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Consolidated Financial Result Digest FY2025/3 4Q

(Fiscal Year Ended March 31, 2025)

May. 1, 2025

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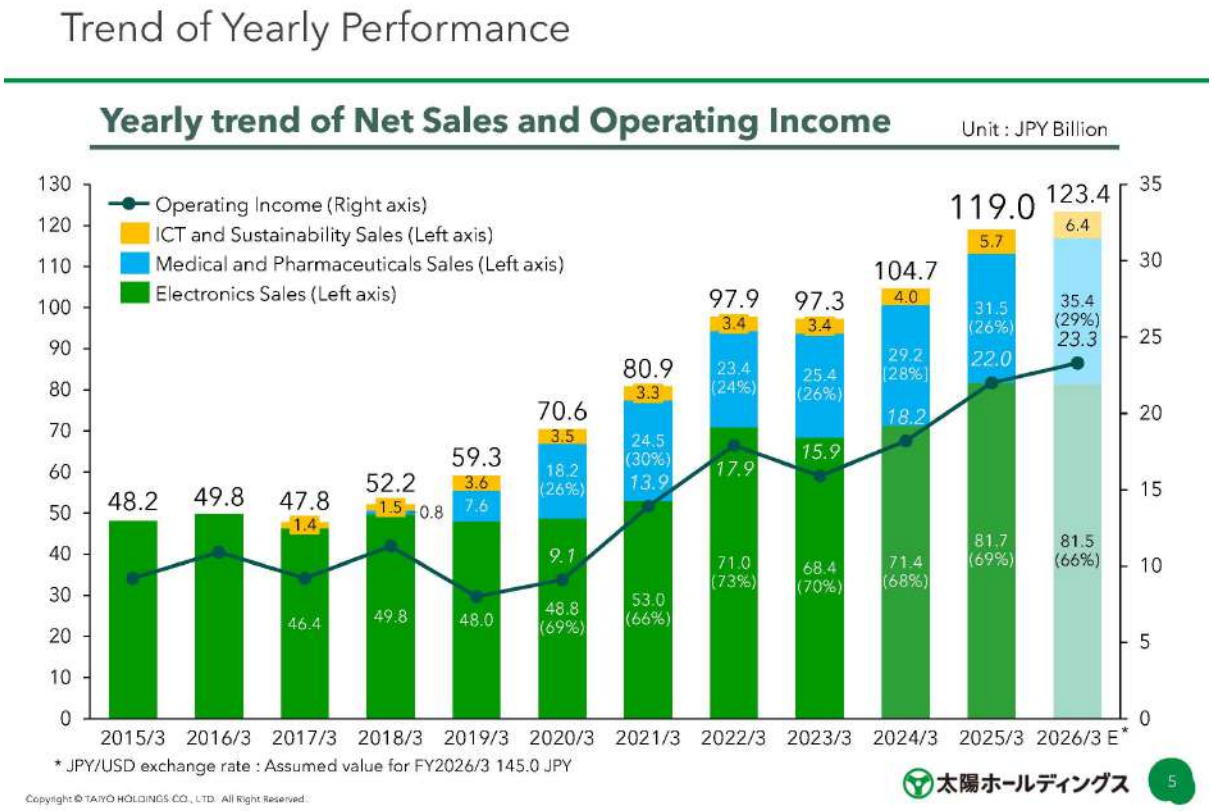
TAIYO 太陽ホールディングス

This is a transcript of the financial results briefing for the fiscal year ended March 2025, held on May 1, 2025.

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

[Title]

[Q&A included] Taiyo Holdings Reports Consolidated Revenue and Profit Growth for the Fiscal Year Ending March 2026, Driven by Contribution from the Medical and Pharmaceuticals Business, and Plans a Significant Dividend Increase in Response to a Change in Its Shareholder Return Policy



[Lead]

This is a transcription of the financial results presentation of Taiyo Holdings Co., Ltd. for FY2025/3, held on May 1, 2025.

[Speakers]

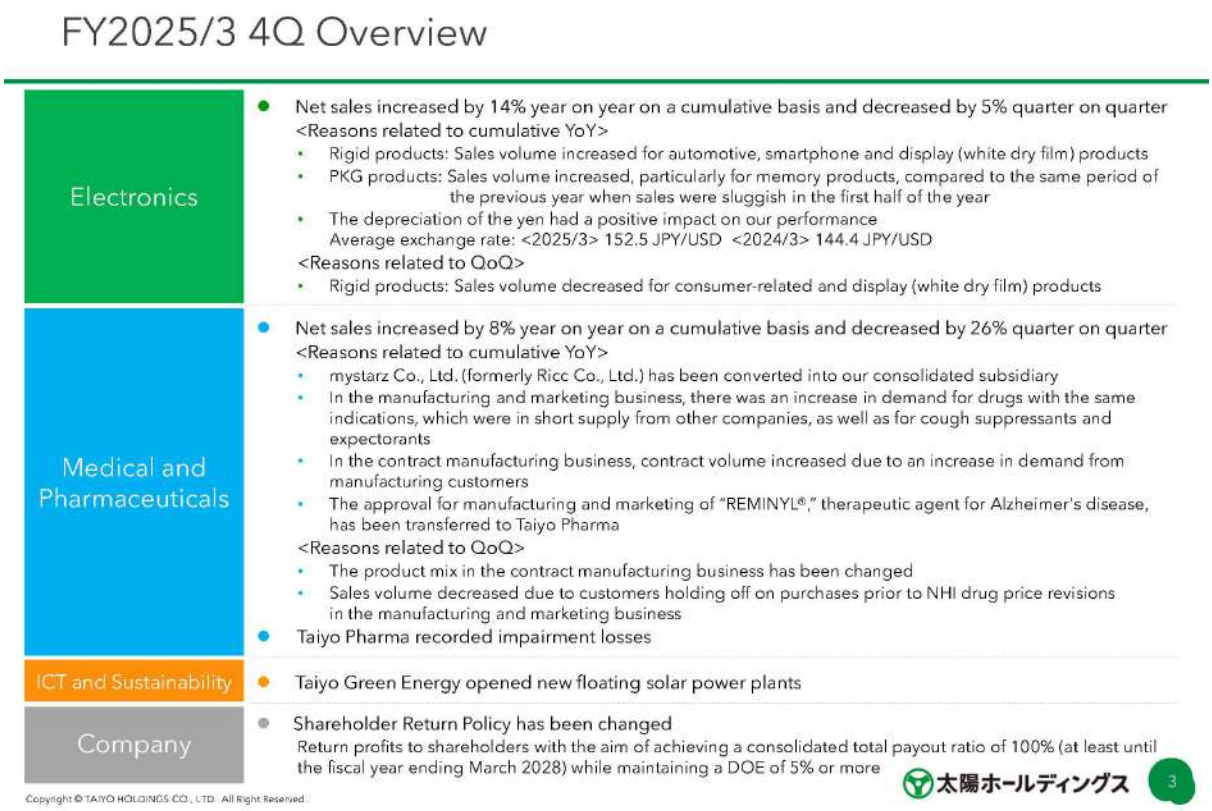
Eiji Sato, President and CEO, Taiyo Holdings Co., Ltd.
Sayaka Tomioka, Managing Executive Officer, CFO, Taiyo Holdings Co., Ltd.

Our Business Segments

Eiji Sato (hereinafter, "Sato"): I am Eiji Sato, President and CEO. Today, I will brief you on our financial results.

We have three business segments: Electronics, Medical and Pharmaceuticals, and ICT and Sustainability (ICT&S).

FY2025/3 4Q Overview



Here are the topics of the fiscal year ended March 2025 (FY2025/3). For Electronics, net sales increased by 14% YoY but decreased by 5% QoQ.

The YoY increase in sales was due to higher sales volumes of both rigid and semiconductor packages (PKG) products. As a result, net sales in the Electronics business increased by 14% YoY. The weaker yen also had a positive impact. The average exchange rate for FY2025/3 was 152 yen to the US dollar, which was approximately 8 yen weaker than in the previous fiscal year, leading to increased net sales.

On the other hand, sales in the Medical and Pharmaceuticals business increased by 8% YoY, but decreased by 26% QoQ. Since the quarterly comparisons are not very meaningful, please look at the figures on a full-year basis.

Factors contributing to the 8% year-on-year increase in full-year net sales include the consolidation of mystarz Co., Ltd. (formerly Ricc Co., Ltd.) as a subsidiary; an increase in demand from a supply shortage of other companies' products with the same efficacy at Taiyo Pharma Co., Ltd., which engages in the manufacturing and marketing business; and an increase in the volume contracted by customers of Taiyo Pharma Tech Co., Ltd., which engages in contract manufacturing business.

Meanwhile, Taiyo Pharma has recorded an impairment loss.

In the ICT&S business, Taiyo Green Energy Co., Ltd. has opened a new floating solar power plant.

In addition, the Group announced a change in its shareholder return policy.

Consolidated Financial Results Summary

Consolidated Financial Results Summary

Unit : JPY Million	① 2024/3 4Q Cumulative Result	② 2025/3 4Q Cumulative Result	②-① YoY	(②-①)/① % of Changes	③ 2025/3 Full Year Forecast (Announced on Mar. 24)	②/③ % of Progress
Net Sales	**104,775**	**119,010**	*14,235*	*14%*	**118,600**	*100%*
Operating Income	**18,203**	**22,067**	*3,864*	*21%*	**22,300**	*99%*
Ordinary Income	**17,310**	**21,577**	*4,266*	*25%*	**21,700**	*99%*
Net Income	**8,654**	**10,780**	*2,126*	*25%*	**10,600**	*102%*
Exchange rate of JPY/USD	144.4	152.5	*8.1*		*	
EBITDA	**27,170**	**31,709**	*4,539*	*17%*	**31,800**	*100%*
Operating Income Margin	17%	19%			19%	
EBITDA Margin	26%	27%			27%	

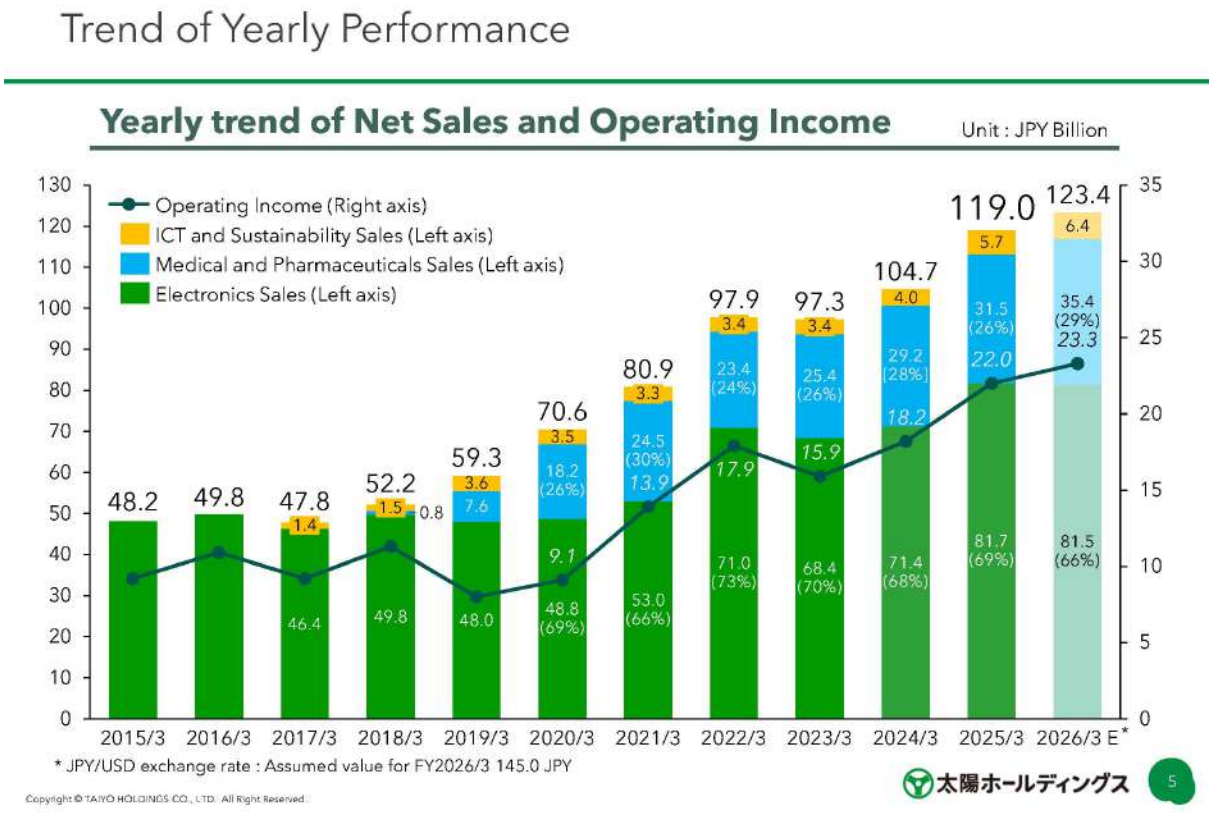
* The exchange rate was calculated based on actual results (152.7 JPY/USD) from April 2024 to February 2025 and current results (152.4 JPY/USD) at the time of the full-year forecast revision (announced on March 24).

