

May 16, 2025

To whom it may concern:

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Notice of the Opinion of Taiyo Holdings' Board of Directors on the Shareholder Proposals

Taiyo Holdings Co., Ltd. (hereinafter, "Taiyo Holdings") has received shareholder proposals for the 79th Ordinary General Shareholders' Meeting scheduled to be held on June 21, 2025 as it announced the "Notice Regarding the Receipt of Shareholder Proposals" on May 8, 2025 on its website.

Taiyo Holdings hereby announces that its Board of Directors has resolved to oppose the shareholder proposals at its meeting held today.

Please refer to the "Supplementary Briefing Material of the Opinion of Taiyo Holdings' Board of Directors on the Shareholder Proposals" for details.

【Related materials disclosed on Taiyo Holdings' website】

<https://www.taiyo-hd.co.jp/en/news/>

- May 8, 2025 "Notice Regarding the Receipt of Shareholder Proposals"
- May 16, 2025 "Notice of the Opinion of Taiyo Holdings' Board of Directors on the Shareholder Proposals"
- May 16, 2025 "Supplementary Briefing Material of the Opinion of Taiyo Holdings' Board of Directors on the Shareholder Proposals"

1. Proposed Shareholder

Oasis Japan Strategic Fund Y Ltd. (hereinafter, "Oasis")

2. Details of the Shareholder Proposals

(1) Agenda

Dismissal of two (2) Board Directors

(2) Proposal

Proposal No. 1: Dismissal of Board Director Mr. Eiji Sato

Proposal No. 2: Dismissal of Board Director Mr. Kiyofumi Takano

(3) Reason for the Proposal

Oasis proposes the dismissal of Mr. Eiji Sato (hereinafter, "Mr. Sato") and Kiyofumi Takano (hereinafter, "Mr. Takano"), who serve as Board Directors of Taiyo Holdings, due to concerns regarding corporate governance and business operations as described below. Taiyo Holdings' shareholders should also oppose the proposal to reappoint these two individuals, as well as any proposal to appoint an individual affiliated with DIC Corporation (hereinafter, "DIC") as a Board Director of Taiyo Holdings.

a) Third-party allotment to dilute existing shareholders

In 2017, Taiyo Holdings conducted a large-scale third-party allotment of new shares to DIC, diluting the voting rights of existing shareholders. At the 2016 Ordinary General Shareholders' Meeting, Taiyo Holdings withdrew proposals for "amendments to the articles of incorporation to allow entry into the Medical and Pharmaceuticals business" and "a new compensation system for board directors" due to opposition from shareholders. Since these two proposals were approved at the 2017 Ordinary General Shareholders' Meeting, which took place immediately after the capital increase, Oasis presumes that the primary purpose of the capital increase was to secure approval for certain proposals rather than to enhance corporate value or raise funds.

b) Excessive compensation for Mr. Sato

Since the 2017 Ordinary General Shareholders' Meeting, Mr. Sato's compensation has been significantly higher than that of board directors at other listed companies. This is due to the proposal regarding board directors' compensation, which Mr. Sato secured approval for, as explained above.

c) Excessive investment into and failure of Medical and Pharmaceuticals business

The Medical and Pharmaceuticals business, led by Mr. Sato, has shown low returns on significant investments, repeatedly recorded impairment losses, and destroyed the company's corporate value.

d) Incident and inappropriate response by the local subsidiary in Thailand

Masaru Oki (hereinafter, "Mr. Oki"), a former Auditor of Taiyo Holdings, submitted a false document to the Thai government while serving as a Managing Director of local subsidiary in Thailand. In response to this act, an arrest warrant was issued against Mr. Oki in 2021, and he was found guilty in 2024. Since Taiyo Holdings' Board of Directors failed to take any effective measures despite being aware of the arrest warrant in 2021, it is highly likely that they violated their duty of care.

e) Failure to fulfil monitoring function by DIC dispatched board directors

There are significant transactions between Taiyo Holdings and its largest shareholder, DIC, creating a conflict of interest. Therefore, as was the case with Taiyo Holdings' response to the Thai incident, it is not likely that DIC-appointed Board Directors will be able to perform effective supervisory functions.

3. Opinion of Taiyo Holdings' Board of Directors on the Shareholder Proposals and Reasons Therefor

Taiyo Holdings' Board of Directors opposes both Proposal 1 and Proposal 2.

