

Supplementary Briefing Material of the Opinion of Taiyo Holdings' Board of Directors on the Shareholder Proposals

Taiyo Holdings Co., Ltd. | May 16, 2025

2025

Executive Summary (1/2)

About Taiyo Holdings

- Taiyo Holdings is focusing on developing human resources, such as researchers and engineers, and engaging in active capital investments within our inimitable organizational culture. As a result, in the Electronics business, we are the leading player in the solder resist sector, with a global market share of approximately 60%.
- Since the mid-2010s, we have been focusing on enhancing added value through the creation of dry-film-type solder resist. This advancement contributed to our subsequent inclusion in the Nikkei Semiconductor Stock Index. We have also been focusing on developing new business opportunities in addition to our Electronics business. We have entered the Medical and Pharmaceuticals business, and [it is currently the second pillar of our company](#), thanks to our efforts to expand in this field.
- To realize our management philosophy of achieving a cheerful society, we have been operating our businesses based on “Beyond Imagination 2030,” our long-term management plan formulated in 2021.
- As a result, as disclosed on April 30, 2025, [we achieved year-on-year increases in both sales and profits, reaching record-high net sales and operating income in the fiscal year ended March 2025. We expect further growth in sales and profits in the fiscal year ending March 2026.](#)

Shareholder proposals and the opinion of the Board of Directors

- Under these circumstances, as announced on May 8, 2025, Taiyo Holdings has received shareholder proposals for the 79th Ordinary General Shareholders’ Meeting from Oasis Japan Strategic Fund Y Ltd. (“Oasis”), to be resolved
- Despite our steady growth as described, [Oasis has proposed the dismissal of Mr. Sato and Mr. Takano as Board Directors of Taiyo Holdings](#), based on concerns related to our corporate governance and business management. [Oasis also claims that shareholders should oppose the proposal to reappoint these two individuals, as well as any proposal to appoint an individual affiliated with DIC as a Board Director of Taiyo Holdings](#)
- However, Taiyo Holdings believes that [Oasis’s concerns about our corporate governance and business management are not valid reasons for the dismissal of these individuals. Therefore, our Board of Directors opposes these shareholder proposals \(it has deliberated and passed a resolution on this matter based on a report from the Nomination and Compensation Committee\)](#)
- We respectfully request that [our shareholders place their trust in the Board of Directors of Taiyo Holdings. Also, we kindly ask them to vote in favor of our proposals, including the appointment of Mr. Sato, and to vote against the shareholder proposals.](#)

Executive Summary (2/2)

About Mr. Sato, Board Director

- Since becoming President and CEO of Taiyo Holdings, Mr. Sato has been working to strengthen corporate governance while also promoting investment and M&A for further growth in our mainstay Electronics business. As part of strategies to diversify our businesses, he has also entered and developed the Medical and Pharmaceuticals business.
- As a result, we have repeatedly achieved record-high net sales and operating income, with Taiyo Holdings' consolidated net sales and operating income increasing by approximately threefold and fourfold, respectively. (compared to the fiscal year ended March 2011)
- Since April 2011, when Mr. Sato became President and CEO, the share price has increased by 4.2 times (from April 1, 2011, to April 30, 2025). In contrast, TOPIX increased by 3.1 times over the same period, indicating a positive assessment by shareholders.
- Because of Mr. Sato's leadership, our business performance and corporate value have significantly increased. Given that he has demonstrated strong capabilities to fulfill his duties as a Board Director is expected to continue to play a leading role in enhancing the corporate value of the company, there is no reason to doubt his qualifications as a Board Director.
- None of the reasons that Oasis presents in its shareholder proposal are valid reasons for his dismissal. Therefore, our Board of Directors opposes this shareholder proposal (the Board of Directors has deliberated and passed a resolution on this matter based on a report from the Nomination and Compensation Committee)