太陽ホールディングス 4

This slides shows an overview of our consolidated financial results. Net sales were 119.0 billion yen, operating income was 22.0 billion yen, and ordinary income was 21.5 billion yen. Meanwhile, due to the recording of extraordinary losses, net income attributable to owners of parent was 10.7 billion yen.

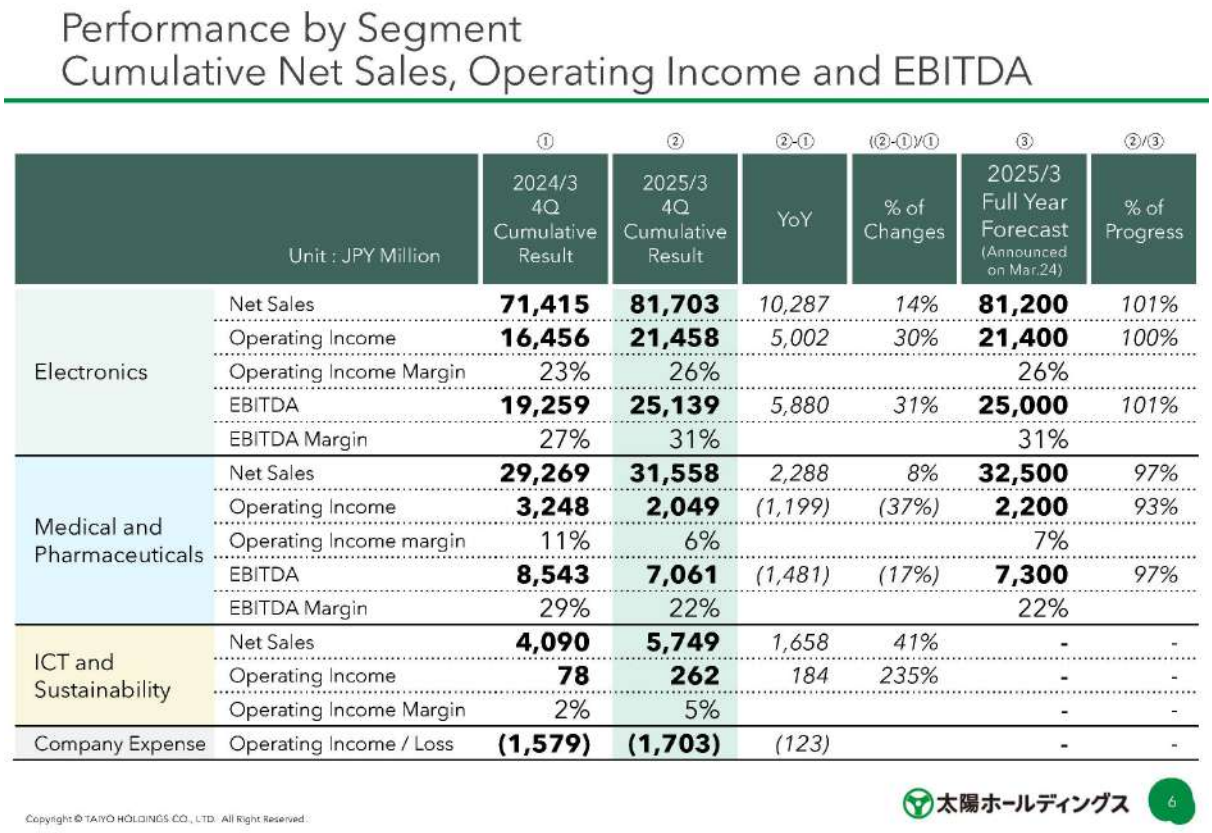
The full-year earnings forecasts are shown on the right side of the table. Both operating income and ordinary income are slightly down, reflecting weaker results in March.

Trend of Yearly Performance



This is a breakdown of net sales of 119.0 billion yen for FY2025/3. From the top of the graph, the ICT&S business accounted for 5.7 billion yen, the Medical and Pharmaceuticals business for 31.5 billion yen, and the Electronics business for 81.7 billion yen. The earnings forecasts are shown on the right side of the chart and will be discussed later.

Performance by Segment
Cumulative Net Sales, Operating Income and EBITDA



Performance by Segment
Cumulative Net Sales, Operating Income and EBITDA

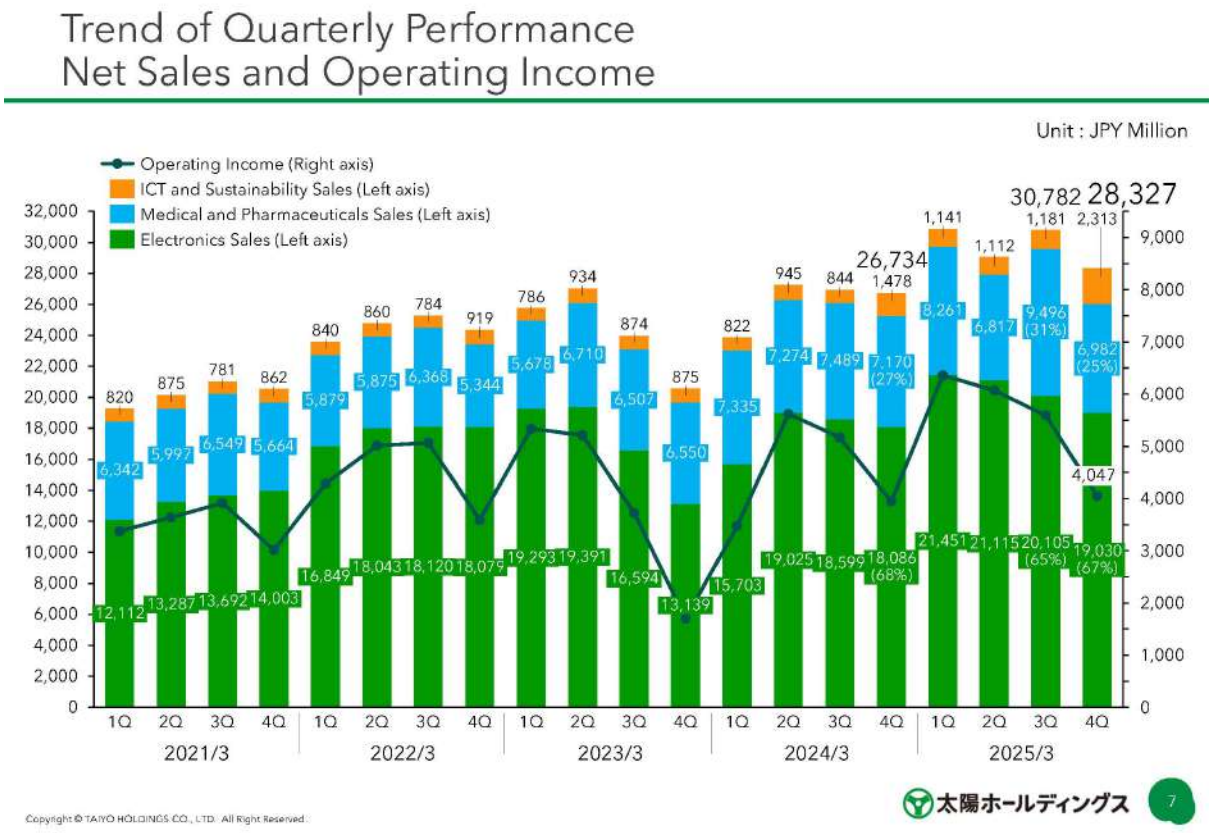
	Unit : JPY Million	① 2024/3 4Q Cumulative Result	② 2025/3 4Q Cumulative Result	②-① YoY	(②-①)/① % of Changes	③ 2025/3 Full Year Forecast (Announced on Mar.24)	②/③ % of Progress
Electronics	Net Sales	**71,415**	**81,703**	*10,287*	*14%*	**81,200**	*101%*
	Operating Income	**16,456**	**21,458**	*5,002*	*30%*	**21,400**	*100%*
	Operating Income Margin	23%	26%			26%	
	EBITDA	**19,259**	**25,139**	*5,880*	*31%*	**25,000**	*101%*
	EBITDA Margin	27%	31%			31%	
Medical and Pharmaceuticals	Net Sales	**29,269**	**31,558**	*2,288*	*8%*	**32,500**	*97%*
	Operating Income	**3,248**	**2,049**	*(1,199)*	*(37%)*	**2,200**	*93%*
	Operating Income margin	11%	6%			7%	
	EBITDA	**8,543**	**7,061**	*(1,481)*	*(17%)*	**7,300**	*97%*
	EBITDA Margin	29%	22%			22%	
ICT and Sustainability	Net Sales	**4,090**	**5,749**	*1,658*	*41%*	-	-
	Operating Income	**78**	**262**	*184*	*235%*	-	-
	Operating Income Margin	2%	5%			-	-
Company Expense	Operating Income / Loss	**(1,579)**	**(1,703)**	*(123)*		-	-

This shows performance by segment. The Electronics business posted operating income of 21.4 billion yen, up 5.0 billion yen YoY. EBITDA also increased by 5.8 billion yen to 25.1 billion yen.

The Medical and Pharmaceuticals business posted net sales of 31.5 billion yen and operating income of 2.0 billion yen. Although both figures declined YoY, we forecast a significant improvement in FY2026/3.

The ICT&S business also posted net sales of 5.7 billion yen and an operating income of 260 million yen, indicating that profitability is beginning to improve.

Trend of Quarterly Performance
Net Sales and Operating Income



This chart shows quarterly sales. In FY2025/3, net sales declined progressively from the first to the fourth quarter. Typically, sales in the Electronics business increase from the first to the second quarter, but in FY2025/3, this pattern changed due to sales being recorded earlier than usual in the first quarter as a result of a system replacement. As a result, the trend for FY2025/3 shows that part of sales for the second quarter was shifted to the first and third quarters.

For the Medical and Pharmaceuticals business, we believe that quarterly results are not particularly meaningful as it has been performing steadily throughout the year.

