

# Consolidated Financial Result Digest FY2023/3 2Q

(Fiscal Year Ending March 31, 2023)

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Nov. 7, 2022



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.

# Our Reporting Segments

## Electronics\*<sup>1</sup>

Develops, manufactures, purchases and sells chemicals for PWBs and other electronic components



\*1 As of FY2023/3 1Q, the name of the “Electronic Materials Business” has been changed to “Electronics Business.” This change only applies to the segment name. There is no change in the subsidiaries that make up the segment.

## Medical and Pharmaceutical

Manufactures and markets pharmaceuticals, and provides contract development and manufacturing organization (CDMO) services



## Others

Energy business using natural energy, food business, fine chemicals business including dyes, pigments and other chemicals, and ICT business, etc.



# FY2023/3 2Q Overview

## Electronics Business

- Net sales increased by 11% year on year
- Operating income increased by 24% year on year

### Main reasons

- Progression in the weakening of the yen contributed to growth in both revenues and income  
Avg. exchange rate during 1<sup>st</sup> half under review : 133.5JPY/USD  
Avg. exchange rate during same 1<sup>st</sup> half of prior FY : 110.2JPY/USD
- PKG products : Sales quantities of DF products remained at record-highs
- Rigid products : Sales quantities fell due to lower demand mostly in the Chinese market

## Medical and Pharmaceutical Business

- Net sales increased by 5% year on year

### Main reasons

- Increased due to shifts in the product mix under the contract manufacturing business
- Demand increased in line with factors such as the spreading of COVID-19 and limited shipments of drugs with the same indications by other companies, etc.
- Increase in sales volume due to increased demand from additional indications and medical necessity, etc.
- Unit sales prices became lower due to the revision of drug prices in the National Health Insurance (NHI) scheme for long-listed products

## Company

- Disclosure of Information based on TCFD Recommendations
- Acquired treasury stock (Jul. 1 - Sep. 30, 2022)  
Shares acquired : 228,800shares  
Total share acquisition amount : Approximately 626JPY million