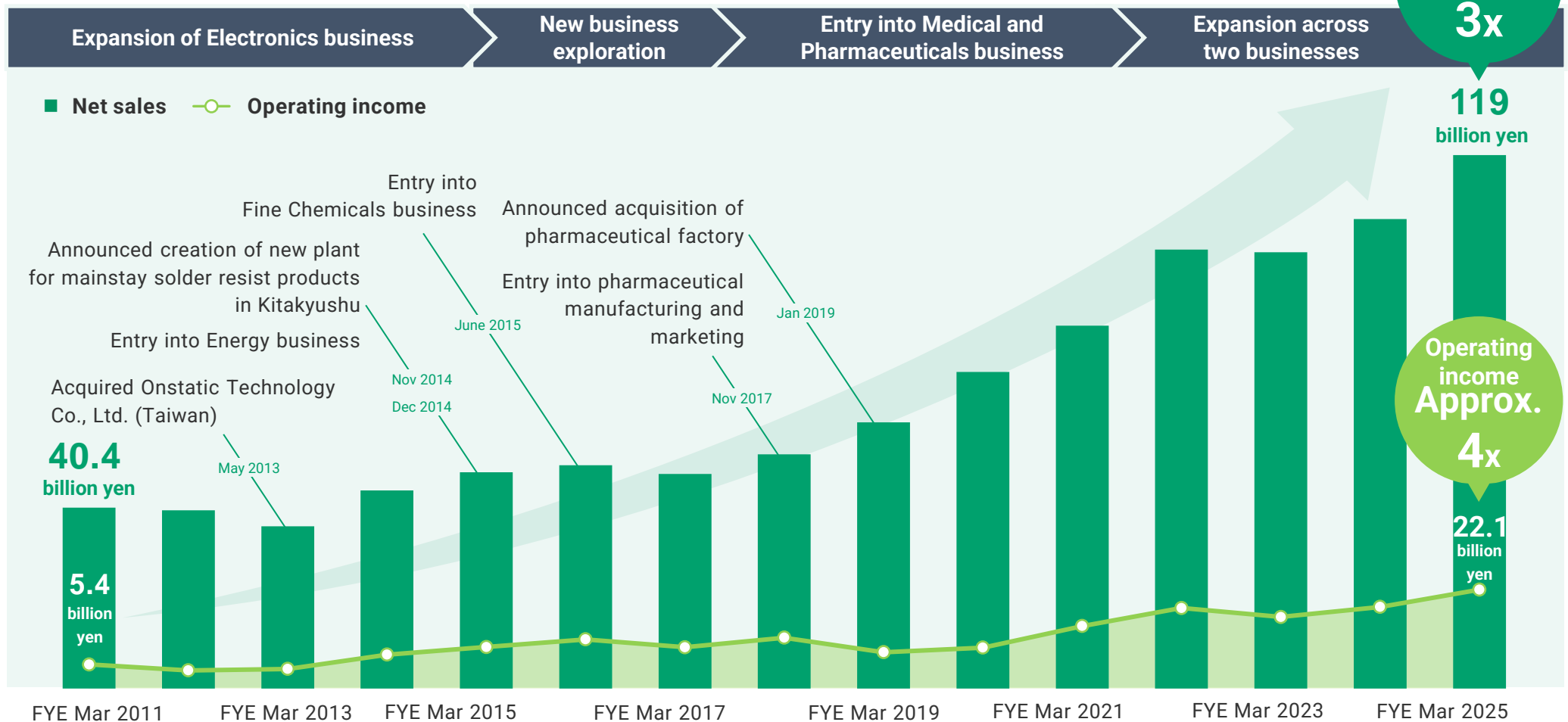
About Mr. Takano, Board Director / DIC-affiliated board directors

- Mr. Takano and other DIC-affiliated board directors have contributed to the improvement of corporate governance based on their understanding of Taiyo Holdings' business and extensive experience in various roles at DIC
- DIC-affiliated board directors 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.
- Taiyo Holdings believes that the reasons that Oasis presents in its shareholder proposal are not valid reasons for dismissal. Therefore, our Board of Directors opposes this shareholder proposal (the Board of Directors has deliberated and passed a resolution on this matter based on a report from the Nomination and Compensation Committee)
- At this General Shareholders' Meeting, there are no candidates for DIC-affiliated board directors due to personnel measures determined through consultation between Taiyo Holdings and DIC. However, Mr. Takano and the other DIC-affiliate board directors have sufficiently fulfilled their roles as Board Directors of Taiyo Holdings to date.