BS–Comparison with the Previous Term

BS- Comparison with the Previous Term

Unit : JPY Million

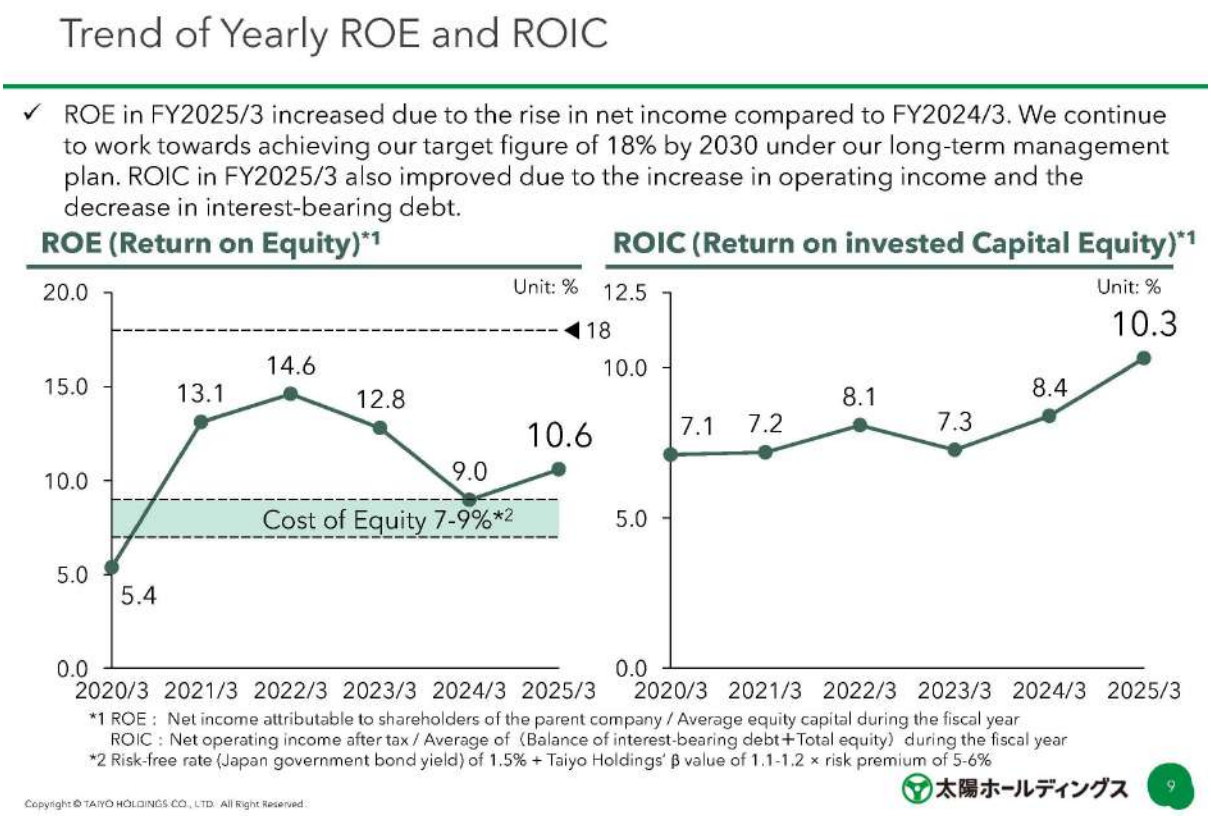
	2024/3	2025/3	Changes		2024/3	2025/3	Changes
Cash and Deposits	58,583	44,903	(13,680)	Notes and Account Payable	8,795	8,505	(290)
Accounts Receivables*1	28,352	27,896	(455)	Short Term Borrowings*3	43,588	17,634	(25,953)
Inventory*2	17,166	21,345	4,178	Long Term Borrowings	43,134	46,888	3,754
Others	5,552	3,862	(1,689)	Others	16,835	16,015	(819)
Total Current Assets	**109,655**	**98,008**	(11,646)	**Total Liabilities**	**112,353**	**89,043**	(23,309)
Tangible Fixed Assets	68,852	67,638	(1,213)	Shareholders Equity	89,925	94,011	4,086
Intangible Fixed Assets	25,804	16,341	(9,463)	Accumulated Other Comprehensive Income	10,469	8,962	(1,507)
Investments and Other Assets	8,439	10,034	1,594	Non-Controlling Interest	4	4	0
Total Fixed Assets	**103,096**	**94,014**	(9,082)	**Total Net Assets**	**100,398**	**102,978**	2,580
Total Assets	**212,751**	**192,022**	(20,729)	**Total Liabilities and Net Assets**	**212,751**	**192,022**	(20,729)
				Equity to Asset Ratio	47.2%	53.6%	6.4%

*1 Accounts Receivables : Notes and Accounts Receivable-Trade + Contract Asset
*2 Inventories : Merchandise and Finished Goods + Work in Process + Raw Materials and Supplies
*3 Short-Term Borrowings : Short-Term Borrowings + Long-Term Borrowings Scheduled to Be Repaid within One Year

This is the balance sheet. Cash and deposits decreased by 13.0 billion yen. This is due to a 25.9 billion yen decrease in short-term borrowings, as shown on the right side of the table.

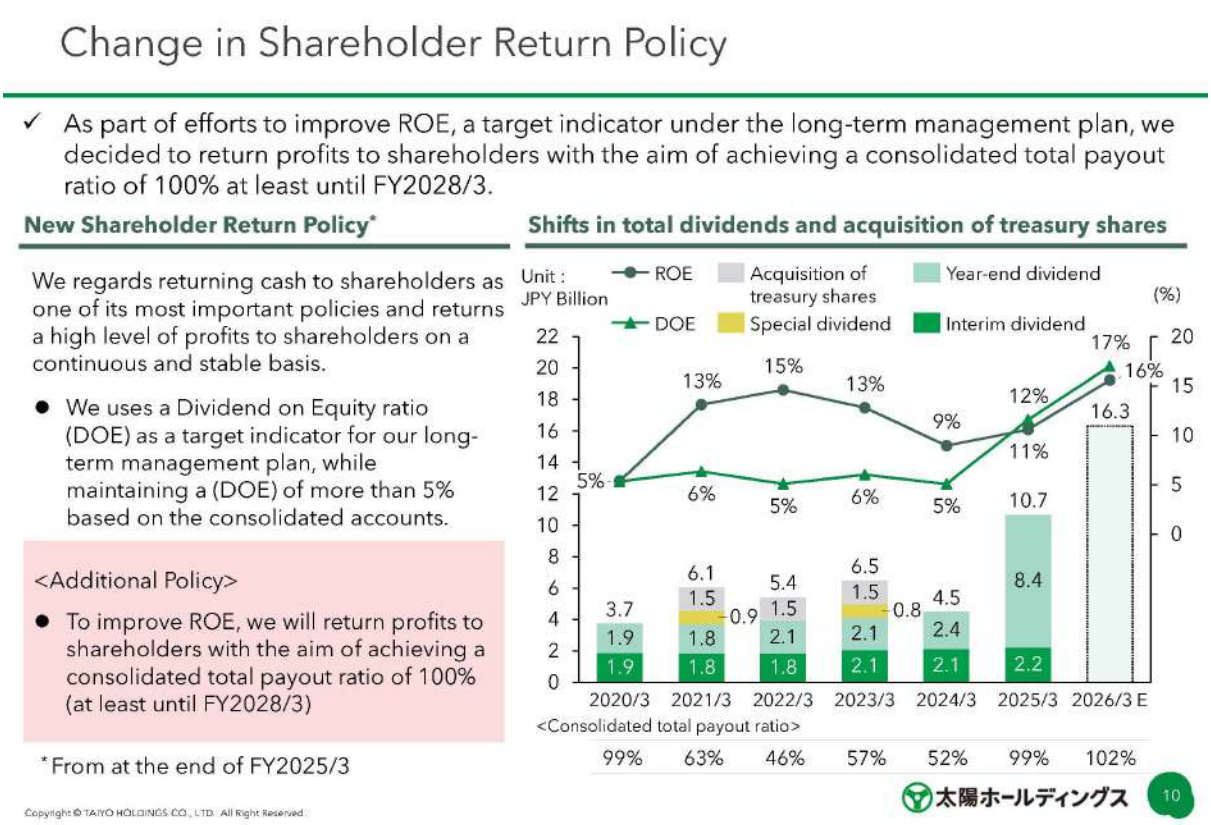
The refinancing happened to coincide with the fiscal year-end in March, and we consider the timing was appropriate. As a result, we understand that the balance sheet for FY2024/3 was slightly larger than usual.

Trend of Yearly ROE and ROIC



This slide shows consolidated ROE and ROIC. The graph on the left displays ROE, which stands at 10.6%. Due to impairment losses reflected in net income, ROE was relatively low. Excluding these impairment losses, ROE would have been approximately 15%. Meanwhile, ROIC continues to rise steadily.

Change in Shareholder Return Policy



This slide explains the change in our shareholder return policy, and I believe this will be of strong interest to our shareholders. To improve ROE, one of the target indicators in the long-term management plan, we decided on a policy to achieve a consolidated total payout ratio of 100% at least until FY2028/3.

As shown in the chart on the right, DOE is expected to rise to 17% in FY2026/3. Meanwhile, ROE is also expected to reach 16%, which indicates our intention not to further increase our equity (comprising shareholders' equity and accumulated other comprehensive income).

Based on current levels and business activities, we have decided to convey the message that we will not increase our equity any further.

Thus being said, some of you might then wonder if we are choosing not to make any further investments. Don't worry. Even if we proceed with shareholder returns based on the policy I just outlined, we still have sufficient cash to fully cover the investing cash outflows currently anticipated—such as the Production Technology Center for the Electronics business and facility renewal investments in the Medical and Pharmaceuticals businesses.

In addition, considering our borrowing capacity, we believe that any new M&A or growth investments over the next three years can be adequately financed through debt.

Trend of Shareholder Returns

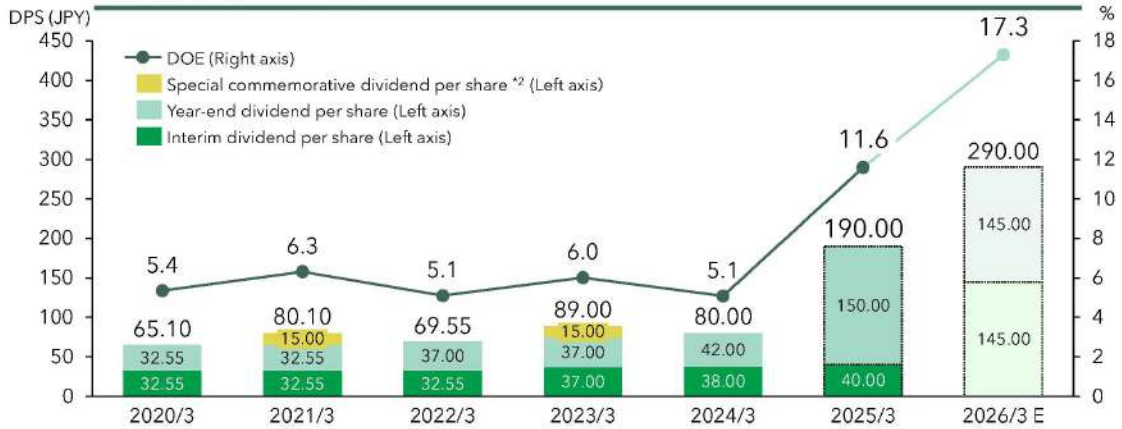
Trend of Shareholder Returns

✓ Based on our shareholder return policy, we set the forecast of our dividend per share (DPS) as follows.

<Fiscal year ended March 31, 2025>
Interim dividend: 40 yen
Year-end dividend: 150 yen
Annual dividend: 190 yen (DOE 11.6%)

<Fiscal year ended March 31, 2026 (forecast) >
Interim dividend: 145 yen
Year-end dividend: 145 yen
Annual dividend: 290 yen (DOE 17.3%)

Dividend*1 · DOE

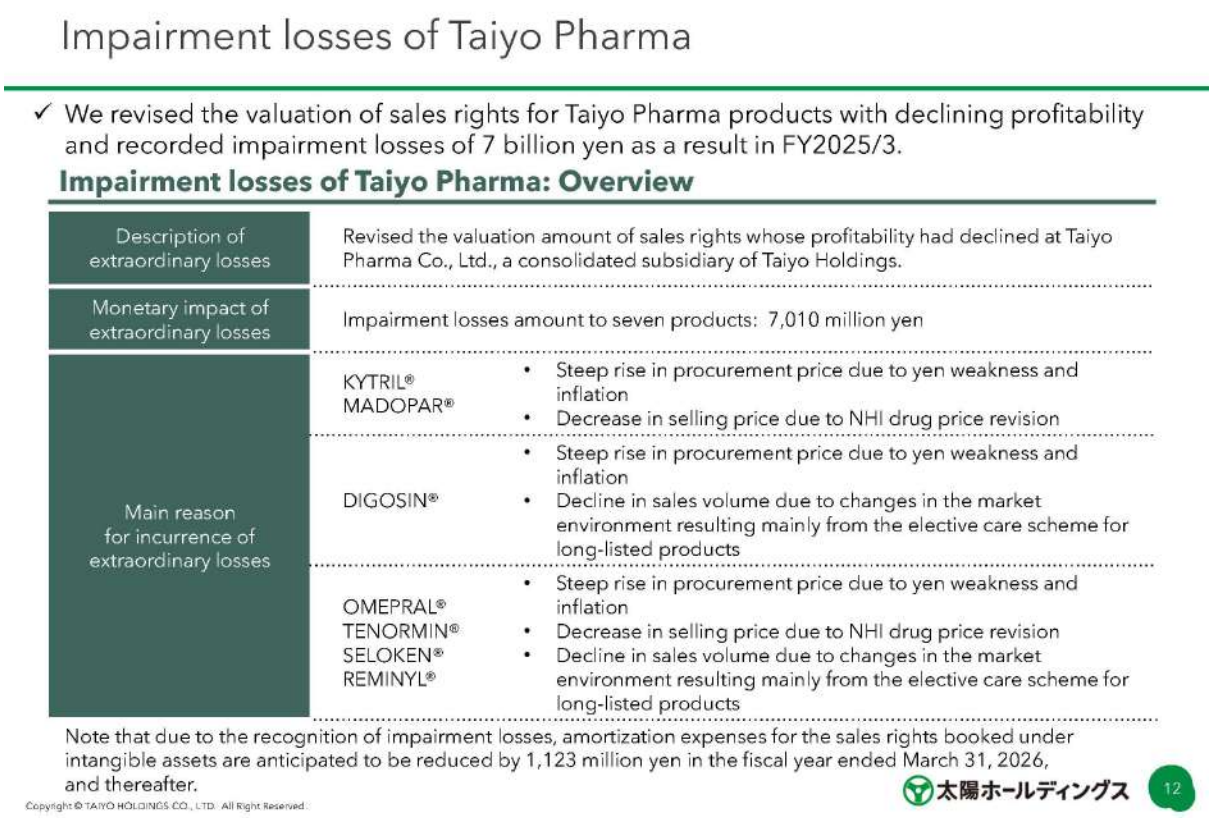


*1 We performed a stock split with effect from October 1, 2021 whereby each common stock of Taiyo Holdings was divided into two shares. Figures have been calculated assuming that the stock split was performed at the beginning of 2020/3.
*2 2021/3: Commemorative dividend for the 20th anniversary of listing on the TSE 1st section
2023/3: Commemorative dividend for the 70th anniversary of company's foundation

太陽ホールディングス 11

The chart shows the status of shareholder returns. We expect a DOE of 17.3% for FY2026/3.