# Consolidated Financial Results

## Results Summary

Unit : JPY Million

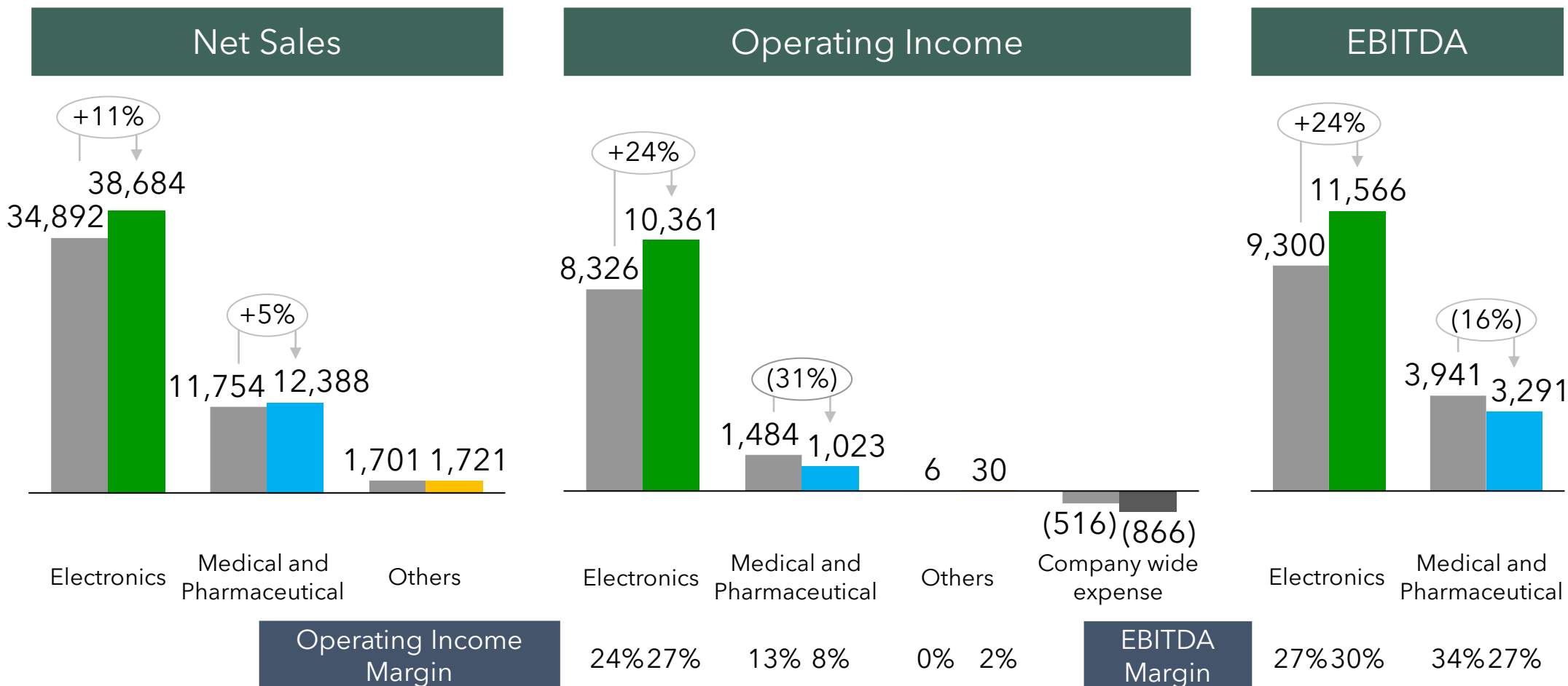
	① FY2022/3	② FY2023/3	②-① YoY	(②-①)/① %	③ FY2023/3 (announced on Apr. 28) 1 <sup>st</sup> half Forecast	②/③ % of Progress	④ FY2023/3 (announced on Apr. 28) Full year Forecast	②/④ % of Progress
<b>Net Sales</b>	<b>48,348</b>	<b>52,795</b>	4,446	9%	<b>55,600</b>	95%	<b>109,400</b>	48%
<b>Operating Income</b>	<b>9,301</b>	<b>10,548</b>	1,247	13%	<b>10,400</b>	101%	<b>19,000</b>	56%
<b>Ordinary Income</b>	<b>9,505</b>	<b>10,203</b>	698	7%	<b>10,400</b>	98%	<b>18,800</b>	54%
<b>Net Income</b>	<b>6,717</b>	<b>7,489</b>	771	11%	<b>7,200</b>	104%	<b>12,800</b>	59%
<b>Exchange rate of JPY/USD</b>	110.2	133.5	23.3		120.0		120.0	
<b>EBITDA</b>	<b>13,197</b>	<b>14,511</b>	1,314	10%	<b>14,400</b>	101%	<b>26,900</b>	54%
<b>Operating Income Margin</b>	<b>19%</b>	<b>20%</b>			<b>19%</b>		<b>17%</b>	
<b>EBITDA Margin</b>	<b>27%</b>	<b>27%</b>			<b>26%</b>		<b>25%</b>	

# Performance by Segment

## 1<sup>st</sup> Half Net Sales, Operating Income\*1 and EBITDA \*1

Unit : JPY Million

■ Fiscal year ended March 2022 1<sup>st</sup> half ■ Fiscal year ending March 2023 1<sup>st</sup> half