Qualifications of Mr. Sato as a Board Director (1/2)

- Since Mr. Sato's appointment as President and CEO in April 2011, Taiyo Holdings has achieved record-high net sales and operating income numerous times.
- Comparing business performance in fiscal year ended (FYE) March 2011, immediately prior to his appointment, and fiscal year ended March 2025 (FYE), the most recent period, net sales and operating income grew by approximately threefold and fourfold, respectively.

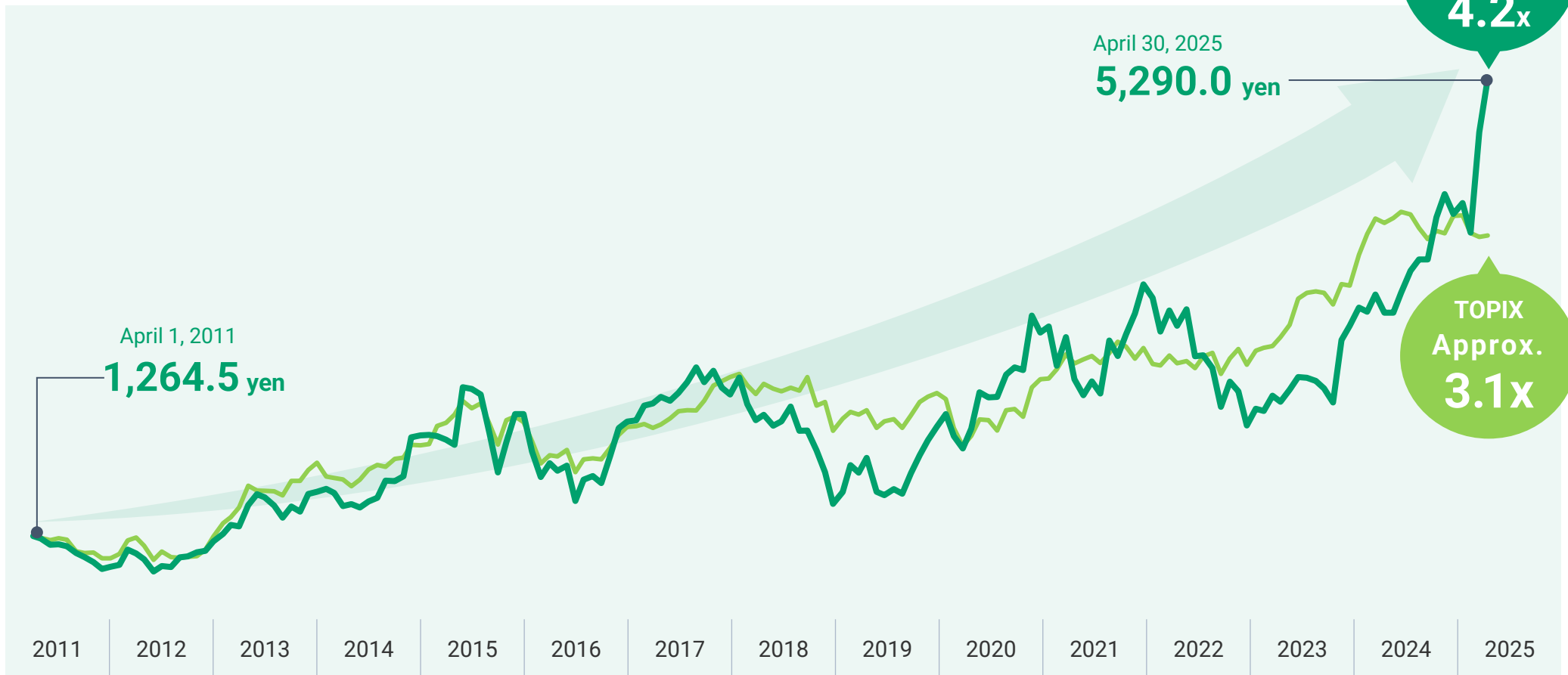
Net sales and operating income since Mr. Sato's appointment (Unit: JPY Billion)



Qualifications of Mr. Sato as a Board Director (2/2)

- Compared with April 2011, when Mr. Sato became President and CEO, the share price has increased 4.2 times, indicating the positive assessment of shareholders (TOPIX increased 3.1 times over the same period).
- Mr. Sato has caused dramatic growth in business performance and corporate value, and possesses strong capabilities to perform his duties as a Board Director. Accordingly, he is expected to continue to play a leading role in enhancing the corporate value of the company, and there are no doubts about his qualifications as a Board Director.