Proposal No. 1: Dismissal of Board Director Mr. Eiji Sato

Taiyo Holdings' Board of Directors opposes this proposal. The reasons are as follows.

Since assuming the position of President and CEO of Taiyo Holdings in April 2011, Mr. Sato has embarked on investments and mergers and acquisitions (M&A) to expand Taiyo Holdings' mainstay Electronics business. He has also entered and developed the Medical and Pharmaceuticals business to diversify the company, while strengthening corporate governance. As a result, Taiyo Holdings has shown significant growth in business performance and corporate value, repeatedly achieving record-high net sales and operating income under Mr. Sato's leadership. Compared to the fiscal year ended March 2011, when Mr. Sato became President and CEO, there has been a threefold increase in consolidated net sales and a fourfold increase in consolidated operating income. (Taiyo Holdings' stock price has also risen approximately fourfold since April 1, 2011, and is currently at its highest on record.) Mr. Sato has demonstrated his strong capabilities to fulfill his duties as a Board Director, and he is expected to continue playing a leading role in enhancing the corporate value of Taiyo Holdings. Therefore, there is no reason to doubt his qualifications.

As explained below, the points raised in this shareholder proposal do not constitute grounds for Mr. Sato's dismissal. Considering his high level of job performance and notable past achievements, the Board of Directors opposes this shareholder proposal.

Please note that the opinion of the Board of Directors on this shareholder proposal has been deliberated and resolved by the Board of Directors based on a report from the Nomination and Compensation Committee.

a) Third-party allotment of new shares is not intended to dilute existing shareholders

The third-party allotment of new shares to DIC ("the third-party allotment") conducted in 2017 was carried out for the purpose stated in the press release dated January 25, 2017, titled "Notice Concerning a Capital and Business Alliance with DIC Corporation, Issuance of New Shares through a Third-party Allotment, Disposition of Treasury Shares, and Changes in Major Shareholders, the Top Shareholder among Major Shareholders, and Associated Companies." As described in the press release, the purpose was to establish a strategic partnership with DIC, which possesses excellent material development capabilities, production and distribution bases, and financial strength, in a way that complement the business development of Taiyo Holdings' Group. This third-party allotment is also intended to secure the funds necessary to resolve the short-term management issues and to advance the medium- to long-term management strategy.

Due to the capital and business alliance through this third-party allotment, various synergies have been created with DIC. These synergies include mutual evaluation and improvement of materials for molded interconnect device (MID), progress in developing new applications as part of new market development outside of printed circuit boards, and joint development of materials for electronic devices used in high-frequency bands for next-generation communication standards, such as 5G and beyond. This includes the joint development of a new seed film for high-frequency compatible wiring formation, which won the 53rd Japan Chemical Industry Association (JCIA) Special Award. Additionally, the alliance has strengthened the business continuity plan (BCP) by procuring raw materials from DIC to secure multiple suppliers of key raw materials. The funds raised through the third-party allotment are being allocated to support new business initiatives, the Electronics business, the reconstruction of IT infrastructure, and the execution of M&A activities. For the Electronics business, the funds were used to reconstruct and improve the productivity of the Taiwan plant, as well as to expand the dry film production line at the Kitakyushu Plant.

The proposals for "amendments to the articles of incorporation to allow entry into the Medical and Pharmaceuticals business" and "a new compensation system for board directors" at the 70th Ordinary General Shareholders' Meeting held for fiscal 2016 were withdrawn with the aim of enabling a greater number of shareholders to understand the purpose and objectives of these proposals. The claim that Taiyo Holdings was forced to withdraw these proposals due to opposition from its certain shareholders is inaccurate. Therefore, the shareholder's assertion that Taiyo Holdings conducted the third-party allotment to have these proposals approved is not supported by any fact.

b) Compensation for Mr. Sato is not excessive

As described above, Mr. Sato has improved Taiyo Holdings' business performance by repeatedly achieving record-high net sales and operating income, demonstrating exceptionally high competence in his role as a Board Director. Therefore, his current compensation is commensurate with his high ability to perform his duties as a Board Director.

