unknown. I am very much looking forward to getting involved in projects in these new domains.

Developing the Medical and
Pharmaceutical Business into a
second pillar for Group growth

Tomioka: Making strides forward as a comprehensive chemical company will require that we develop the Medical and Pharmaceutical Business as a second growth pillar. The Takatsuki Plant has unused land on plant grounds. The Company is planning on aggressive capital investments aimed at improving production capacity and operating rates, as well as enabling challenges in new domains.
Mori: As new investments require several years before we can achieve product shipment, we will work to improve revenues with existing facilities. In the future, with the completion of a new building featuring advanced facilities, we will further expand revenues

by engaging in new business such as the manufacturing of regenerative therapy and gene therapy products. Another characteristic of the Takatsuki Plant is the ability to produce injectable pharmaceuticals. These products are extremely advanced in terms of manufacturing and quality assurance requirements so we will use our strengths in this field to expand business.
Tomioka: Looking to our main objective of establishing a pharmaceutical plant overseas, the Takatsuki Plant will serve as a mother plant supporting the establishment of an overseas plant. From there, we will combine our overseas plant operations knowhow accumulated by the Electronics Materials Business with our knowledge and experience in manufacturing high-quality medical pharmaceuticals. Through an alliance between Taiyo Pharma Tech, Taiyo Pharma, and the overseas plant, we will place the Company on a trajectory towards becoming one of Japan's elite CDMO. This will help develop the Medical and Pharmaceutical Business into a second pillar for Group growth.
Mori: As we head into year two, I want to make this a year of growth and development that builds on the preparations we made in year one. I will put every effort towards developing the Medical and Pharmaceutical Business into a second pillar for Group growth.

Taiyo Pharma Tech Takatsuki Plant Overview

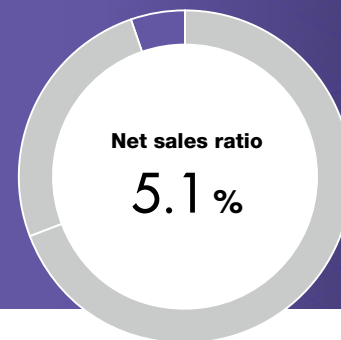
Conveniently located three minutes from Takatsuki Station, the Takatsuki Plant has a long-established history of producing solid and injectable pharmaceuticals under an advanced, GMP-compliant manufacturing and quality control structure. Since October 2019, operating as the Taiyo Pharma Tech Takatsuki Plant, this facility is meeting the needs of numerous pharmaceutical companies in Japan and overseas.

Location	Aketa-cho, Takatsuki-shi, Osaka	Plant grounds (site area)	52,584m ²
Operations launched	December 25, 1933 (87th year in operation)	Employees	Approx. 370 (as of April 1, 2020)

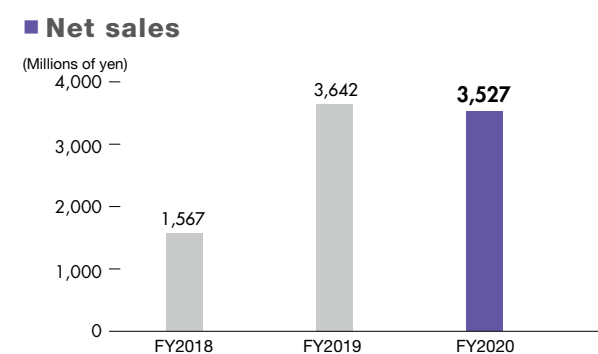


Other Businesses

Other businesses include operations rooted in the chemical business such as the manufacturing and sale of dyes, pigments, thought to be a growing field, power generation using natural energy, and software development.



Applying our knowledge of the chemical field cultivated through years of experience in solder resist development and manufacturing, we will continue developing new businesses that contribute to Group growth. As a comprehensive chemical company, we strive to create a bright and healthy society for future generations.



*We conduct the elimination of inter-segment transactions.

TOPICS

Taiyo Green Energy installs eleventh floating solar power plant in Kagawa Prefecture

Taiyo Green Energy Co., Ltd. opened its eleventh floating solar power plant in Kagawa Prefecture. This increases total estimated power generation from Taiyo Green Energy to approximately 20GWh, enough electricity to power roughly 6,600 homes (*1). This also covers more than 100% of all power consumed for Group operations in Japan (*2).

*1: Calculated based on 3,000kWh/year/household
*2: Excluding Taiyo Pharma Tech



Energy

TAIYO GREEN ENERGY CO., LTD.

Taiyo Green Energy Co., Ltd. was established in December 2014 to engage in natural energy-based power generation and electricity sales and distribution. The company aims to contribute to society by promoting the use of environmentally-friendly renewable energy and working diligently to resolve environmental issues on a global scale.

With the growing demand for environmentally-conscious renewable energy, the company constructed floating mega-solar power plants. Group company Taiyo Ink Mfg. Co., Ltd. was certified by Apple as a supplier promising production based on 100% clean energy.



Food

TAIYO GREEN ENERGY CO., LTD.

Since November 2015, we operate a plant factory located on the grounds of the Taiyo Green Energy power plant. This factory uses a urethane medium in place of soil and uses artificial light in place of sunlight to produce six types of baby leaf vegetables. These vegetables are sold under the Taiyo Green Farm brand.

With the continued rise in the global population, we will work to address the inevitable issue of food shortages by operating in-house plant factories. We are also starting collaborative research with the Safari Park on the use of insects as animal feed.