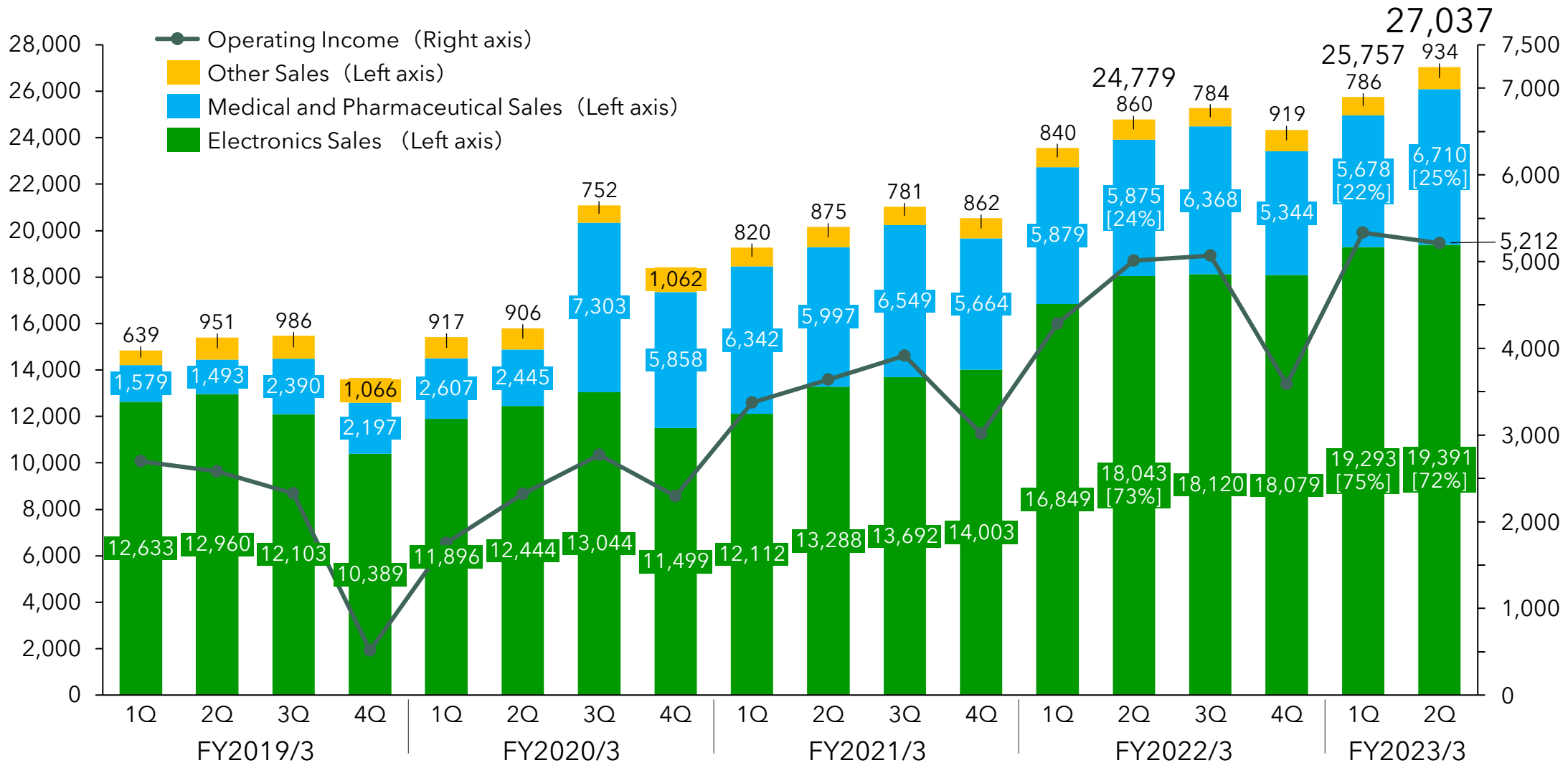


\*1 Since FY2023/3 1Q, certain R&D expense that was originally included in companywide expenses have been allocated to each reportable segment. Note that information on segment profit and losses and EBITDA for FY2022/3 Q2 was prepared based on computation methods for profit and losses of reportable segments following this change.

# Trend of Quarterly Performance

## Net Sales and Operating Income

Unit : JPY Million



# Overview of BS

## BS- Comparison with the Previous Term

Unit : JPY Million

	22/3	22/9	Change
Cash and Deposits	51,557	57,278	5,721
Accounts Receivables	27,558	28,329	771
Inventory <sup>*1</sup>	16,384	16,331	(53)
Others	3,266	3,440	174
<b>Total Current Assets</b>	<b>98,766</b>	<b>105,380</b>	6,614
Tangible Fixed Assets	52,255	55,501	3,245
Intangible Fixed Assets	32,058	30,920	(1,138)
Investments and other assets	6,192	6,607	414
<b>Total Fixed Assets</b>	<b>90,507</b>	<b>93,028</b>	2,521
<b>Total Assets</b>	<b>189,273</b>	<b>198,409</b>	9,136

	22/3	22/9	Change
Notes and Account payable	9,255	8,727	(528)
Short term borrowings <sup>*2</sup>	29,770	30,255	484
Long term borrowings	48,383	49,336	953
Others	16,396	16,710	313
<b>Total Liabilities</b>	<b>103,806</b>	<b>105,029</b>	1,223
Shareholders Equity	79,916	85,135	5,219
Accumulated other comprehensive income	5,549	8,241	2,692
Non-controlling interest	1	3	1
<b>Total net assets</b>	<b>85,466</b>	<b>93,379</b>	7,912
<b>Total liabilities and net assets</b>	<b>189,273</b>	<b>198,409</b>	9,136

	22/3	22/9	Change
<b>Equity to Asset Ratio</b>	<b>45.2%</b>	<b>47.1%</b>	+1.9%

\*1 Inventories : Goods and products + work in process + raw materials and stored good