In addition, the compensation for Taiyo Holdings' board directors consists of the following: (1) basic compensation, (2) performance-linked cash compensation, (3) performance-linked stock compensation with a three-year transfer restriction, and (4) restricted stock compensation with a 10-year transfer restriction. Mr. Sato's total cash compensation, which includes (1) and (2), is at or below the average for representative directors of other companies listed on the Prime Market of the Tokyo Stock Exchange and remains close to the median level. In particular, his (1) basic compensation, which is fixed and not linked to performance, is in the bottom 25%. The compensation for executive board directors of Taiyo Holdings consists of a high proportion of stock-based compensation, which refers to (3) and (4), and is closely linked to business performance. Therefore, their compensation system is designed so that any increase or decrease in their interests is mostly aligned with those

of shareholders. The amount of compensation may increase depending on business performance, but this is due to Mr. Sato's contributions to the company's strong performance.

Furthermore, the proposal for a new compensation system for board directors approved at the 71st Ordinary General Shareholders' Meeting held for fiscal 2017 was made in response to amendments to tax systems, as well as the officer compensation system presented by the Ministry of Economy, Trade and Industry's (METI) to encourage "proactive business management," which made it possible to introduce a restricted stock compensation system using common stock. This proposal was not made with the intention of granting excessive compensation to Mr. Sato. Sharing value with shareholders has been part of Taiyo Holdings' approach to officer compensation since before Mr. Sato assumed the position of President and CEO. Moreover, in line with that policy, Taiyo Holdings has introduced a stock-based compensation system since fiscal 2014, which was considered progressive at that time.

The decision to implement this compensation system was not made solely by executive board directors but made the following discussions and reports from bodies with objective and neutral points of view, including the Compensation Advisory Committee (currently the Nomination and Compensation Committee), where outside board directors and experts constitute a majority of the members.

c) Medical and Pharmaceutical investments are not inappropriate management decisions

To achieve stable and sustainable growth in its consolidated business performance, which was susceptible to semiconductor market conditions and other factors, Taiyo Holdings entered the Medical and Pharmaceuticals business. This entry was initiated through the manufacturing and marketing of pharmaceuticals largely by acquisition of a long-listed product, which was subsequently expanded into a CDMO. There are synergies between the Medical and Pharmaceuticals business and the Electronics business in areas such as business operations and human resources. In terms of business operations, they can mutually utilize plant operating expertise, including production processes and overseas development. Additionally, they can recruit and develop highly skilled individuals with wide-ranging skills and perspectives, capable of active participation across the entire company, which represents a synergy in human resources. Therefore, the Medical and Pharmaceuticals business can be considered unified with the Electronics business at Taiyo Holdings, which has been a chemicals manufacturer since its foundation.

It is accurate to state that the Medical and Pharmaceuticals business has a lower return on invested capital (ROIC) compared to the Electronics business. However, given the unique characteristics of the Medical and Pharmaceuticals business, such as goodwill from M&A or business acquisitions recorded during the start-up and expansion period, as well as differences in maturity and business cycle, it is difficult to make a straightforward comparison based solely on capital efficiency with Electronics business. In addition, in some fiscal years, the Medical and Pharmaceuticals business has outperformed the Electronics business and other businesses in terms of EBITDA margin and other factors.

Additionally, the manufacturing and marketing of pharmaceuticals and the CDMO business require considerable investment. Unlike a drug discovery business, where the probability of success is difficult to foresee, the Medical and Pharmaceuticals business of Taiyo Holdings has consistently contributed to sales and profits.

In light of these factors, the Board of Directors recognizes that the Medical and Pharmaceuticals business is an important sector of Taiyo Holdings' overall business management. In this business, impairment losses have been recorded on goodwill arising from M&A and business acquisitions during the start-up and expansion period. However, the value of the business is much higher than these impairment losses, as described above.

Consequently, the Medical and Pharmaceuticals business is not something that will "destroy the company's corporate value" or be considered a "failure."

For the fiscal year ending March 31, 2026, the Medical and Pharmaceuticals business is expected to demonstrate steady growth in sales and profits, reaching record-high net sales and operating income. As a result, Taiyo Holdings is expected to achieve a record-high profit of 23.3 billion yen, (up more than 105% year on year) because of growth in the Medical and Pharmaceuticals business, despite an expected profit decline in the Electronics business due to the impact of appreciation of yen.