IT Systems

funlead corp.

Digitalization has become a critical management issue for all companies as industrial structures and business models change at unparalleled speed due to rapid advancements in IoT, big data, AI, and other forms of IT. Funlead not only enables us to increase the speed with which we are able to innovate our IT systems and build new systems, the company also oversees digitalization and other services critical to our sustainable growth as a comprehensive chemical company.



Fine Chemicals Business

TAIYO Fine Chemicals Co., Ltd.

Involved in the manufacturing and sales of dyes as well as the contracted development, manufacturing, and sales of intermediates such as functional pigments, halogen compounds, agrochemicals, and pharmaceuticals. Embracing the management philosophy of making the most of chemistry-based technology in all directions to fulfill a cheerful society, the company strives to connect with many types of people and use the power of chemistry to create a fun and energetic society.



List of Executives (as of June 20, 2020)

Directors



President and CEO
Eiji Sato

Reason for nomination
After becoming a director in 2008 and later severing as Vice President, Mr. Sato assumed the position of President and CEO in 2011. Since then, he has overseen Group operations, including Group decision-making and the supervision of business execution. As President and CEO, Mr. Sato has reflected his own knowledge and experience in all aspects of operations.



Director
Eiji Takehara

Reason for nomination
After assuming the position of Executive Managing Officer in 2013, in 2014 Mr. Takehara became a director, Senior Executive Officer, and Compliance Officer. In his role, Mr. Takehara has worked to develop and strengthen the domestic electronic materials business. Mr. Takehara reflects his own knowledge and experience in all aspects of operations.



Director
Hitoshi Saito

Reason for nomination
Since becoming a director in 2016, in his position as Senior Executive Officer Mr. Saito has served as a supervisor of Group companies. Possessing a wealth of marketing knowledge and management experience from time spent overseas, Mr. Saito applies this knowledge and experience to all aspects of operations.



Director
Toshifumi Tamaki

Reason for nomination
Since becoming a director in 2018, Mr. Tamaki has applied his vast knowledge and experience in business management, business execution, and research and development to all aspects of Company operations.



Director (outside director)
Masayuki Hizume

Main field of expertise
Accounting

Reason for nomination
Mr. Hizume was nominated because the Company wishes to apply his expertise, vast experience, and knowledge as a certified public accountant towards Company operations.



Director (outside director)
Keiko Tsuchiya

Main field of expertise
Human resources

Reason for nomination
Ms. Tsuchiya was nominated because the Company wishes to apply her vast experience and knowledge in the human resources field, including her management experience as the director of multiple staffing firms, towards our Human Resources division and strengthening our human resources.



Director (outside director)
Asako Aoyama

Main field of expertise
Financial accounting and M&A

Reason for nomination
Ms. Aoyama was nominated because the Company wishes to use her expertise as a certified public accountant and vast experience and knowledge in accounting and finance and M&A from her involvement in corporate management and business execution.



Director (outside director)
Yumiko Kamada

Main field of expertise
New business and marketing

Reason for nomination
Ms. Kamada was nominated because the Company wishes to use her vast experience and knowledge of corporate management and business execution experience in new business development and customer service in a different industry.

Audit & Supervisory Board Members



Audit & Supervisory Board Member (outside)
Akihito Sakai

Main field of expertise
Finance, accounting, and law

Reason for nomination
Mr. Sakai was nominated because the Company wishes to use his vast knowledge of finance, accounting, and law cultivated through his past business experience.



Audit & Supervisory Board Member (outside)
Hidenori Sugiura

Main field of expertise
Finance

Reason for nomination
Mr. Sugiura was nominated because the Company wishes to use his vast knowledge of finance cultivated through his history in the securities and financial industry, and from his experience as a university professor and lecturer as an expert in finance.



Audit & Supervisory Board Member
Masaru Oki

Main field of expertise
Law and regulatory systems

Reason for nomination
Mr. Oki was nominated because he is an expert in Group operations thanks to his many years of involvement in Group business and the Company wishes to use his knowledge of international law and regulatory systems cultivated through his more than 15 years of experience working at overseas subsidiaries.

Compliance

Ensuring the proper establishment and operation of a compliance promotion structure is critical to meeting the expectations of stakeholders and being able to fulfill our corporate social responsibilities. Recognizing that compliance initiatives serve as a foundation for our corporate activities, our Group works to further enhance initiatives related to compliance.

Compliance activities

Our Group has established an internal whistleblowing system (hotline) to promote the early discovery and correction of internal fraud. This fiscal year, we have focused on creating a structure not only for domestic locations, but also for international locations to ensure our ability to respond to risks by enabling whistleblowing activities. To ensure our whistleblowing system functions properly, we have documented explicit guidelines prohibiting retaliatory acts against whistleblowers, reinforcing confidentiality for whistleblowing, and outlining fact-based investigations. Not only do we ensure the permeation of these guidelines among employees, we also conduct continuous enlightenment activities to ensure employees are able to correctly identify acts of fraud.

We will continue engaging in transparent and fair activities in accordance with relevant laws and societal norms, and work to improve compliance awareness among management and employees as we aim to be a company that continues to earn the trust of society.

Compliance training

We engage in continuous employee compliance training to promote an understanding of the risk factors, ethics, and laws associated with our business, and to emphasize the importance of the spirit of compliance.