Trends in share price (April 1, 2011, to April 30, 2025)* (JPY)



*: Adjusted for share splits

Our Views on Oasis's Points Related to the Proposal to Dismiss Mr. Sato

1

Third-party allotment to dilute existing shareholders

- The purpose of the capital increase through a third-party allotment to DIC was to establish a strategic partnership, which has successfully created various synergies.
- The funds raised have been utilized for capital investments in new businesses and the Electronics business, rebuilding our IT foundations, M&A, etc.
- The claim that the purpose was to dilute existing shareholders' holdings in order to pass proposals at the General Shareholders' Meeting does not reflect reality.

2

Excessive compensation for Mr. Sato

- Mr. Sato's cash compensation is not particularly large compared with other companies listed on the Prime Market of the Tokyo Stock Exchange.
- Our Executive Board Directors' compensation is closely linked to business performance, meaning that any increase or decrease in their interests is mostly aligned with those of the shareholders.
- Mr. Sato's compensation is proportionate to his extremely high ability to execute his duties, given that he has dramatically increased the business performance of Taiyo Holdings.
- Our compensation plan is based on the opinions of bodies with objective and neutral points of view, including the Nomination and Compensation Committee, on which outsiders make up a majority of the members.

3

Excessive investment into and failure of Medical & Pharmaceuticals business

- The Medical and Pharmaceuticals business and the Electronics business are mutually complementary and have synergies in terms of business operations and human resources. Business performance has grown steadily in both manufacturing and marketing, as well as in CDMO. Thanks to the contributions of these operations, we expect to achieve our highest-ever profits in fiscal year ended March 31, 2026.
- The Medical and Pharmaceuticals business is a key sector of our management, contributing to the stability and growth of the company. It is not something that will "destroy the company's corporate value" or be considered a "failure."

4

Incident and inappropriate response by the local subsidiary in Thailand

- As the issuance of an arrest warrant does not constitute a final conviction of Mr. Oki, we prioritized a thorough investigation of the facts and the implementation of measures to prevent recurrence and did not take immediate disciplinary action, such as dismissing. Mr. Oki resigned from his position upon the expiration of his term at a later date.
- We take seriously this incident and have implemented various measures to prevent recurrence. Accordingly, the claim that we failed to take effective action in this matter is inappropriate.

1 Views on “third-party allotment to dilute existing shareholders”

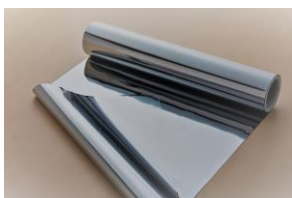
- The purpose of the capital increase through a third-party allotment to DIC and the conclusion of the capital and business alliance agreement was to capture new business opportunities amid the changes in the business environment at the time (2017) and to aim for dramatic growth. Through this third-party allotment, we aim to establish a strategic partnership with DIC, which possesses excellent material development capabilities, production and distribution bases, and financial strength, in a way that complements the business development of our Group. This third-party allotment is also intended to secure the funds necessary to resolve our short-term management issues and to advance our medium- to long-term management strategy.
- This collaboration has resulted in the creation of synergies and effective growth investments, and we thus believe that it has contributed to enhancing the corporate value of our Group.



Oasis claim

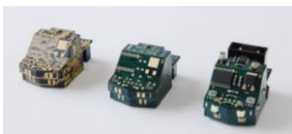
In 2017, Taiyo Holdings conducted a large-scale third-party allotment of new shares to DIC, diluting the voting rights of existing shareholders. At the 2016 Ordinary General Shareholders’ Meeting, Taiyo Holdings withdrew proposals for “amendments to the articles of incorporation to allow entry into the Medical and Pharmaceutical 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.