\*2 Short-term borrowings : Short-term borrowings + long-term borrowings scheduled to be repaid within one year

# Progress of Earnings Forecast for 1<sup>st</sup> Half of FY2023/3

## Earning Forecast by Segment for 1<sup>st</sup> Half of FY2023/3 Unit : JPY Million

	① FY2023/3 1 <sup>st</sup> half Forecast <sup>*1</sup>			② FY2023/3 1 <sup>st</sup> half Result <sup>*2</sup>			②-① Compared to Forecast			②/① % of Progress		
	Consolidated	Electronics	Medical and Pharmaceutical	Consolidated	Electronics	Medical and Pharmaceutical	Consolidated	Electronics	Medical and Pharmaceutical	Consolidated	Electronics	Medical and Pharmaceutical
<b>Net Sales</b>	<b>55,600</b>	<b>41,000</b>	<b>12,600</b>	<b>52,795</b>	<b>38,684</b>	<b>12,388</b>	(2,804)	(2,315)	(211)	95%	94%	98%
<b>Operating Income</b>	<b>10,400</b>	<b>10,500</b>	<b>900</b>	<b>10,548</b>	<b>10,361</b>	<b>1,023</b>	148	(138)	123	101%	99%	114%
<b>EBITDA</b>	<b>14,400</b>	<b>11,700</b>	<b>3,200</b>	<b>14,511</b>	<b>11,566</b>	<b>3,291</b>	111	(133)	91	101%	99%	103%
<b>Operating Income Margin</b>	<b>19%</b>	<b>26%</b>	<b>7%</b>	<b>20%</b>	<b>27%</b>	<b>8%</b>						
<b>EBITDA Margin</b>	<b>26%</b>	<b>29%</b>	<b>25%</b>	<b>27%</b>	<b>30%</b>	<b>27%</b>						

\*1 JPY/USD exchange rate : Estimated value for FY2023/3 1<sup>st</sup> half 120.0 JPY.

\*2 JPY/USD exchange rate : Actual results for FY2023/3 1<sup>st</sup> half 133.5 JPY.



# Progress of Earnings Forecast for FY2023/3

## Earning Forecast by Segment for FY2023/3

Unit : JPY Million

	① FY2023/3 Full year Forecast <sup>*1</sup>			② FY2023/3 1 <sup>st</sup> half Result <sup>*2</sup>			②/①  % of Progress		
	Consolidated	Electronics	Medical and Pharmaceutical	Consolidated	Electronics	Medical and Pharmaceutical	Consolidated	Electronics	Medical and Pharmaceutical
<b>Net Sales</b>	<b>109,400</b>	<b>80,200</b>	<b>25,100</b>	<b>52,795</b>	<b>38,684</b>	<b>12,388</b>	48%	48%	49%
<b>Operating Income</b>	<b>19,000</b>	<b>20,100</b>	<b>1,000</b>	<b>10,548</b>	<b>10,361</b>	<b>1,023</b>	56%	52%	102%
<b>EBITDA</b>	<b>26,900</b>	<b>22,500</b>	<b>5,500</b>	<b>14,511</b>	<b>11,566</b>	<b>3,291</b>	54%	51%	60%
<b>Operating Income Margin</b>	<b>17%</b>	<b>25%</b>	<b>4%</b>	<b>20%</b>	<b>27%</b>	<b>8%</b>			
<b>EBITDA Margin</b>	<b>25%</b>	<b>28%</b>	<b>22%</b>	<b>27%</b>	<b>30%</b>	<b>27%</b>			

\*1 JPY/USD exchange rate : Estimated value for FY2023/3 120.0 JPY.

\*2 JPY/USD exchange rate : Actual results for FY2023/3 1<sup>st</sup> half 133.5 JPY.



# Electronics Business

## Terminology

Term	Definition
PWB	Printed wiring board
SR	Solder resists (or solder-resist inks), also known as solder mask
PKG	Semiconductor package
DF	Dry film