This fiscal year, in addition to harassment training, we held internal seminars to increase awareness of risks associated with corporate compliance. We expanded the scope of application for these seminars, which in the previous fiscal year were held for management personnel and new employees, to include all employees. We will continue to enhance our education and enlightenment activities to ensure that compliance education is applied towards business operations and to help promote better performance and the creation of a more attractive work environment.



Internal seminars on compliance education

Risk Management

Risk management structure

Our Group works to improve our risk sensitivity and risk control capabilities in order to ensure stable business operations. We evaluate and establish appropriate response measures to address the various potential risks related to our business activities.

Engaging in new business domains such as medical and pharmaceuticals, energy, and food, and engaging in overseas business activities require industry-specific expertise. It is also critical that we engage in business activities with due consideration given to the relevant laws and cultural characteristics of each country. With this in mind, we apply a Group-wide CSR Philosophy to outline the regulations relevant to each Group company. We also voluntarily gather information on and respond accordingly to relevant laws. At our overseas locations, we ensure appropriate business activities by conducting education and enlightenment activities created in line with local laws and customs. By sharing the status of activities

reported by each company, we are promoting a collaborative effort by our entire Group.

Taiyo Holdings also works to identify compliance structure and ethical issues at each Group company to provide support based on the operating environment of each company. To serve as a model for all Group companies, Taiyo Holdings and Taiyo Ink lead Group promotion of an ethical and legal compliance system. We completed responses to the internal risk assessment conducted in fiscal 2018 and have reviewed the guidelines that serve as the basis for compliance promotion.



Scene from firefighting exercises



Scene from emergency evacuation exercises

Initiatives to Promote ESG Management

Since our founding in September 1953, our Group has achieved growth by earning the trust of our many stakeholders, including shareholders, customers, business partners, and the local community.

Our Group will continue to respond to the trust we receive and strive for mutual growth by ensuring that all our executives and employees comply with ethics and relevant laws, take a positive approach to business activities, and fulfill our corporate social responsibilities. To achieve these responsibilities, we have outlined our CSR Philosophy and Code of Conduct, and engage in various CSR activities through a CSR organization consisting of various management systems and committees.

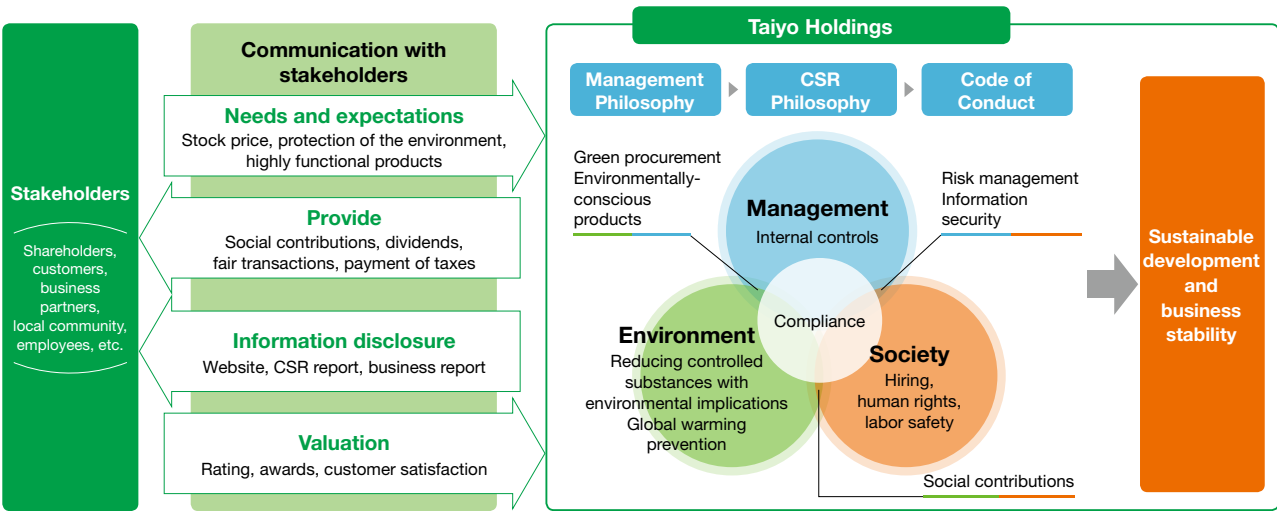
These initiatives contribute to the achievement of the sustainable development goals (SDGs) and ensure management based on the perspective of environment, society, and governance

(ESG) to promote sustainable growth and increased corporate value.



Code of Conduct

1 Ethical and Legal Compliance	We will observe laws and other social norms, and understanding the spirit thereof, will act openly and fairly.
2 Workplace Environment	We will respect employees' human rights, and create a workplace that is fair and free of discrimination.
3 Fair Business Dealings	We will deal with all our business partners in an honest manner and conduct business with them based on impartial and fair business conditions.
4 Respect for Stakeholders	We will always conduct business activities with respect for the viewpoints of all our stakeholders, and disclose information in a timely and appropriate manner.
5 Ensuring Confidentiality	We will work to ensure the protection of confidential information related to our business partners, the company itself, and any individual.
6 Ensuring Quality (Quality Policy)	We will ensure that we always provide safe, quality products that satisfy our customers.
7 Protecting the Environment (Basic Environmental Philosophy)	We will endeavor to protect the environment as part of the performance of our social responsibility, and will engage in business activities that are in harmony with the environment.
8 Ensuring Information Security (Basic Information Security Philosophy)	In the interests of customer trust and satisfaction, we will work to maintain or improve the confidentiality, integrity, and availability of all our information assets.
9 Social Contributions	As members of society, we will engage in activities that contribute to society.
10 Protecting Intellectual Property	We will take appropriate precautions to protect Taiyo Group's intellectual property rights, and those of third parties.
11 Exclusion of Anti-social Forces	We will take a resolute stance towards anti-social forces and will not respond in any way to illegal or improper demands.