Impairment losses of Taiyo Pharma

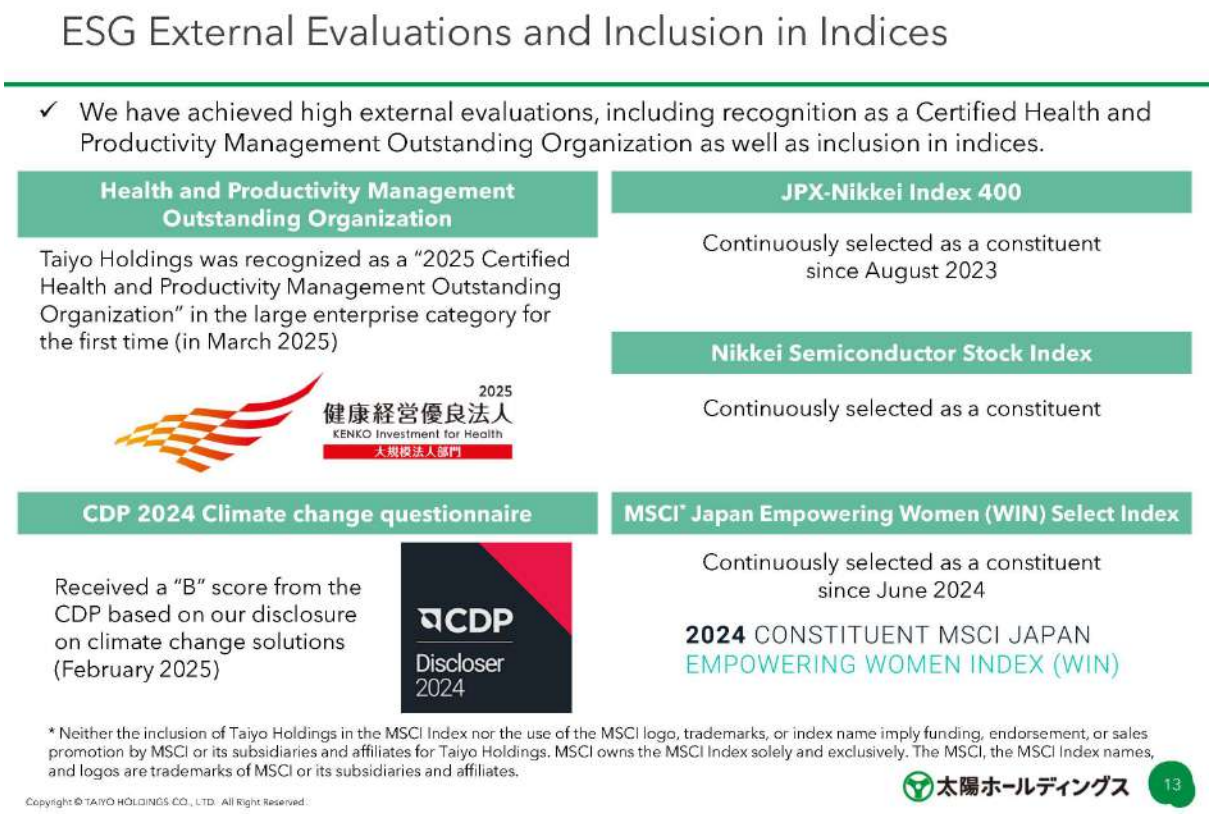


Taiyo Pharma recorded an extraordinary loss. It recorded a 7.0 billion yen extraordinary loss as a result of revaluating its sales rights with declining profitability. We sincerely apologize for the impairment loss of 7.0 billion yen on seven products.

A major factor is the introduction of the elective care scheme, which has significantly damaged our sales. This scheme was introduced in October last year, and to be honest, we failed to read the situation properly.

Given this situation, we will proceed with considerable caution when acquiring long-listed products going forward. On a positive note, the impairment loss of 7.0 billion yen is expected to reduce annual amortization of sales rights by approximately 1.1 billion yen. This reduction will contribute to operating income in the Medical and Pharmaceuticals business from FY2026/3 onward.

ESG External Evaluations and Inclusion in Indices



This shows ESG external evaluation and inclusion in the indices. As shown in the upper left corner of the slide, Taiyo Holdings was recognized as a "2025 Certified Health and Productivity Management Outstanding Organization" in the large enterprise category for the first time.

As shown on the right side of the slide, we have been continuously selected as a constituent of the JPX-Nikkei Index 400. We have also been consistently included in the Nikkei Semiconductor Stock Index.

We have also been continuously selected as a constituent of the MSCI Japan Empowering Women (WIN) Selected Index. Furthermore, as shown in the bottom left, we responded to the CDP 2024 Climate Change Questionnaire, administered by CDP, and received a "B" rating.

Electronics Terminology

Electronics Terminology

Term	Definition
PCB	Printed Circuit Board
SR	Solder Resist, also known as Solder Mask
PKG	Semiconductor Package
DF	Dry Film
BU	Build-up

Next, I will explain the Electronics business. The terminology used is as shown on the slide.

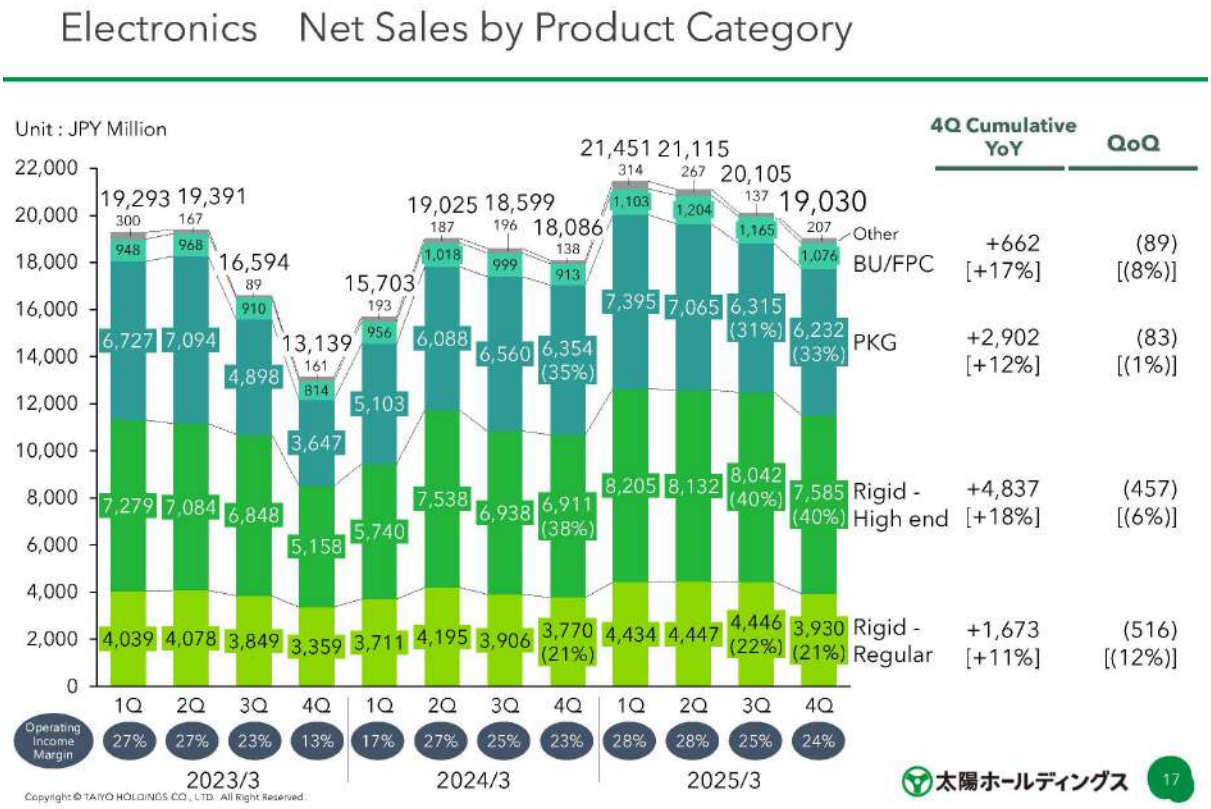
Electronics Product Classification

Electronics Product Classification

Group	Category		Type	Remarks
PCB insulating materials	Rigid	Regular	Liquid	・SR materials for insulation and surface protection use ・Marking, etching and plating materials ・Electronic materials etc.
		High end	Liquid／DF	
	PKG		Liquid／DF	
	FPC （Flexible printed circuit board）		Liquid／DF	
	BU		Liquid／DF	・Build-up materials for interlayer insulation and hole plugging use
Other related products	Others		Liquid／DF	・Conductive silver paste etc.

DF for rigid high-end board has been added to our product classifications since either last year or the year before. This DF has now become one of our main products. Originally, DF for PKG was our primary product and remains our best-selling item. However, DF for rigid high-end board is now also gaining market presence.

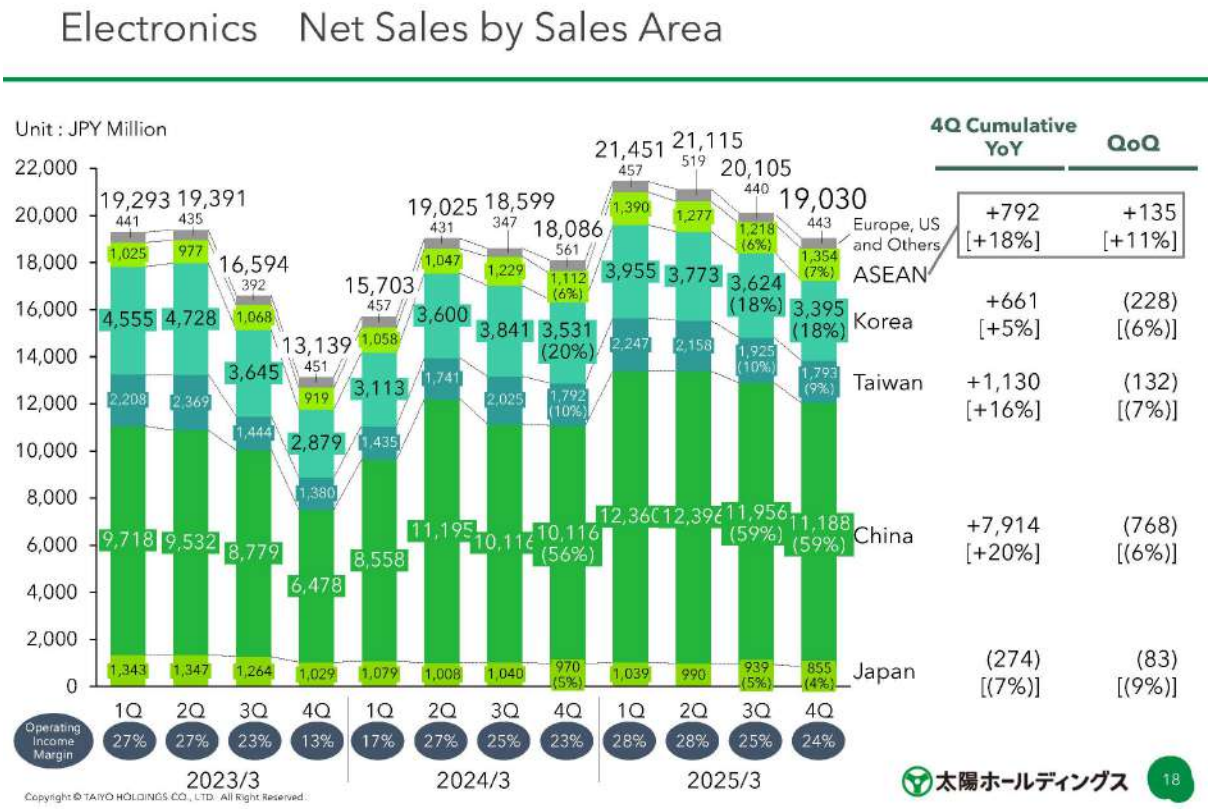
Electronics　Net Sales by Product Category



In the Electronics business, net sales typically rise slightly in the second quarter. However, as mentioned earlier, front-loaded shipments in the first quarter of FY2025/3, due to system replacement and other factors, resulted in a peak in first-quarter figures.