Results from the capital and business alliance agreement



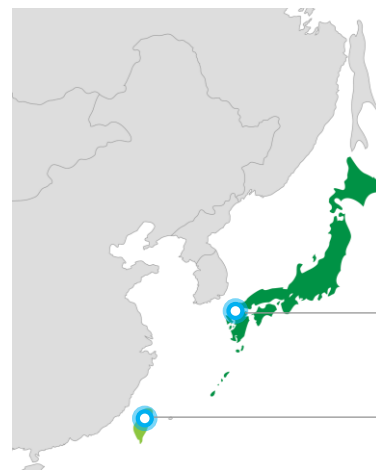
Joint development of a new seeds film for high-frequency compatible wiring formation, in anticipation of the spread of next-generation communications standards

(Winner of the 53rd JCIA Technology Award, Special Technology Prize)



- Mutual evaluation, improvement, and development of new applications for MID (Molded Interconnect Device) materials
- Strengthened BCP by establishing multiple major procurement routes for raw materials

Growth investment from funds raised



Added dry film production line at the Kitakyushu Plant



Reconstructed Taiwan’s plant and increased its productivity

Rebuilding our IT foundations, M&A, etc.

2 Views on “excessive compensation for Mr. Sato”

- Our executive board directors’ compensation consists of a high proportion of stock-based compensation 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 the shareholders.
- As described, Mr. Sato has made significant contributions to the company’s business performance, repeatedly achieving record-high net sales and operating income. Mr. Sato’s current compensation is commensurate with his high ability to perform his duties as a Board Director.
- The proposal concerning Board Directors’ compensation in 2017 aimed to change our officer compensation system in response to amendments to tax systems, as well as the officer compensation system presented by METI to encourage “proactive business management.”



Oasis claim

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.

Design of compensation for our Executive Board Directors (concept)

Cash compensation	Basic compensation	-
	Performance-linked cash compensation	Short-term incentives
Stock compensation	Performance-linked stock compensation (restricted for 3 years)	Medium-term incentives
	Restricted stock compensation (restricted for 10 years)	Long-term incentives

- Mr. Sato’s level of cash compensation 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 basic compensation is in the bottom 25%.

- Our executive board directors’ compensation consists of a high proportion of stock-based compensation and is closely linked to business performance. Therefore, any increase or decrease in their interests is mostly aligned with those of the 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.
- Sharing value with shareholders has been our policy since before Mr. Sato was appointed as President and CEO.
- This compensation system has introduced based on the opinions of bodies with objective and neutral points of view, including the Nomination and Compensation Committee, on which outsiders make up a majority of the members.

Views on “excessive investment into and failure of Medical and Pharmaceuticals business”

- The Medical and Pharmaceuticals business has grown in both manufacturing and marketing, as well as in CDMO. Thanks to the contributions of these operations, we expect to achieve our highest-ever profits as a company in this fiscal year.
- Additionally, this business and the Electronics business are mutually complementary and have synergies in areas such as business operations and human resources. The Medical and Pharmaceuticals business is a key sector of our management, and it is not something that will “destroy the company’s corporate value” or be considered a “failure.”



Oasis claim

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

Intentions and history of entering the Medical and Pharmaceuticals business

The early days

Entry into manufacturing and marketing of pharmaceuticals (creation of Taiyo Pharma business)

To achieve more stable consolidated business performance, which was susceptible to semiconductor market conditions and other factors, we decided to enter the Medical and Pharmaceuticals business, where we could utilize our existing business foundations. After an appropriate decision-making process, we started manufacturing and marketing of pharmaceuticals.

Business expansion

Entry into CDMO (creation of Taiyo Pharma Tech business)

As we expanded the Taiyo Pharma business, we explored the acquisition of a plant in Japan to enter the CDMO business, where we could utilize our strengths. As a result, we acquired the Takatsuki Plant from Daiichi Sankyo in 2019 and established Taiyo Pharma Tech to start CDMO operations.