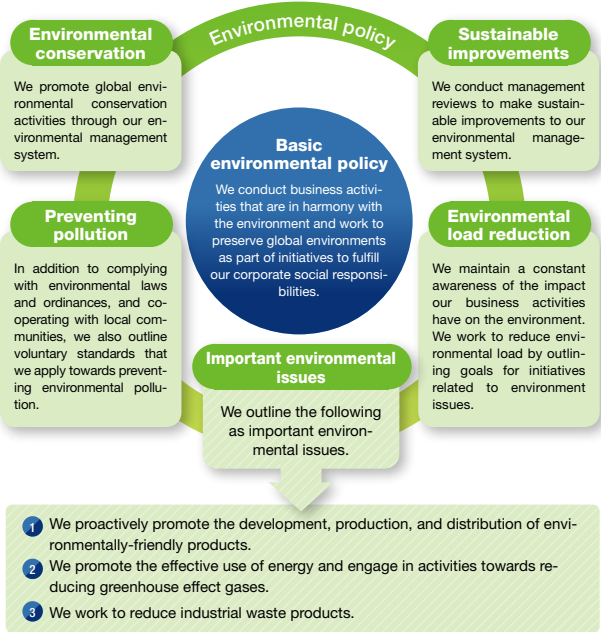
Environmental Considerations



Environmental policy and environmental management system

Our CSR Code of Conduct outlines a basic environmental philosophy of protecting the environment and declares we will endeavor to protect the environment as part of the performance of our social responsibility, and will engage in business activities that are in harmony with the environment. We position applying our environmental management system towards protecting human health and safety, and preserving our irreplaceable global environment as one of our critical management issues. To achieve environmental management, we engage in activities by sharing this awareness between all executives and employees.

The image to the right indicates basic environmental philosophy and environmental policy for Taiyo Ink Mfg., our manufacturing base in Japan.



Initiatives to reduce environmental load

Inspired by our initiative of shifting from being an energy consumer to becoming an energy producer, the floating solar power business operated by Taiyo Green Energy celebrated its 5th year of operations. In Fiscal 2020, the business launched operations of power facilities at six locations in the Prefectures of Gifu, Aichi, Kagawa, and Mie.

The Taiyo Ink Mfg. main office is also engaged in efforts to reduce energy consumption. The company has implemented numerous measures, including switching to LED emergency lights and upgrading its fan coils, to promote overall energy optimization.

Our Group will continue to promote renewable energy, which is expected to contribute to preventing global warming, help secure energy, and reduce environmental pollution, while also proactively adopting renewable energy in our Group production activities. We will fulfill our corporate social responsibilities by continuously considering the impact of business activities on the health of people and the global environment, and work to achieve manufacturing that achieves a balance of high functionality and environmental load reduction.

Floating solar power business



Hosoiike Floating Solar Plant (Gifu)



Hayashiike Floating Solar Plant (Aichi)



Hiraike Floating Solar Plant (Gifu)



Shijukushinike Floating Solar Plant (Mie)



Mimayaike Floating Solar Plant (Kagawa)



Odaike Floating Solar Plant (Kagawa)



Corporate Social Responsibility

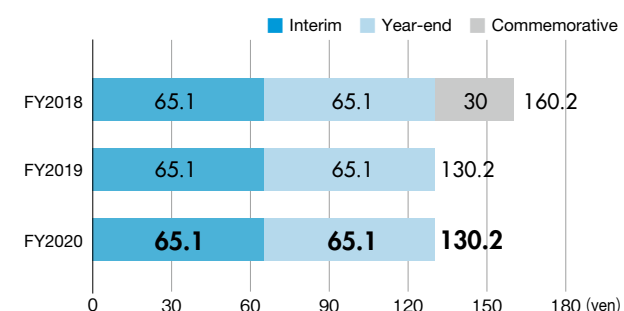


Shareholder and investor engagement

We strive for profit distribution to shareholders and to engage in appropriate communication with shareholders in order to provide the information necessary for investment decisions.

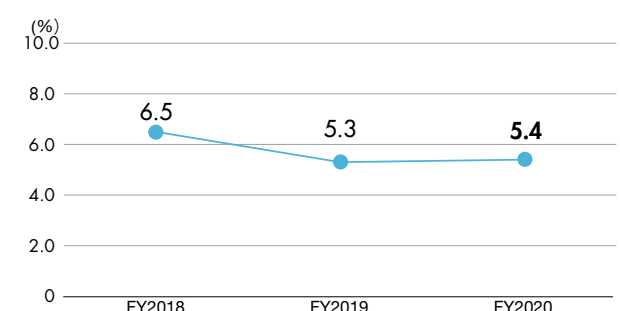
We position cash-based profit returns to shareholders as a core policy, and we engage in continuous, stable, high-level profit returns. Specifically, we work to maintain a medium- to long-term DOE ratio of 5% or higher. For Fiscal 2020, we set the full-year dividend amount total as 130.20 yen.

Trends in dividends per share



Our basic policy is to provide shareholders and investors with effective information for use in their investment decisions by engaging in IR activities that ensure accuracy, fairness, and promptness. Specific IR activities include providing IR information via our website, issuing an annual report, conducting financial results briefings for analysts and institutional investors, holding individual meetings with institutional investors, and holding corporate information sessions for individual investors.