We expect net sales in the first quarter of FY2026/3 to increase slightly from 19.0 billion yen. For full-year net sales for FY2026/3, we anticipate to follow the usual trend.

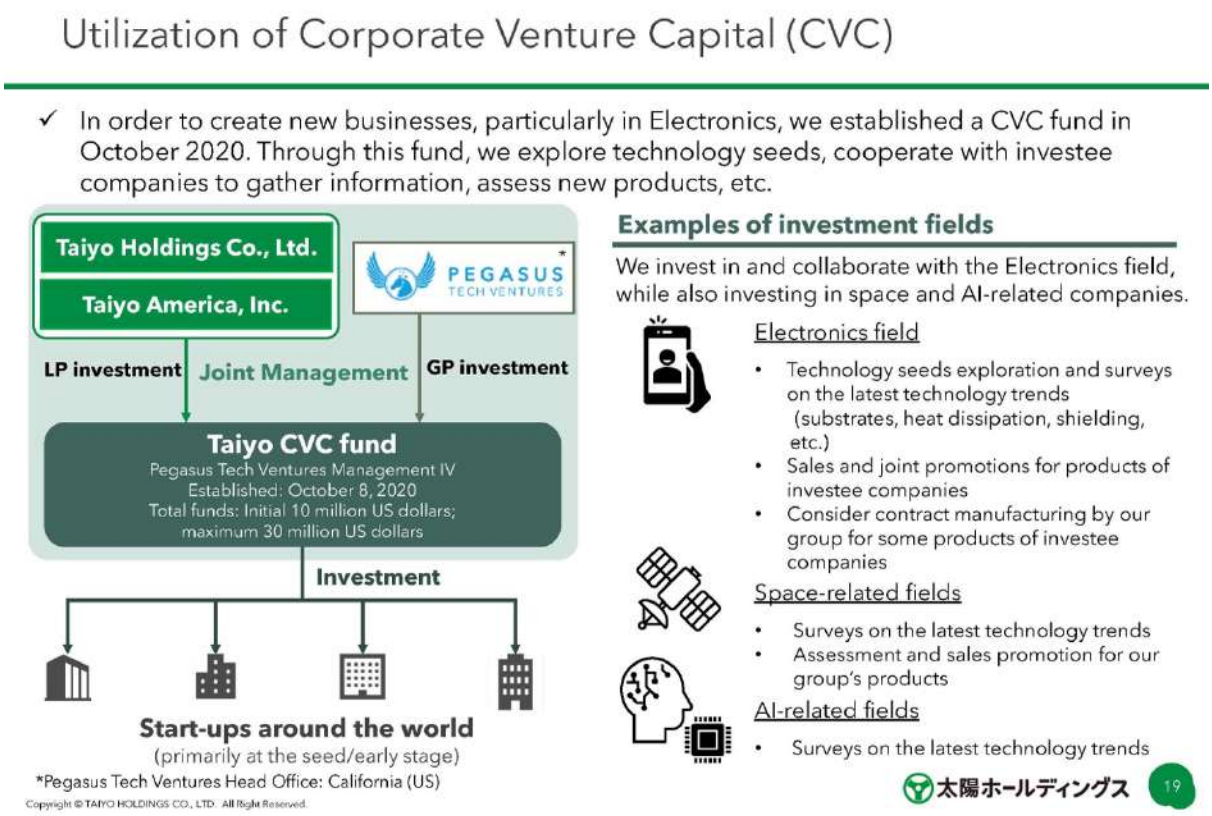
Electronics　Net Sales by Sales Area



This chart shows sales by region. As illustrated, China accounts for a significant share of total sales. Although the Chinese economy is described as sluggish, our business there is currently performing well, particularly in DF and rigid high-end board for China .

In contrast, sales in Japan, shown at the bottom of the chart, continue to decline.

Utilization of Corporate Venture Capital (CVC)



This slide shows the status of our corporate venture capital (CVC) utilization. The CVC fund was established in 2020 with a total fund size of 10 million dollars. To date, we have invested 9 million dollars. As recoveries are expected to begin in FY2026/3, we anticipate that the investment amount will be approximately 7 million to 8 million dollars. The expected return is projected to be around 1 million to 2 million dollars, with the recovery amount being approximately two to three times the initial investment.

Our investment areas include the electronics field, where we focus on seed-stage technologies and research into emerging technological trends. We are also exploring investment opportunities in the space and AI fields.

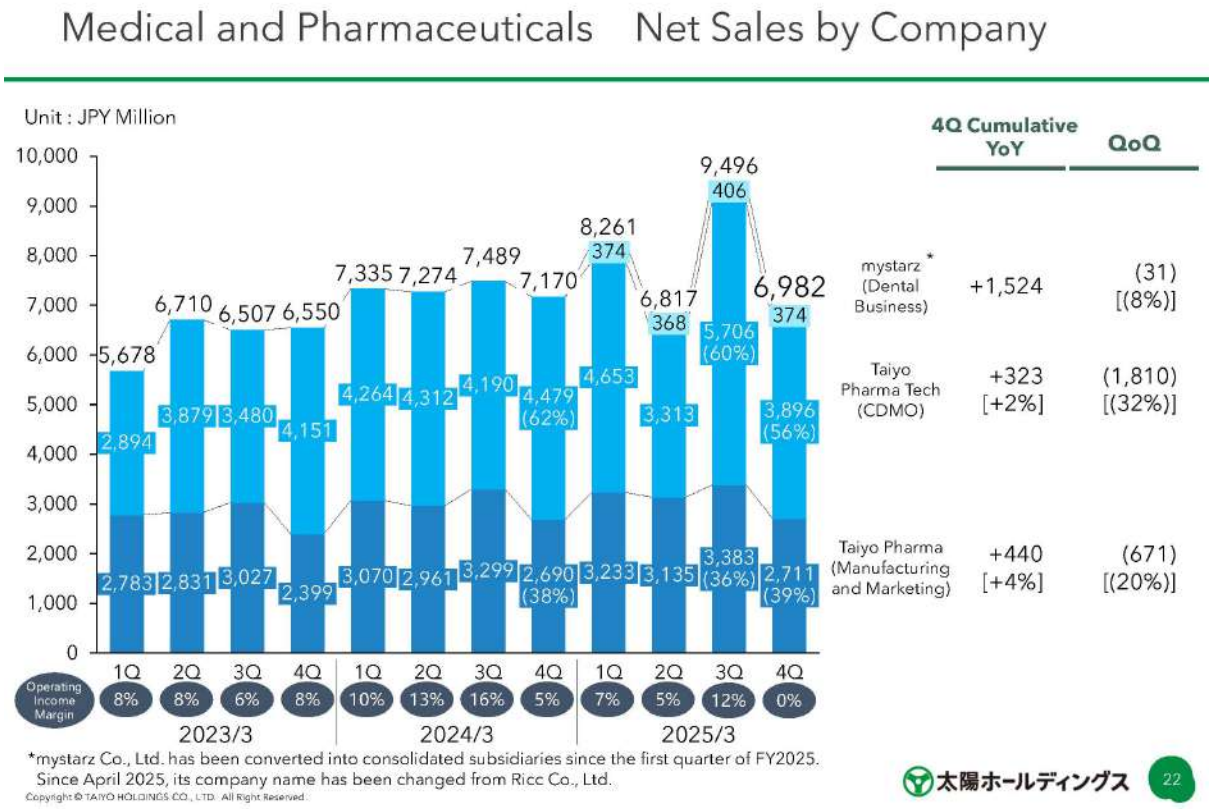
Medical and Pharmaceutical Terminology

Medical and Pharmaceutical Terminology

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

Next, I will explain the Medical and Pharmaceuticals business. The terminology used is as shown on the slide.

Medical and Pharmaceuticals　Net Sales by Company



This slide shows the net sales trend for all group companies. In particular, Taiyo Pharma Tech exhibits some quarterly fluctuations, primarily due to misalignment between shipment timing and manufacturing schedules. Nevertheless, sales have been steadily increasing over the course of the year.

Taiyo Pharma Asia Completes Construction of New Plant in Thailand

Taiyo Pharma Asia Completes Construction of New Plant in Thailand

- ✓ Taiyo Pharma Asia, a subsidiary of Taiyo Pharma, completed the construction of a new plant in the Kingdom of Thailand. This will be the first overseas site under the Medical and Pharmaceutical Business.
- ✓ The new plant, which will comply with both Thai (PIC/S) and Japanese GMPs, will introduce automatic visual inspection machines and packaging machines that conform to Japanese quality standards. The plant is scheduled to start its operation in the second half of FY2027/3.

Overview of new Taiyo Pharma Asia plant

[Location]
999/34 Moo 15 Bangsaotong Sub-District, Bangsaotong District, Samutprakarn Province, Thailand

[Building Overview]
Total floor area: 2,592 m^2
Steel-framed two-story building

[Date of Completion]
April 2025

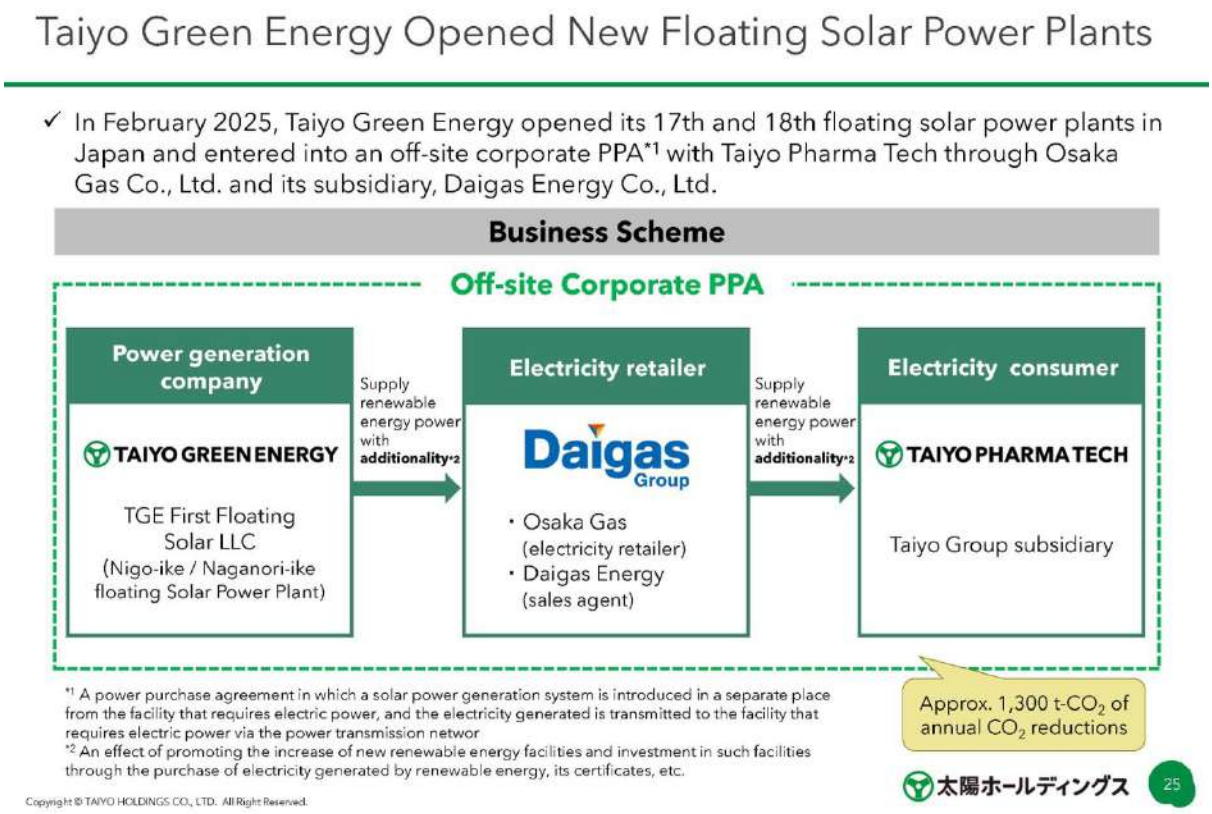
[Operation Start Date]
Second half of FY2027/3 (tent.)

Image representation of new plant

太陽ホールディングス 23

Taiyo Pharma Asia Co., Ltd. has completed construction of a new plant in Thailand and held a completion ceremony last week. The plant is scheduled to start its operations in the second half of FY2027/3. However, as initial sales are not expected to be significant, we have started the operations on a trial basis.