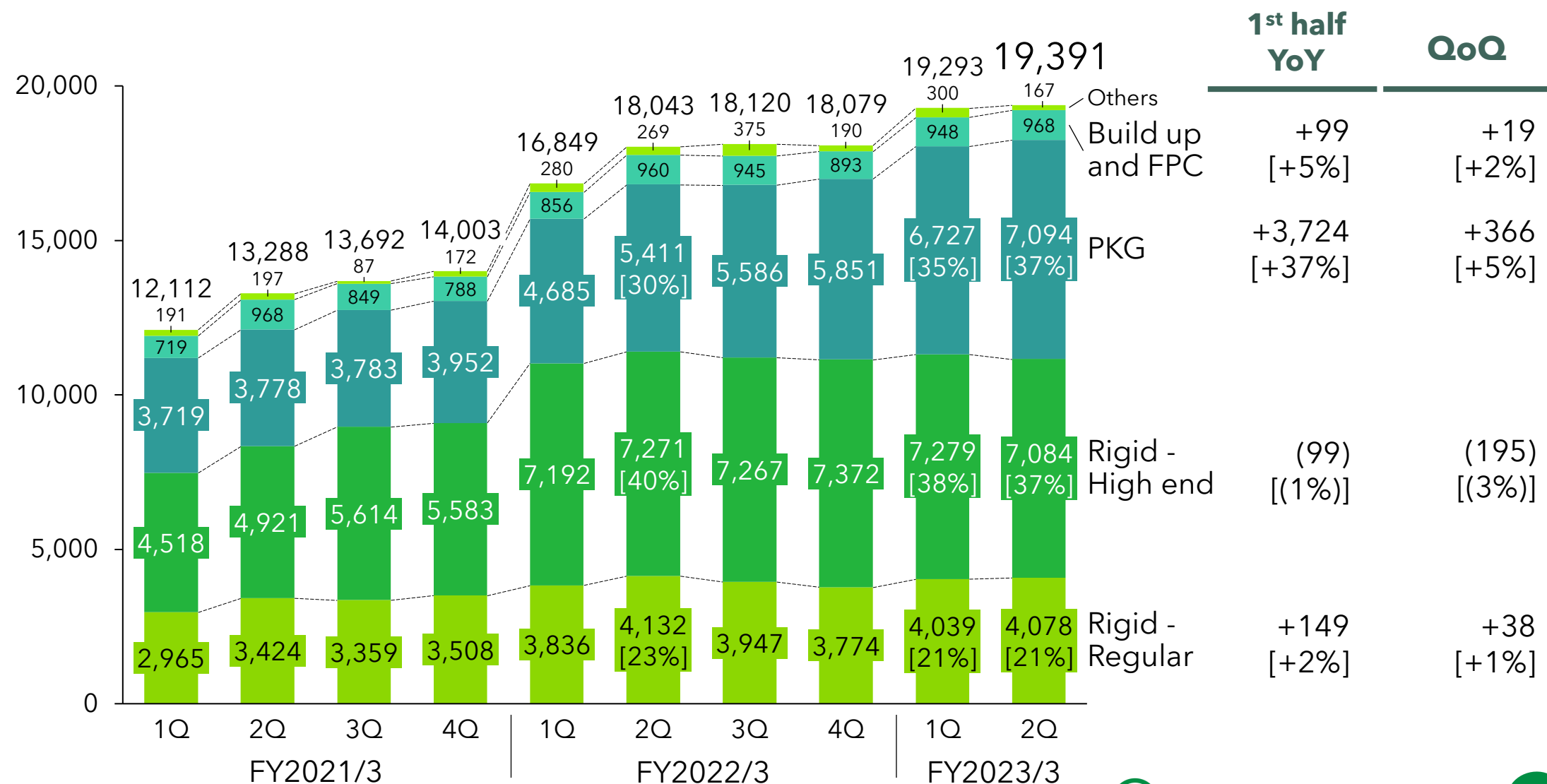
## Product Classification

Group	Category		Type	Remarks
PWB insulating materials	Rigid	Regular	Liquid	<ul style="list-style-type: none"> <li>▪ SR materials for insulation and surface protection use</li> <li>▪ Electronic materials</li> </ul>
		High end	Liquid/DF	
	PKG		Liquid/DF	
	FPC (Flexible printed circuit board)		Liquid/DF	
	Build-up		Liquid/DF	
Other related products	Others		Liquid	<ul style="list-style-type: none"> <li>▪ Marking, etching, plating materials</li> <li>▪ Flux, conductive silver paste, solvent etc.</li> </ul>