Dividend on equity (DOE) ratio (consolidated)



Engagement with customers

Taiyo Holdings operates a quality management system based on ISO 9001:2015 to conduct quality assurance, quality management, and quality improvement activities to ensure we can continuously provide the quality and safety that satisfies our customers.

For Fiscal 2020, we advanced the implementation of the ISO 9001:2015 and received regular inspections by certification authorities to ensure conformity. To further improve efficacy, we will

use customer feedback and reviews of our operating environments to identify risks and opportunities as well as internal and external issues. We will make a daily commitment to providing higher quality products and services. In addition to response measures to address incidents that have occurred, we will engage in prevention activities such as using trend management* and process risks prevention measures to prevent cases of non-conformance.

*Trend management: Activity that promotes stable quality by confirming trends in actual measurements. This promotes measures to prevent nonconformance and helps assess product conformance with product standards.

Vendor engagement

We apply our green procurement standards towards the procurement of raw materials that are environmentally friendly and that promote safety and stable quality. Additionally, we work to build and strengthen trust-based relationships with vendors by conducting on-site inspections and engaging in activities to promote compliance with the Subcontract Act.

Audits designed to promote improvements to raw materials and auxiliary materials are conducted by teams mainly consisting of members of the Purchasing Section and Quality Assurance Department. When necessary, members of the manufacturing technology and design divisions will also participate in audits.

In Fiscal 2020, working in accordance with our annual audit

plan, we conducted on-site assessments to confirm the operating status of manufacturing process, quality, and environmental management systems. We also visited vendors to confirm initiatives related to controlled substances with environmental implications and the management of environmental load substances.

To ensure compliance with the Subcontract Act, we proactively cooperate with the Survey on Transactions with Subcontractors conducted by the Japan Fair Trade Commission and in Fiscal 2020 we held explanatory meetings on the Subcontract Act for relevant internal departments. We comply with the Subcontract Act and engage in fair trade with business applicable to these laws.

Engagement with community and society

To achieve harmony with the local community and society, we act as a corporate citizen by proactively engaging in various social contribution activities. Our Group companies partake in various partnerships to engage in a wide range of activities aimed at ensuring our ability to leave the world's limited resources for future generations, providing enrichment through all our engagements, and continuing to exist as a company that grows with society.

Taiyo Group social contribution goals



Social contribution activities

Our Group aims to contribute to the stimulation of local society by sponsoring and contributing to various events.

The Taiyo Ink Mfg. main office supports the blood drive measures sponsored by the Ministry of Health, Labour and Welfare (MHLW) by serving as a blood drive supporter and encouraging understanding and participation among employees in blood

drives. We receive cooperation from employees working at various Group companies. Recognized for those efforts, in 2018, we received a letter of commendation from the Governor of Saitama Prefecture at the Gathering of Saitama Blood Drive Supporters, an event held to recognize individuals and groups proactively participating in blood drive activities.

Community contribution activities

We promote interaction with the residents of the town of Ranzan in Saitama Prefecture, the home of the Taiyo Ink Mfg. main office and our Ranzan Plant, and engage in various community activities to contribute to the development of future generations.

In addition to participating in the Ranzan Matsuri, a cultural festival that passes on local history and tradition, the Taiyo Ink

Mfg. main office also offers plant tours and chemistry workshops to promote science education for local elementary schools.

We also operate a Kodomo-Shokudo (children's cafeteria) that provides nutritious food to local children. Moving forward, we will continue to provide educational and experiential opportunities for children.





Utilization of Human Resources



Our Group works to create a workplace environment that utilize the individual strengths of each employee and helps employees maximize their individual talents and potential. Through these initiatives, we strive to achieve “a cheerful society” by further advancing “every technology” and by creating a wide range of innovative products to fulfill the dreams of the world.

Promoting work/life balance

The Taiyo Group works to maintain appropriate personnel assignments by continuously assessing Group personnel status and career growth plans. We strive to provide an engaging workplace regardless of nationality, race, gender, or age while also promoting work/life balance by supporting employees efforts to maintain their family life while engaging in their careers.

Taiyo Holdings, Taiyo Ink Mfg., Taiyo Green Energy, Taiyo Pharma, and Taiyo Pharma Tech all support work/life balance by offering various systems, including child care leave and reduced work hours.

Our childcare reduced work hours system provides leave beyond the timeframes stipulated by law. For employees with children age three through the third year of elementary school, we allow work hours to be reduced to 6 hours and 30 minutes per day. We will continue to promote work/life balance as we strive to provide a comfortable work environment.

Main support systems

(people)

	System name	Number of users		
		FY2018	FY2019	FY2020
Childcare support	Childcare leave system (until end of year after child turns age one)	6	2	9
	Childcare reduced work hours system (until end of third year of elementary school)	14	11	7
Family care support	Family care leave and family care reduced work shift system (up to 93 days)	1	0	2
Nursing care support	Nursing care leave system	52	60	56
Permanent employment	Refresh leave system (refresh leave and funding provided for every five years of employment)	59	57	61

Calculation scope: Taiyo HD, employees seconded to domestic subsidiaries and overseas subsidiaries

Enhancement of training

Aiming to be an organization filled with self-sufficient human resources, our Group engages in various training activities, including conducting MORIUMUS group training (new employee training), follow-up training, future creativity meetings, off-site meetings for senior executives and department managers, and seminars featuring various industry leaders.