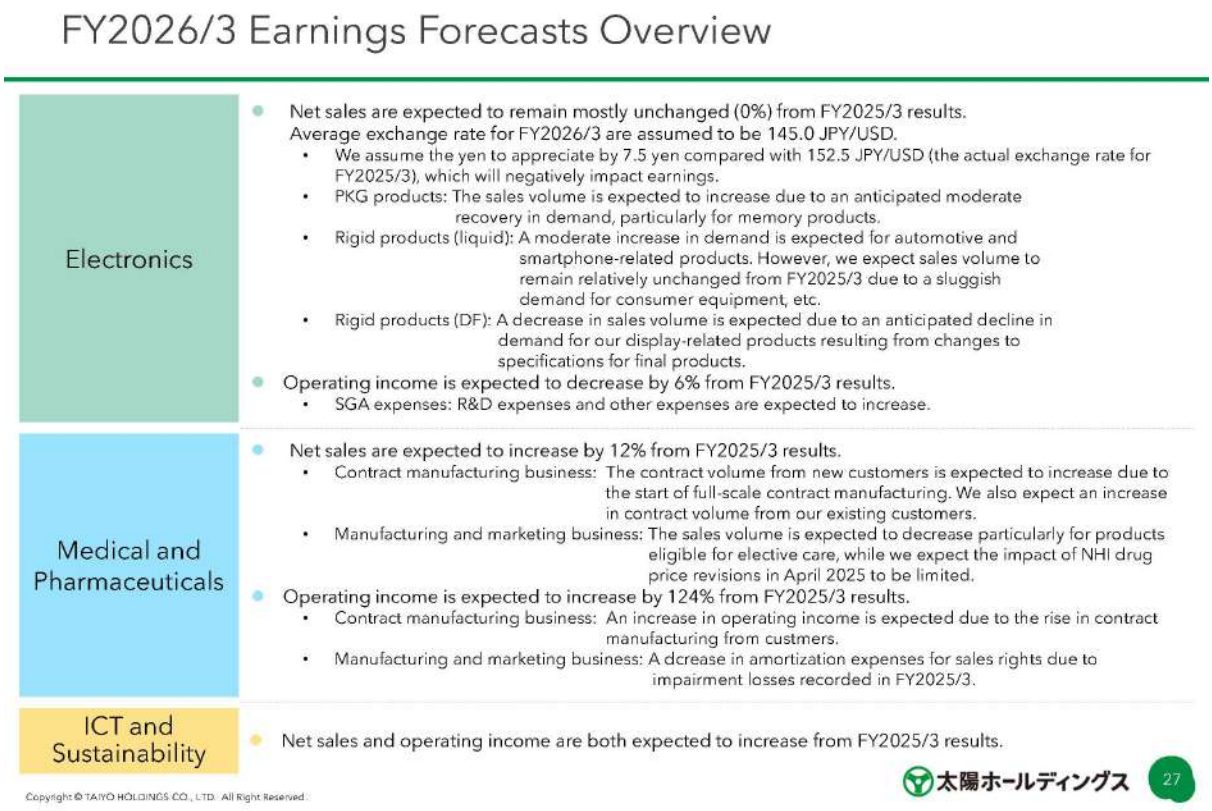
Taiyo Green Energy Opened New Floating Solar Power Plants>



Next is the ICT&S business. Taiyo Green Energy has opened a new floating solar power plant. As shown on the left side of the chart, Taiyo Green Energy is building two solar power plants in Hyogo Prefecture as a power generation company. Under this scheme, the generated power is sold to the Daigas Group, which is then supplied directly to Taiyo Pharma Tech.

Until now, electricity generated by the floating solar power plant has been sold to the electric power company under the Feed-in Tariff (FIT) scheme. This time, we aim to utilize the electricity ourselves through an off-site Power Purchase Agreement (PPA). While our primary goal is to stabilize the power supply, we also believe this approach will be highly effective in ensuring price stability. We therefore plan to continue pursuing this initiative.

FY2026/3 Earnings Forecasts Overview



This slide provides an overview of our earnings forecast. In the Electronics business, we assume an exchange rate of 145 yen to the US dollar. Although the current rate is around 142 to 143 yen, we anticipate a slight depreciation of the yen going forward. We expect a gradual recovery in demand, particularly for PKG and rigid high-end, and anticipate an increase in volume.

As a result, operating income is expected to decrease by 6% compared to the FY2025/3 results, primarily due to the impact of foreign exchange rates. Although sales volume is expected to increase, this will be offset by stronger yen, higher SG&A expenses—mainly from personnel costs—and increased research and development expenses.

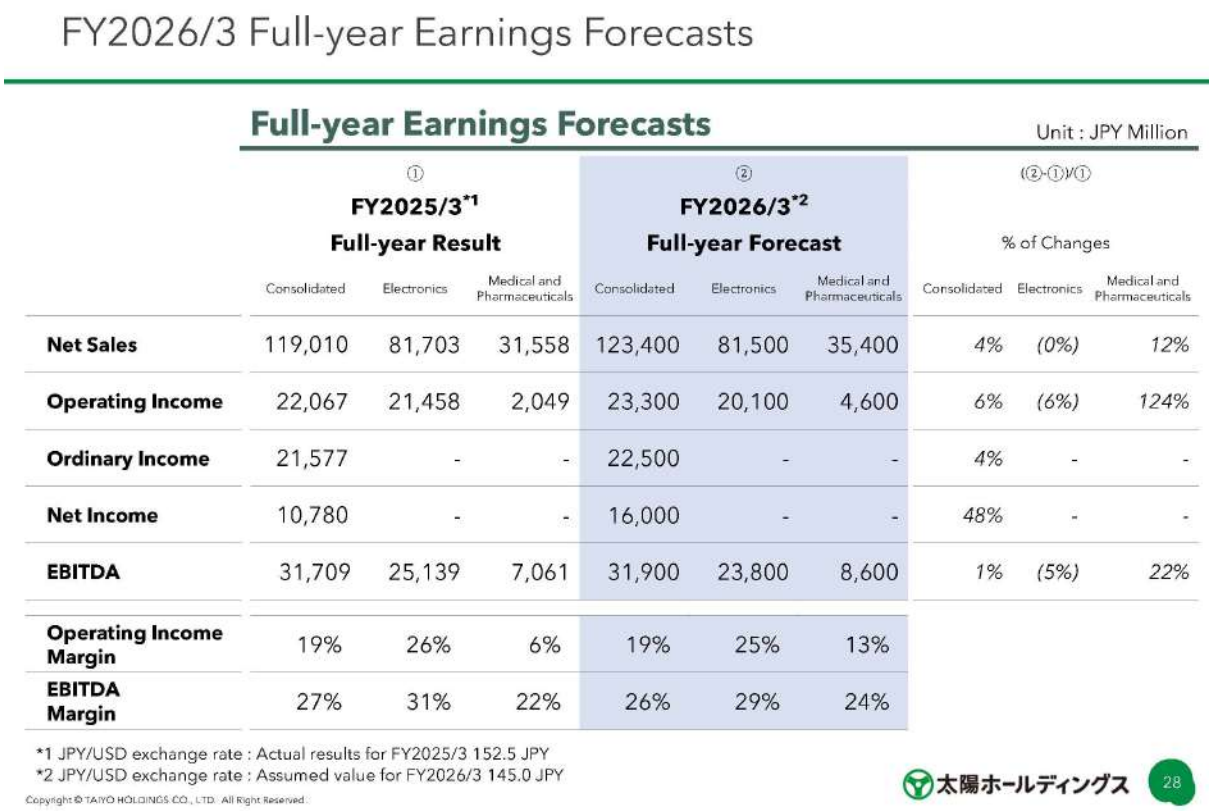
On the other hand, the Medical and Pharmaceuticals business is expected to see a 12% increase in revenue. Operating income is projected to more than double compared to FY2025/3, representing a 124% YoY increase.

In the contract manufacturing business, we expect operating income to grow by more than 1 billion yen, as a large-scale project we have been discussing since our founding is set to make a full contribution in FY2026/3.

In the manufacturing and marketing business, we expect a reduction in the amortization of sales rights as a result of impairment losses. As mentioned earlier, the 7.0 billion yen impairment loss recorded will lead to an annual decrease of 1.1 billion yen in amortization. Consequently, we expect operating profit in the Pharmaceuticals Business to more than double, with a projected YoY increase of 124%.

The ICT&S business is expected to see increases in both net sales and operating income compared to FY2025/3 results.

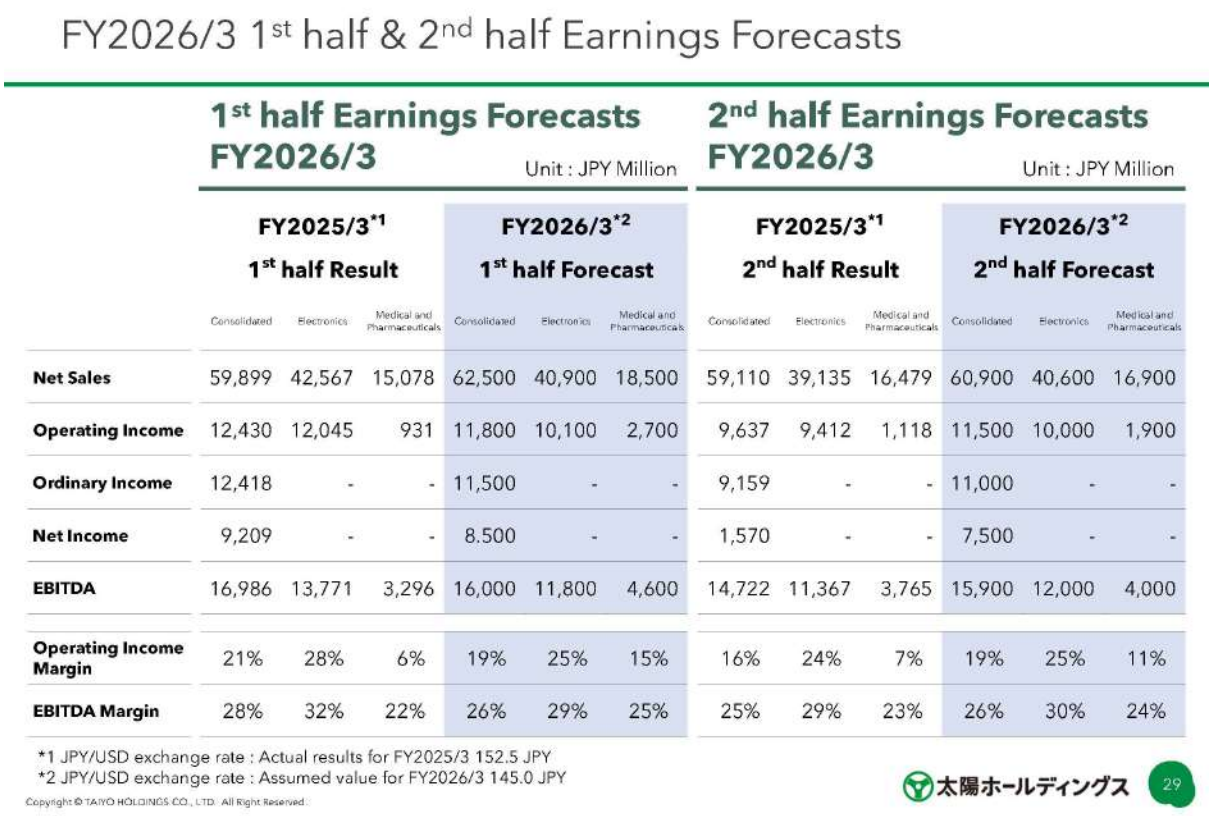
FY2026/3 Full-year Earnings Forecasts



These are the full-year forecasts. The figures in the blue area on the slide represent consolidated net sales of 123.4 billion yen, operating income of 23.3 billion yen, ordinary income of 22.5 billion yen, and net income attributable to owners of parent of 16.0 billion yen.

The breakdown is shown on the right. We expect net sales of 81.0 billion yen and operating income of 20.0 billion yen in the Electronics business, and net sales of 35.4 billion yen and operating income of 4.6 billion yen in the Medical and Pharmaceuticals business.