The present

Growth across both Taiyo Pharma and Taiyo Pharma Tech

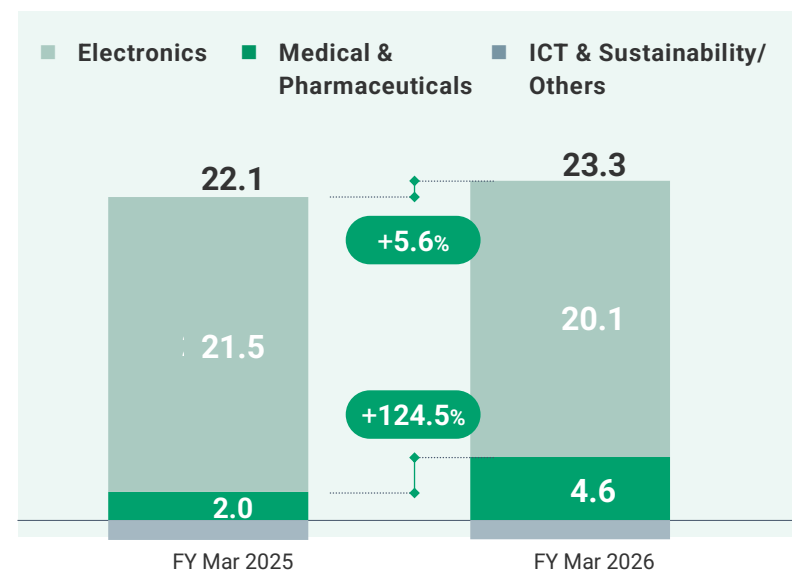
Taiyo Pharma (manufacturing and marketing):
The business environment has worsened, and we recorded impairment losses on sales rights due to multiple changes in government policy since our initial entry. We are strengthening measures to achieve stable sales and in-house production.

Taiyo Pharma Tech (CDMO):
We have steadily expanded our customer base and business performance has grown substantially.

We can mutually utilize plant operating expertise, including production processes and overseas development, shared with the Electronics business, and secure excellent human resources with wide-ranging skills and perspectives, capable of active participation across the entire company.

Operating income by segment (Unit: JPY Billion)

- Steady growth in the Medical and Pharmaceuticals business
- Expecting our highest-ever profits in FYE Mar 2026, thanks to the growth of the Medical and Pharmaceuticals business



Views on “Incident and Inappropriate Response by the Local Subsidiary in Thailand ”

- We take seriously this incident and have implemented various measures to prevent recurrence. Accordingly, we believe that the claim that we failed to take effective action in this matter is inappropriate.



Oasis claim

- Mr. Ohki, a former Auditor of Taiyo Holdings, submitted a false document to the Thai government while serving as a Managing Director of our local subsidiary in Thailand. After an arrest warrant was issued against Mr. Ohki in 2021, 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.

Our understanding of the incident

1. 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 employee 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.
2. In March 2021, an arrest warrant was issued against Mr. Oki in Thailand for submitting the false minutes to the Thai government.
3. In 2024, a Thai court found Mr. Oki guilty.

Our response to the incident

- As the issuance of an arrest warrant does not constitute a final conviction of Mr. Oki, we prioritized a thorough investigation of the facts and the implementation of measures to prevent recurrence and did not take immediate disciplinary action, such as dismissing. Mr. Oki resigned from his position upon the expiration of his term at a later date.
- We formulated measures to prevent recurrence and plan to continue reinforcing these measures to prevent a recurrence in the future.
 - We strengthening the reporting system to the Board of Directors for greater transparency when risk incidents occur and clarifying response policies.
 - 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. (compared with other major subsidiaries, there were differences in the level of monitoring of the former local subsidiary in Thailand owing to its small size)

Reasons for Opposition Regarding the Dismissal of Board Director Mr. Kiyofumi Takano

- The fairness of the decision-making process has been ensured, and he contributes to the enhancement of corporate governance through his understanding of our business and extensive experience in various roles at DIC. Therefore, Our Board of Directors opposes the proposal for the dismissal of Mr. Takano.
- At this General Shareholders' Meeting, there are no candidates for DIC-affiliated board directors due to personnel measures determined through consultation between Taiyo Holdings and DIC. However, Mr. Takano and the other DIC-affiliated board directors have sufficiently fulfilled their roles as Board Directors of Taiyo Holdings to date.



Oasis claim

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, DIC-affiliated board directors cannot be expected to effectively perform supervisory functions.

Contributions of DIC-affiliated board directors and enhancement of corporate governance



Board Directors affiliated with DIC contribute to the improvement of corporate governance through their understanding of Taiyo Holdings' business and extensive experience in various roles at DIC.



Mr. Takano has extensive experience and knowledge in technology, research and development, and marketing, as well as 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.

Ensuring the fairness of the decision-making process



As an independent listed company, we make 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 our minority shareholders.



In particular, DIC-affiliated board directors 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.



None of the information herein constitutes any form of solicitation to purchase, sell, or otherwise trade in Taiyo Holdings' shares.

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