The decision to enter the Medical and Pharmaceuticals business was made after careful deliberation by the Board of Directors. Taiyo Holdings also received shareholder approval at the Ordinary General Shareholders' Meeting held for fiscal 2017 to amend its Articles of Incorporation to enter the Medical and Pharmaceuticals business. As mentioned above, Taiyo Holdings believes that there are no problems with the decision-making process for entering the Medical and Pharmaceuticals business.

d) Response to incident at Thai subsidiary

Regarding the matters raised in this shareholder proposal, the results of the investigation conducted by Taiyo Holdings are as follows: (i) During the period when Mr. Oki served as an Auditor of Taiyo Holdings, a false meeting record was prepared at the former Thai subsidiary of Taiyo Holdings' Group (which has since been liquidated). The meeting record stated that a former associate of Taiyo Holdings (hereinafter, Mr. A), who owned one share out of the 30,000 shares issued by the former Thai subsidiary, had attended the General Shareholders' Meeting. However, in fact, Mr. A did not attend the meeting. (ii) In March 2021, an arrest warrant was issued against Mr. Oki in Thailand for submitting the false minutes to the Thai government. (iii) In 2024, a Thai court found Mr. Oki guilty.

It is important to note that Mr. A filed a civil lawsuit against the former Thai subsidiary and Taiyo Holdings, asserting his claim of being a real shareholder. He disputed the validity of the shareholders' meeting of the former Thai subsidiary, citing inadequacies in the meeting record, and sought compensation for damages. However, in 2021, Mr. A's claim was dismissed by the court in the first instance. Although an appeal was subsequently filed, he finally lost the case. In that judgment, Mr. A's claim to be a real shareholder was not recognized because he was a shareholder only as a representative of Taiyo Holdings and without compensation. It was also recognized that he did not incur any damage.

This shareholder proposal claims that Taiyo Holdings failed to take effective measures despite being aware of the existence of an arrest warrant in 2021. However, Taiyo Holdings has prioritized a thorough investigation of the facts and the implementation of measures to prevent recurrence as the issuance of an arrest warrant does not constitute a final conviction of Mr. Oki. Therefore, Taiyo Holdings did not take immediate disciplinary action, such as dismissing Mr. Oki. At a later date, Mr. Oki resigned from his position as an Auditor of Taiyo Holdings upon the expiration of his term in June 2022.

Taiyo Holdings is implementing comprehensive measures to prevent similar incidents in the future. These measures include strengthening the reporting system to the Board of Directors for greater transparency when risk incidents occur and clarifying response policies. Additionally, the former Thai subsidiary demonstrated that its number of employees, sales, and profits were insignificant within Taiyo Holdings' Group, leading to differences in the depth of monitoring compared to other major subsidiaries. To prevent similar situations from occurring at other non-major subsidiaries in the future, the Group is enhancing its overall risk assessment and response, improving training and awareness, and further strengthening internal controls and subsidiary management. Taiyo Holdings plans to continue reinforcing these measures to prevent recurrence in the future.

Taiyo Holdings takes seriously the incident involving the former Auditor and the former Thai subsidiary. However, given that the measures have already been implemented to prevent recurrence, the Board of Directors believes that the claim that Mr. Sato failed to take effective action in this matter is inappropriate.

Proposal No. 2: Dismissal of Board Director Mr. Kiyofumi Takano

Taiyo Holdings' Board of Directors opposes this proposal. The reasons are as follows.

The Board of Directors recognizes the significant contributions of Mr. Kiyofumi Takano and other board directors affiliated with DIC to the enhancement of corporate governance, based on their understanding of Taiyo Holdings' business and extensive experience in various roles at DIC.

Specifically, board directors affiliated with DIC are selected from personnel who have a deep understanding of Taiyo Holdings' business. Mr. Takano has extensive experience and knowledge in technology, research and development, and marketing, along with a track record of involvement in new business creation and a global perspective. He has provided valuable advice to the Board of Directors as a business expert.

In addition, as an independent listed company, Taiyo Holdings makes management decisions independently, without direction or prior approval from DIC. The objective of this decision-making process is to increase corporate value and protect the interests of minority shareholders. Board directors affiliated with DIC are prohibited from participating in the deliberation and resolution of proposals in which they have an interest. This approach ensures the fairness of the decision-making process regarding the determination of transaction terms and conditions, among other things.

Please note that the opinion of the Board of Directors on this shareholder proposal has been deliberated and resolved by the Board of Directors based on a report from the Nomination and Compensation Committee.

At this General Shareholders' Meeting, there is no proposal to appoint Mr. Takano or other board directors affiliated with DIC, due to personnel measures determined through consultation between Taiyo Holdings and DIC. However, Mr. Takano and the other board directors affiliated with DIC have sufficiently fulfilled their roles as Board Directors of Taiyo Holdings to date.