FY2026/3 1st half & 2nd half Earnings Forecasts



FY2026/3 1st half & 2nd half Earnings Forecasts

1st half Earnings Forecasts FY2026/3

Unit : JPY Million

	FY2025/3*1 1st half Result			FY2026/3*2 1st half Forecast		
	Consolidated	Electronics	Medical and Pharmaceuticals	Consolidated	Electronics	Medical and Pharmaceuticals
Net Sales	59,899	42,567	15,078	62,500	40,900	18,500
Operating Income	12,430	12,045	931	11,800	10,100	2,700
Ordinary Income	12,418	-	-	11,500	-	-
Net Income	9,209	-	-	8.500	-	-
EBITDA	16,986	13,771	3,296	16,000	11,800	4,600
Operating Income Margin	21%	28%	6%	19%	25%	15%
EBITDA Margin	28%	32%	22%	26%	29%	25%

2nd half Earnings Forecasts FY2026/3

Unit : JPY Million

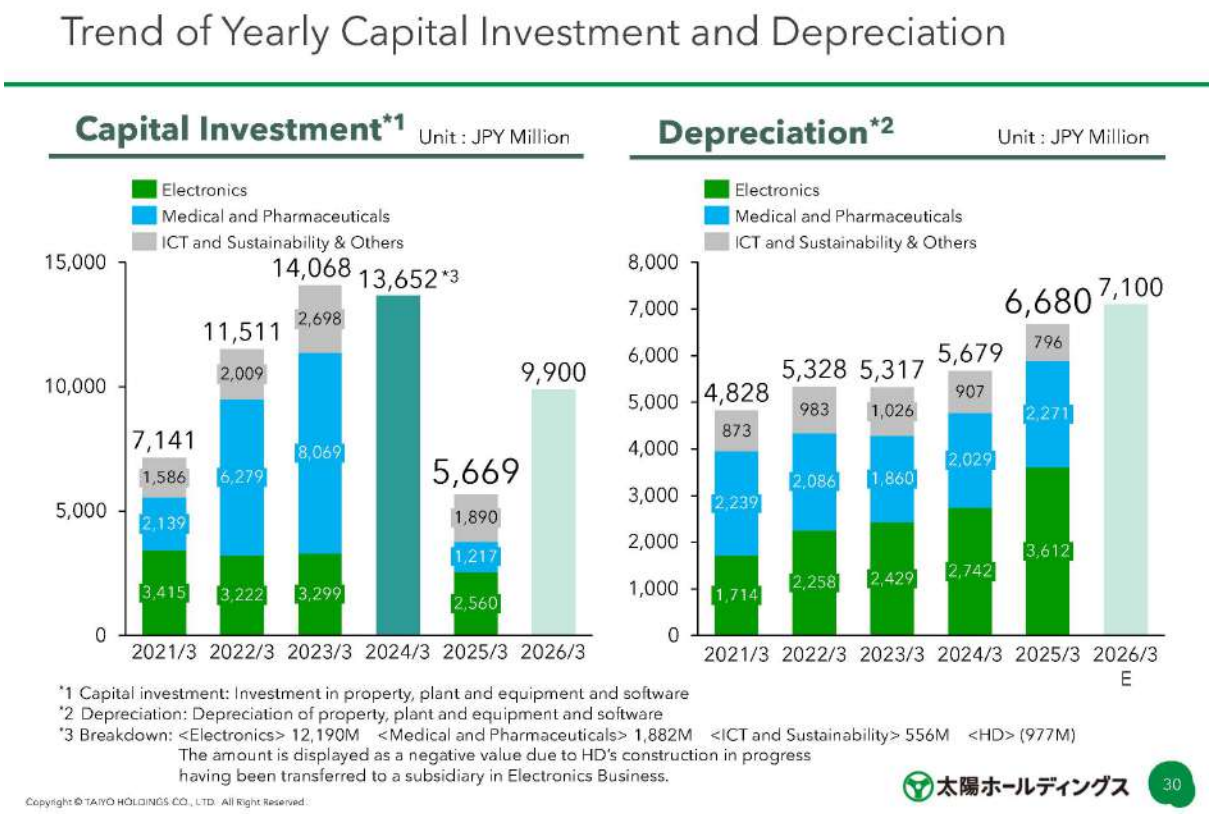
	FY2025/3*1 2nd half Result			FY2026/3*2 2nd half Forecast		
	Consolidated	Electronics	Medical and Pharmaceuticals	Consolidated	Electronics	Medical and Pharmaceuticals
Net Sales	59,110	39,135	16,479	60,900	40,600	16,900
Operating Income	9,637	9,412	1,118	11,500	10,000	1,900
Ordinary Income	9,159	-	-	11,000	-	-
Net Income	1,570	-	-	7,500	-	-
EBITDA	14,722	11,367	3,765	15,900	12,000	4,000
Operating Income Margin	16%	24%	7%	19%	25%	11%
EBITDA Margin	25%	29%	23%	26%	30%	24%

*1 JPY/USD exchange rate : Actual results for FY2025/3 152.5 JPY
*2 JPY/USD exchange rate : Assumed value for FY2026/3 145.0 JPY

太陽ホールディングス 29

This slide breaks down the figures from the previous slide into the first and second halves of the fiscal year. Please take a look.

Trend of Yearly Capital Investment and Depreciation



This slide shows our capital investment plans. We are planning to invest 9.9 billion yen in FY2026/3 and approximately 30.0 billion yen over the next three years. Initially, we anticipated higher investment in FY2025/3, but the actual amount was 5.6 billion yen, as shown on the left side of the slide. We believe that steady annual investment in the range of 5.0 to 6.0 billion yen serves as a reasonable benchmark. Additional capital expenditures will be recorded as needed for new development.

Therefore, we do not anticipate any major investments over the next three years. Conversely, it is fair to say that capital investment in the Medical and Pharmaceuticals business is currently on pause.

Depreciation is shown on the right side of the slide. Actual depreciation for FY2025/3 was 6.6 billion yen, and estimated depreciation for FY2026/3 is 7.1 billion yen.

This concludes my presentation. Thank you for your attention.

Q&A: Market environment for the Electronics business

Questioner: I would appreciate further details regarding your view for the Electronics business in FY2026/3. While I do not believe that Trump's tariffs would directly impact on the company, I am concerned about possible indirect effects. I would like to understand the assumptions underpinning your outlook with respect to markets such as smartphones and automobiles. Please elaborate on how you view the market environment for the Electronics business in the fiscal year.

Sato: At this point, we do not anticipate any significant impact from Trump's tariffs on our Electronics business outlook for FY2026/3. Currently, there is a surge in demand from April to May. We do not know how long this situation will continue, but as you pointed out, if car and smartphone sales decline, we will naturally be affected. However, since the extent of this impact is unpredictable, we are not currently factoring it into our projections.

Questioner: Is it your assessment that the strong performance in April and May is primarily attributable to last-minute demand?

Sato: Yes, we believe this is the only way to accurately understand the situation.

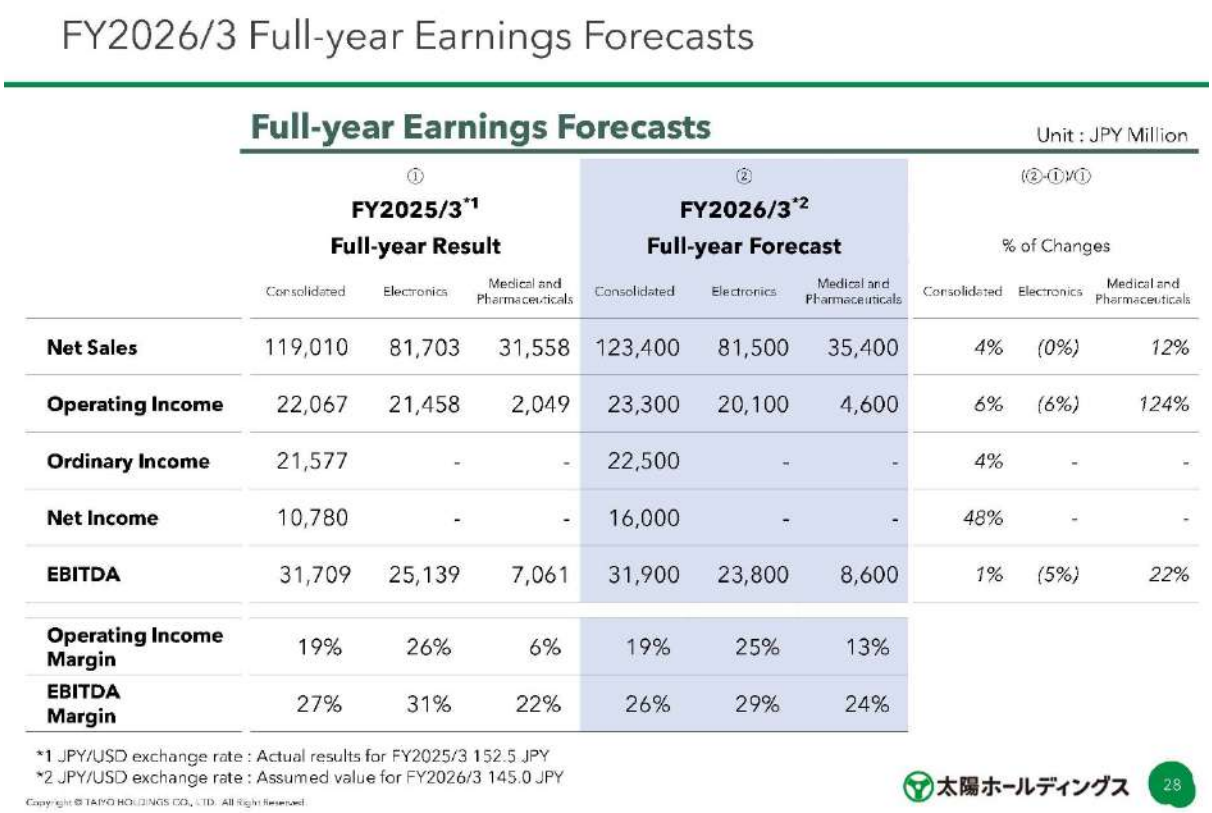
Questioner: So, while the future remains uncertain, would you say the current situation is not bad?

Sato: Yes, that's exactly right.

Questioner: Do you see any differences in performance depending on the product or business segment?

Sato: We have the impression that there is strong last-minute demand for high-end products, including PKG.

Q&A: Future direction of the Medical and Pharmaceuticals business



FY2026/3 Full-year Earnings Forecasts

Full-year Earnings Forecasts

Unit : JPY Million

	① FY2025/3*1 Full-year Result			② FY2026/3*2 Full-year Forecast			(②-①)/① % of Changes		
	Consolidated	Electronics	Medical and Pharmaceuticals	Consolidated	Electronics	Medical and Pharmaceuticals	Consolidated	Electronics	Medical and Pharmaceuticals
Net Sales	119,010	81,703	31,558	123,400	81,500	35,400	4%	(0%)	12%
Operating Income	22,067	21,458	2,049	23,300	20,100	4,600	6%	(6%)	124%
Ordinary Income	21,577	-	-	22,500	-	-	4%	-	-
Net Income	10,780	-	-	16,000	-	-	48%	-	-
EBITDA	31,709	25,139	7,061	31,900	23,800	8,600	1%	(5%)	22%
Operating Income Margin	19%	26%	6%	19%	25%	13%			
EBITDA Margin	27%	31%	22%	26%	29%	24%			

*1 JPY/USD exchange rate : Actual results for FY2025/3 152.5 JPY
*2 JPY/USD exchange rate : Assumed value for FY2026/3 145.0 JPY

太陽ホールディングス 28

Questioner: The operating income forecast for the Pharmaceuticals Business in FY2026/3 is 4.6 billion yen. You have consistently stated that the company aims to achieve 4.5 billion yen in this fiscal year, and I believe this target is now within reach. While the impairment loss you mentioned earlier will have some impact, it seems that the target remains achievable.

However, it is difficult to envision how profits in the Medical and Pharmaceuticals business will grow beyond this point. While I expect the contract manufacturing business to expand, it is extremely challenging to assess the growth trajectory from an external perspective. If possible, please share any insights or directional guidance you can offer regarding your future strategic intentions, including this point.

Sato: In the Medical and Pharmaceuticals business, Taiyo Pharma engages in manufacturing and marketing. As the company's management, we deeply regret the 7.0 billion yen impairment loss recorded in the previous fiscal year.

On the other hand, we would like you to understand that, as a general policy, we will not seek to obtain sales rights for long-listed products acquired in the future. Based on this assumption, we expect that many of our products will fall under the minimum statutory NHI drug price or be designated as essential medicines, which is expected to support improved revenue. Accordingly, we view FY2025/3 as the bottom for Taiyo Pharma, and anticipate a gradual recovery from that point onward.

In the contract manufacturing business, profitability increases as we secure more new contracts. However, as you rightly pointed out, it is difficult to forecast this. That said, we are currently seeing a significant increase in inquiries.

Considering the structure of the industry, as pharmaceutical manufacturers have separated their manufacturing plants, new drugs must be produced at some facility. In this environment, companies are generally reluctant to outsource production to generic drug manufacturers. As a result, there are relatively few contract manufacturing organizations (CMOs) that handle brand-name drugs, and we believe this will inevitably position us at the focus of industry attention.

Given these factors, we believe there is still room for gradual revenue growth in our contract manufacturing business. In addition, we expect improved earnings from our long-listed products business going forward. Therefore, we believe that the 9.0 billion yen income target for FY2031/3, as outlined in our Long-Term Management Plan, is fully achievable.