We have a credential acquisition support system to promote employee self-improvement. To address the increase in foreign-born employees, this system also supports the Japanese Language Proficiency Test. We will continue using this system to support skills developments for numerous employees.

Number of credentialed employees by degree of difficulty

(people)

Difficulty	S	A	B	C	D	Total
FY2018	0	2	4	6	1	13
FY2019	0	3	11	18	0	32
FY2020	0	2	6	8	1	17

Subjects: Taiyo HD and seconded employees

*Difficulty level: We set difficulty levels based on the type of credential. S for credentials such as Judicial Scrivener and Certified Public Accountant; A for credentials such as Tax Attorney and Chinese Language Proficiency Test Level 1; B for Japanese Bookkeeping Proficiency Test Level 2 or a TOEIC TEST score of 700 points or higher; C for credentials such as Industry Counselor, Basic Information Technician; D for Environmental Management Engineer Level 3 or Practical English Proficiency Test Level 3, etc.



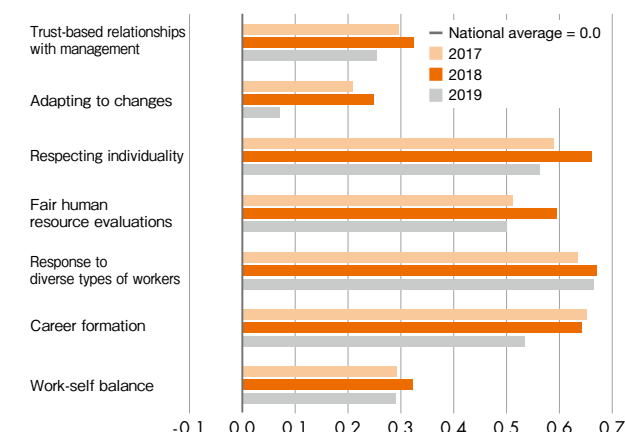
Enhancing our workplace environment

To create a more comfortable workplace environment for our employees, in addition to providing comfortable offices and research facilities, we also work to promote fulfilling time off and offer a welfare benefits system that extends coverage to employee's family members.

The fundamental and most important element to corporate growth is the development of self-sufficient personnel who are able to think and act on their own. Three factors – workplace environment, fair evaluations and compensation, and work motivation – are critical to developing self-sufficient human resources.

In our annual stress checks, we are maintaining scores that greatly outperform the national average (0.0) in all categories.

Results of stress checks (2017 to 2019)



Improving our employee cafeterias

The employee cafeterias of each location provide healthy and delicious foods prepared by professional chefs using local, organically grown vegetables and produce. In the evenings, cafeterias are also used as spaces for company receptions and meetings with customers.

Enhancing our multipurpose facilities

Each location features conference rooms and free space that can be used as multipurpose facilities where we offer regular studio lessons including meditation, aerial yoga, pilates, bonsai workshops, Tai Chi, and more.

Contributing to sports promotion

Taiyo Holdings has had an exclusive endorsement agreement with professional badminton athlete Nozomi Okuhara since January 2019. Our corporate philosophy is to achieve “a cheerful society” by further advancing “every technology” in our Group and by creating a wide range of innovative products to fulfill the dreams of the world. This endorsement agreement with Ms. Okuhara reflects this philosophy and our commitment to contributing to society through sports.

During this endorsement contract period, Ms. Okuhara competes on behalf of Taiyo Holdings while also appearing in advertisement campaigns and participating in engagement events for our employees and their families. Embracing the theme of chasing our dreams, together we strive to be the best in the world and achieve “a cheerful society” for all.

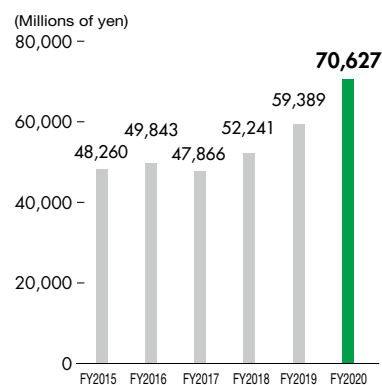


■ Key Financial and Non-financial Data (Six Years)

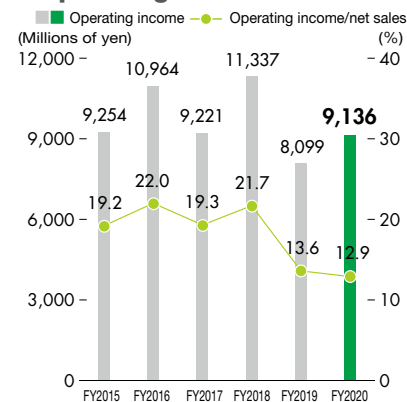
Taiyo Holdings Co., Ltd. and consolidated subsidiaries
Fiscal years ending on March 31