# Electronics Business

## Net Sales by Product Category

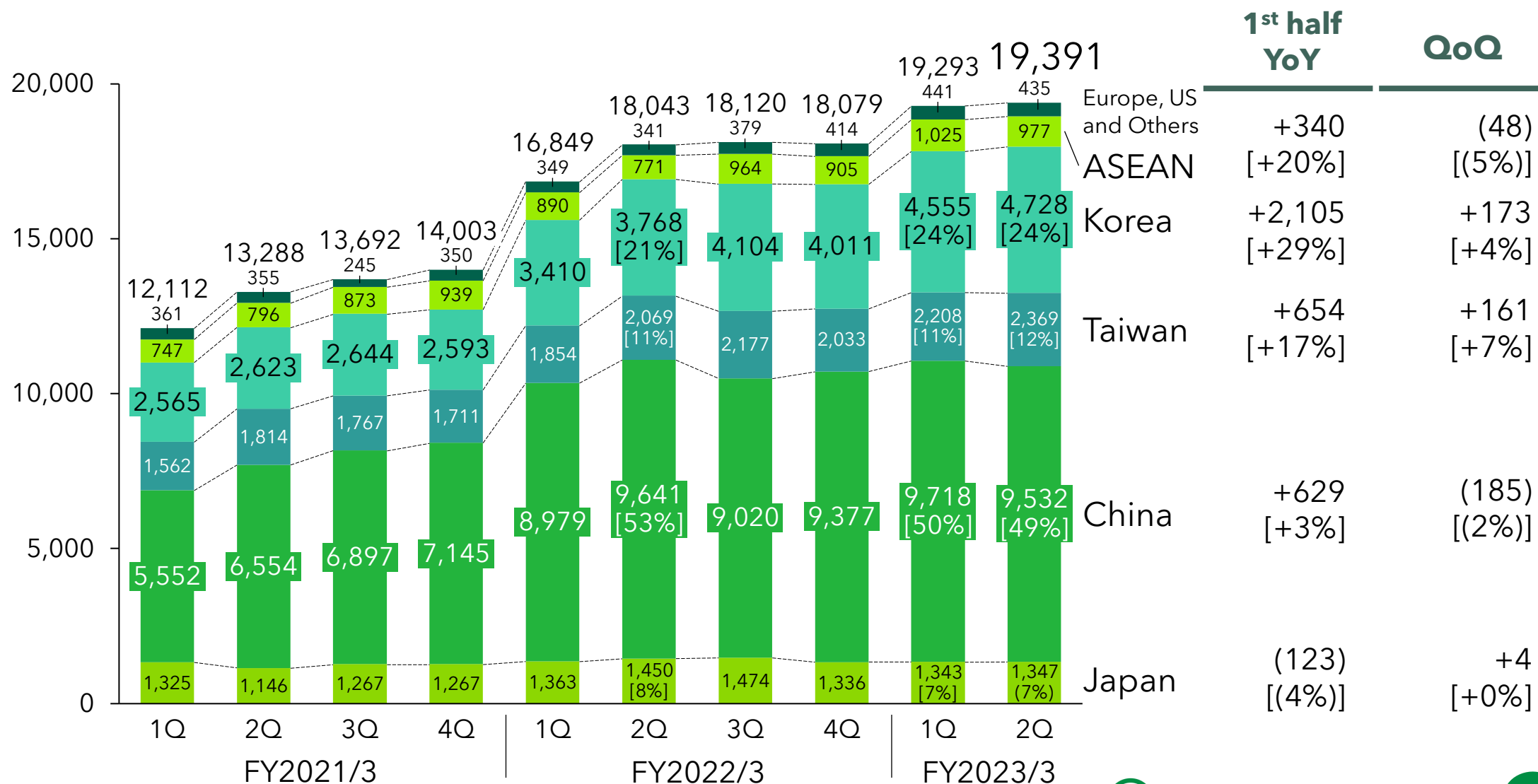
Unit : JPY Million




# Electronics Business

## Net Sales by Sales Area

Unit : JPY Million





# Medical and Pharmaceutical Business

# Medical and Pharmaceutical Business

## Terminology

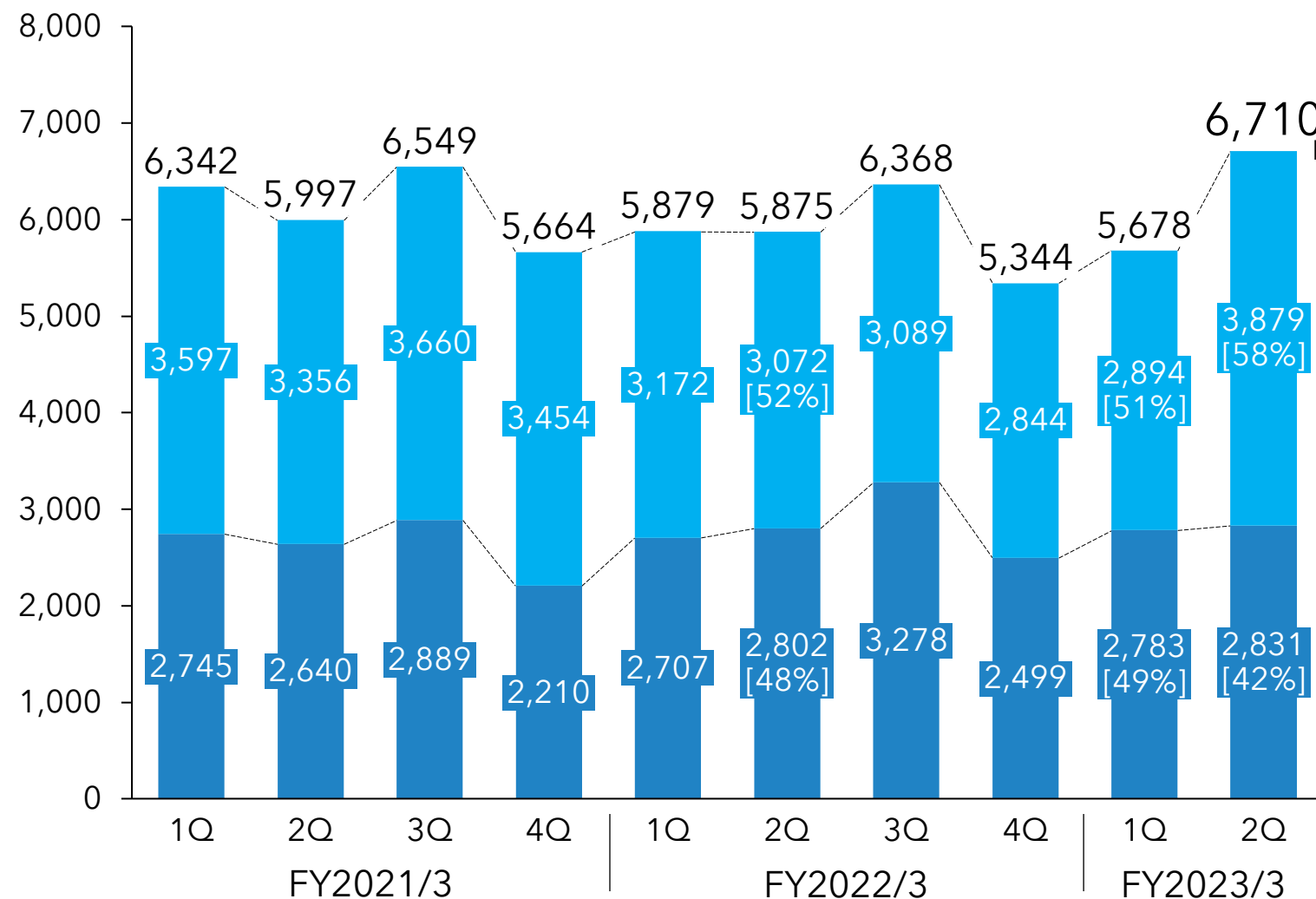
Term	Definition
LLP	A drug for which the patent or re-examination period has expired, enabling the sale of generic drugs (Long Listed Product)
CDMO	Organizations that are contracted to manufacture drugs and to develop drug formulation (Contract Development Manufacturing Organization)
GMP	Standards for manufacturing control and quality of pharmaceuticals and quasi-drugs (Good Manufacturing Practice)



# Medical and Pharmaceutical Business

## Net Sales by Company

Unit : JPY Million



	1st half YoY	QoQ
Medical and Pharmaceutical	+634 [+5%]	+1,032 [+18%]
Taiyo Pharma Tech (CDMO)	+529 [+8%]	+984 [+34%]
Taiyo Pharma (Manufacturing and Marketing)	+104 [+2%]	+47 [+2%]



# Disclosure of Information Based on TCFD Recommendations

# Disclosure of Information Based on TCFD

## Recommendations

- ✓ In the revision to Japan's Corporate Governance Code, companies listed on the Prime Market of Tokyo Stock Exchange are requested to perform disclosure based on the TCFD or another similar framework. Taiyo Holdings has declared its support for the TCFD on March 2022 and will proceed to disclose information based on the TCFD recommendations.

### Four Items for Which Disclosure Is Required by TCFD

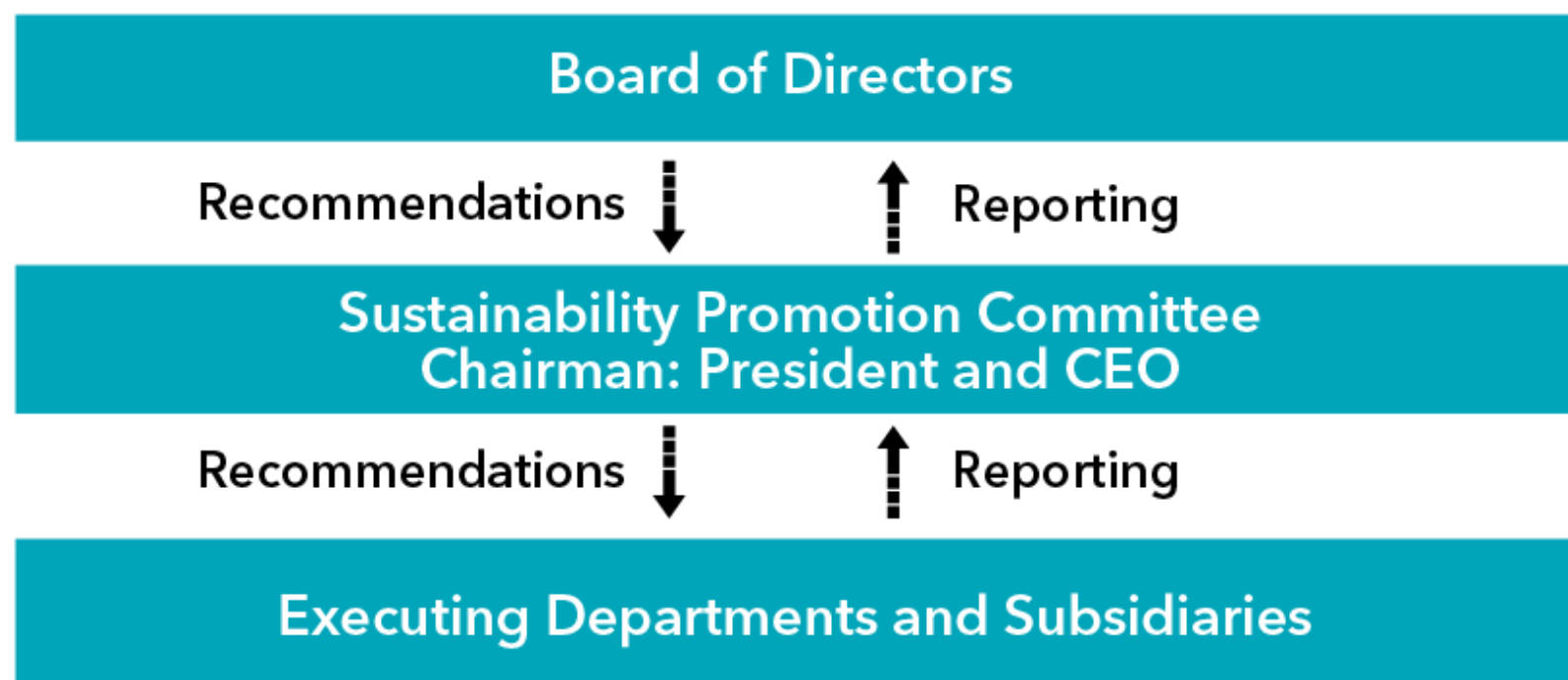


Items for which Disclosure Is Required	Recommended Information for Disclosure
<b>Item 1: Governance</b>	Disclose the organization's governance around climate-related risks and opportunities
<b>Item 2: Strategies</b>	Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material
<b>Item 3: Risk Management</b>	Disclose how the organization identifies, assesses, and manages climate-related risks
<b>Item 4: Metrics and Targets</b>	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material

## Recommendations : Governance

- ✓ The Sustainability Promotion Committee chaired by the President and Chief Executive Officer holds discussions laterally across the entire Group on areas such as progress in targets set in accordance with on priority challenges. For important matters, the Committee's policy is to report them to the Board of Directors and receive instructions.

### Implementation Framework



# Disclosure of Information Based on TCFD

## Recommendations : Metrics and Targets

- ✓ We will further accelerate efforts to reduce CO<sub>2</sub> emissions from our target for transitioning to renewable energy for our preexisting power consumption with a view to achieving carbon neutrality by 2050, the standard set by the Japanese government.