	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
Operating results (fiscal year): (Millions of yen)						
Net sales	48,260	49,843	47,866	52,241	59,389	70,627
Cost of sales	28,865	27,355	26,220	27,304	33,043	41,574
Selling, general and administrative expenses	10,139	11,522	12,424	13,599	18,247	19,917
Operating income	9,254	10,964	9,221	11,337	8,099	9,136
Profit attributable to owners of parent	6,667	7,796	6,398	4,856	4,396	3,749
Depreciation	1,411	1,891	2,485	2,284	3,357	5,283
Cash flows: (Millions of yen)						
Cash flows from operating activities	9,232	10,546	9,042	8,100	5,907	13,739
Cash flows from investing activities	(2,913)	(6,750)	(1,063)	(24,161)	(5,487)	(45,912)
Cash flows from financing activities	(9,919)	(2,740)	20,342	11,319	(12,001)	31,593
Financial position (end of fiscal year): (Millions of yen)						
Total assets	61,241	65,464	92,386	111,490	105,666	142,192
Total property, plant and equipment	16,865	19,644	18,389	17,923	22,313	44,761
Total liabilities	19,929	20,214	20,540	38,467	35,146	72,668
Non-controlling interests	2,238	2,135	782	363	337	301
Total net assets	41,312	45,250	71,846	73,023	70,520	69,523
Per share information: (yen)						
Basic earnings per share	264.05	337.99	266.46	168.55	152.71	131.99
Dividends per share	90.00	110.00	120.10	160.20	130.20	130.20
Net assets per share	1,703.14	1,865.94	2,468.99	2,520.68	2,475.36	2,434.23
Total number of shares issued (shares)	27,464,000	27,485,600	28,841,100	28,865,194	28,910,436	28,969,647
Financial indicators:						
Operating income/net sales (%)	19.2	22.0	19.3	21.7	13.6	12.9
Return on equity (%)	16.7	19.0	11.2	6.8	6.2	5.4
Equity ratio (%)	63.8	65.9	76.9	65.2	66.4	48.7
Non-financial information:						
Number of employees (people)	1,122	1,202	1,249	1,268	1,614	1,988
Energy consumption (electricity) (1,000 kWh)	10,460	10,279	9,696	9,057	8,538	8,325
Energy consumption (kerosene) (kL)	394	284	262	290	246	278
Energy consumption (LPG) (m ³)	14,491	16,990	18,161	6,285	4,943	5,055
CO ₂ emissions (t-CO ₂)	6,531	5,911	5,526	5,724	5,322	4,569
Discharged water (m ³)	13,798	13,923	14,839	16,670	18,710	19,838

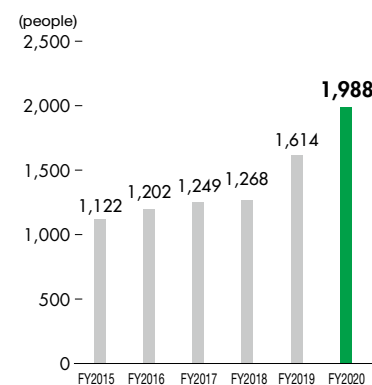
■ Net sales



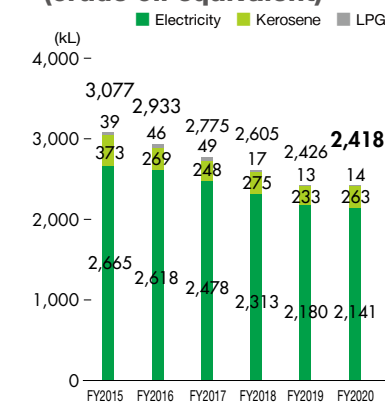
■ Operating income, Operating income/net sales



■ Number of employees

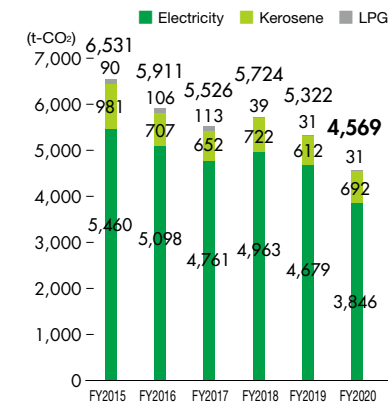


■ Energy consumption (crude oil equivalent)



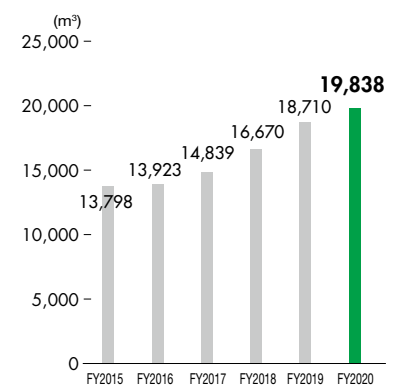
*Measurements not available for Kitakyushu Plant and Taiyo Pharma Tech

■ CO₂ emissions



*Measurements not available for Kitakyushu Plant and Taiyo Pharma Tech

■ Discharged water



*Measurements not available for Kitakyushu Plant and Taiyo Pharma Tech

— FY2020 Financial Analysis

Summary of financial position

Status of assets, liabilities, and net assets

The balance for assets as of the end of fiscal 2020 increased by 36,525 million yen to 142,192 million yen. Mainly due to increases in notes and accounts receivable – trade of 2,902 million yen, work in process of 1,344 million yen, and raw materials and supplies of 1,380 million yen as well as a decrease in cash and deposits of 2,149 million yen.

Liabilities increased by 37,522 million yen to 72,668 million yen. Mainly due to increased long-term borrowings of 32,374 million yen.

Total net assets decreased by 996 million yen to 69,523 million yen. Mainly due to recording 3,749 million yen as profit attributable to owners of parent while dividends of surplus decreased by 3,719 million yen and foreign currency translation adjustments decreased by 1,175 million yen.

Status of cash flows

(Cash flows from operating activities)

Funds earned from operating activities was 13,739 million yen. Mainly due to 5,261 million yen in profit before income taxes, 5,283 million yen in depreciation, and impairment losses of 3,540 million yen.

(Cash flows from investing activities)

Capital used in investing activities was 45,912 million yen. Mainly due to 7,571 million yen to acquire property, plant and equipment, 1,133 million yen to acquire intangible assets, and 37,658 million yen to acquire shares of subsidiaries.

(Cash flows from financing activities)

Capital used in financing activities was 31,593 million yen. Mainly due to 40,117 million yen as income from long-term borrowings, 5,902 million yen for the repayment of long-term borrowings, and dividend payments of 3,718 million yen.

Sources of capital and capital liquidity

Our financial policy is to secure the capital necessary for business activities while maintaining appropriate liquidity and a healthy balance sheet. We procure necessary capital mainly through the revenues earned through our business activities and bank loans. We have secured a more-than-sufficient level of capital necessary for current operations. As of the end of the consolidated fiscal year, total short-term and long-term borrowings were 55,711 million yen. The loan amounts required by our Group are not subject to significant seasonal fluctuations.

As of the end of the consolidated fiscal year, cash and cash equivalents totaled 29,115 million yen, the majority of which is in yen accounts. However, we also have other foreign currency deposits. Group cash and cash equivalents are equivalent to approximately 4.9 months' worth of sales revenues, which we believe is sufficient liquidity for current Group operations. However, market contraction due to economic downturn or volatility on financial or currency markets could result in conditions that threaten our liquidity. To address this risk, we have concluded a current account overdraft agreement with a financial institution for up to 21,050 million yen. Furthermore, in June 2020 we plan to execute loans from financial institutions totaling 27,600 million yen. In addition to procuring capital for growth investments, these loans are to secure capital on hand as provisions against extended economic downturn caused by the COVID-19 pandemic.

— Corporate Overview (as of March 31, 2020)

Corporate overview

Company name	TAIYO HOLDINGS CO., LTD.
Head office location	171-0021 16F, Metropolitan Plaza Bldg., 1-11-1 Nishi-Ikebukuro, Toshima-ku, Tokyo
Telephone number	81-3-5953-5200 (main)
Date established	September 29, 1953
Operations	Holdings company, Group management policy creation, and business management
Capital	9,428.13 million yen
No. of employees	Consolidated: 1,988/ Nonconsolidated: 112

— Status of Stock (as of March 31, 2020)

Shares authorized	50,200,000 shares
Common shares	50,000,000 shares
Series I Class A shares	100,000 shares
Series II Class A shares	100,000 shares
Total number of shares issued	28,969,647 shares
Common shares	28,969,647 shares
Series I Class A shares	0 shares
Series II Class A shares	0 shares
Number of shareholders	5,670
Number of shares in one unit	100 shares

Major shareholders

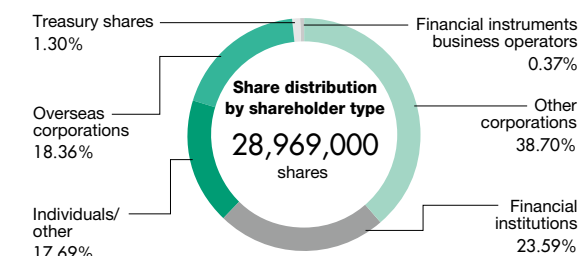
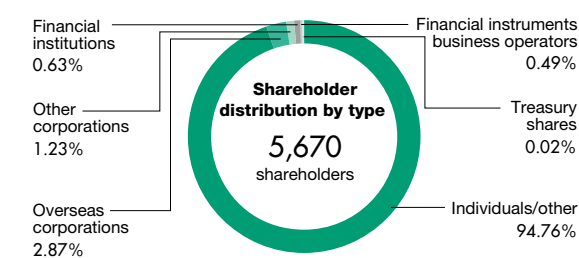
Shareholder name	Shares held (Thousands)	Share ratio (%)
DIC Corporation	5,617	19.64
Kowa Co., Ltd.	3,636	12.72
Japan Trustee Services Bank, Ltd. (Trust account)	2,075	7.26
MISAKI ENGAGEMENT MASTER FUND	1,861	6.51
The Master Trust Bank of Japan, Ltd. (Trust account)	1,383	4.84
SMBC Trust Bank Ltd. (Sumitomo Mitsui Banking Corporation retirement benefit trust account)	1,116	3.90
SHIKOKU CHEMICALS CORPORATION	745	2.61
Toshin Yushi Co., Ltd.	538	1.88
THE BANK OF NEW YORK MELLON 140042	451	1.58
Takato Kawahara	402	1.41

As of July 27, 2020, Japan Trustee Services Bank, Ltd. changed its corporate name to the Custody Bank of Japan, Ltd.

Status of directors (as of June 20, 2020)

President and CEO	Eiji Sato
Director	Eiji Takehara
Director	Hitoshi Saito
Director	Toshifumi Tamaki
Outside Director	Masayuki Hizume
Outside Director	Keiko Tsuchiya
Outside Director	Asako Aoyama
Outside Director	Yumiko Kamada
Outside Audit & Supervisory Board Member	Akihito Sakai
Outside Audit & Supervisory Board Member	Hiddenori Sugiura
Audit & Supervisory Board Member	Masaru Oki

Status of share distribution by shareholder type



Website information

Our Group proactively engages in the disclosure of various information, including corporate information and financial information. Visit our corporate website for more detailed information.

<http://www.taiyo-hd.co.jp>



Corporate website

IR website