Q&A: Capital relationship with DIC and dividend policy update

Questioner: The shareholder composition of the Company has changed slightly since the beginning of this year. In light of this, I am tempted to speculate about the relationship with DIC Corporation based on some media reports and the change in the Company's policy on shareholder returns. Could you explain this as much as possible?

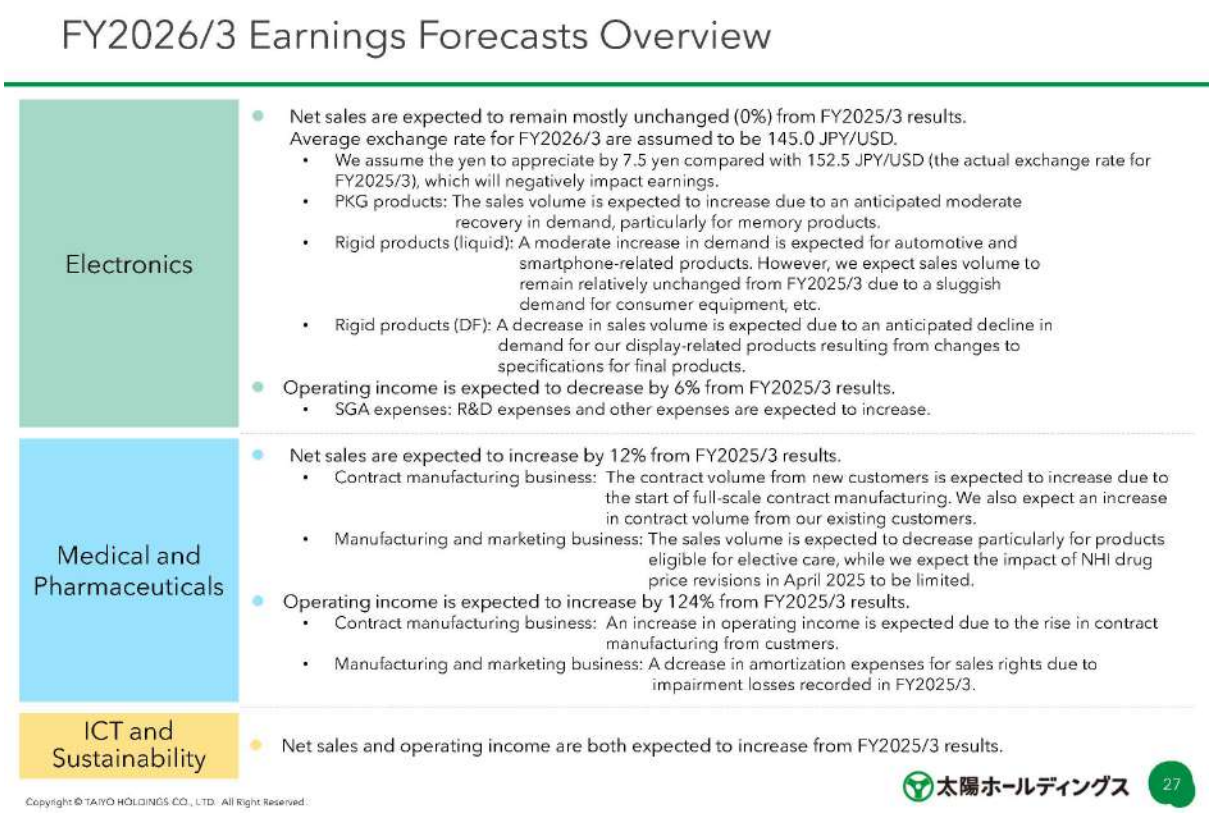
Sato: As we maintain a capital alliance with DIC, the potential for capital transfers is an ongoing topic of discussion. We ask for your understanding that there is always the possibility of reviewing our capital relationship with DIC, including decisions on **whether to accept additional investments during the fiscal year**.

Additional purchases or sales may be considered. While this remains an ongoing topic of discussion, no decisions have been made at this time.

On the other hand, in response to questions about **whether changes in our shareholder structure affected our dividend policy**, the answer is NO, and the change is solely intended to achieve the goals set in our Long-Term Management Plan. One of the key messages is that **we do not intend to further increase equity** (Shareholders' equity + Accumulated other comprehensive income).

In the past, share repurchases were considered as one option; however, over the past two years, we have come to recognize that they are not a practical approach. Constraints such as stock price levels and the handling of insider information have limited our ability to repurchase shares. As a result, we have determined that committing to dividends is more effective. Accordingly, we have committed to dividend payments for this fiscal year.

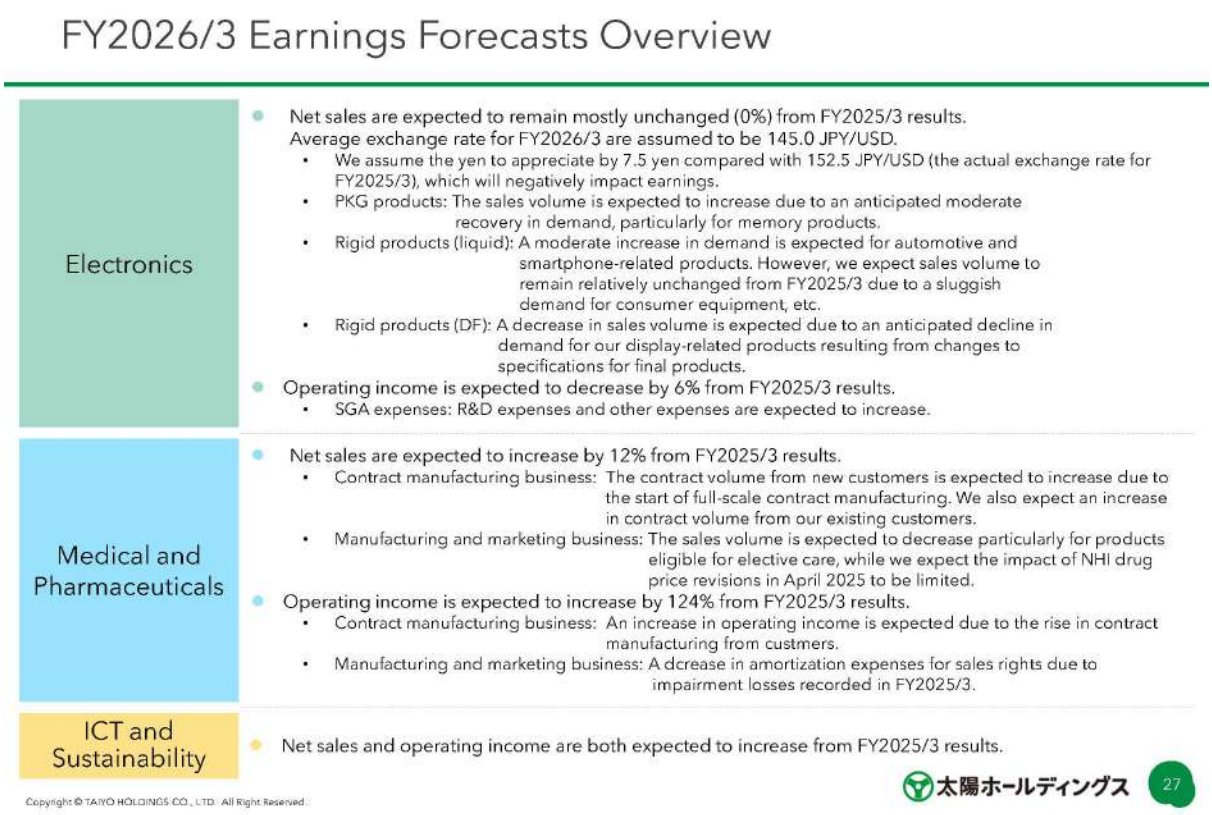
Q&A: Status of new projects in the Contract Manufacturing business



Questioner: You mentioned that the company is fully capable of producing large-scale products in the contract manufacturing business. Could you provide an update on the status of negotiations and contracts for new projects, as well as your outlook for new opportunities in this fiscal year?

Sato: We are continuing discussions with customers regarding new contracts for this fiscal year, including large-scale products, but there is no disclosable information at this time. We are continuing discussions regarding contract manufacturing for both large-scale and small-scale products.

Q&A: Impact of the elective care scheme on the Manufacturing and Marketing business



Questioner: You previously mentioned that it was difficult to predict the impact of the elective care scheme on the manufacturing and marketing business. In reality, how significant has the impact been? Additionally, what is your outlook on how long this impact is expected to continue?

Sayaka Tomioka (hereinafter, "Tomioka"): I am Tomioka, Managing Executive Officer and CFO. The elective care scheme was introduced in October 2024. When we announced our initial business forecast for FY2025/3 in April 2024, we, like many other companies, anticipated that the impact would be limited.

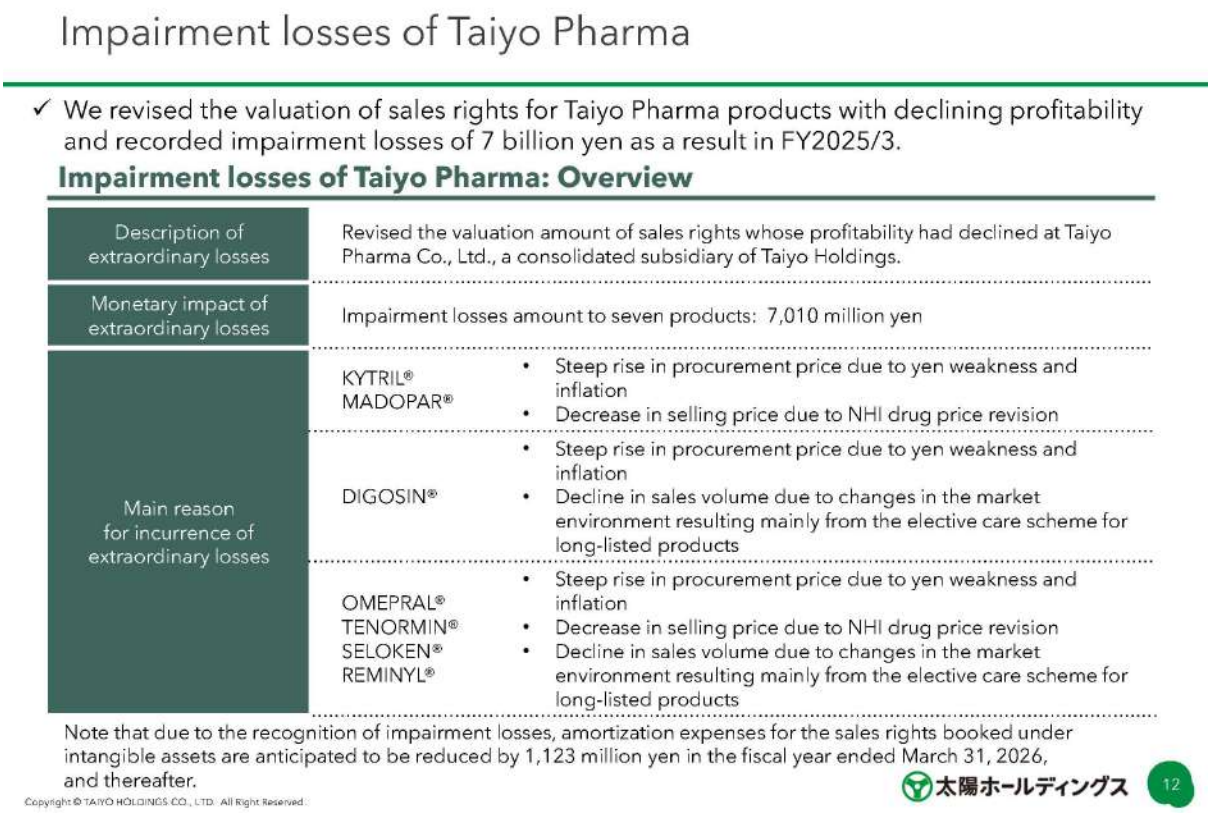
It is difficult to clearly isolate the impact of the scheme on our results for the six months since its introduction in October. However, based on volume, some products have experienced a decline ranging from a few percent to as much as 30%.

You may have encountered a similar situation when visiting a pharmacy after seeing a doctor. Although not all long-listed products are subject to the scheme, pharmacy staff may say, "If you don't choose a generic drug, you'll have to pay more because it's covered under the elective care scheme." However, at the time of payment, you are sometimes told, "Actually, this product is not covered by the scheme, so there is no additional charge."

In any case, the reality is that the approach taken at reception is to replace even items not covered by the scheme with generic drugs. Therefore, we expect that items not covered by the scheme will also be affected to some extent in terms of volume.

In that sense, there was a half-year impact in FY2025/3, but we expect a full-year impact in FY2026/3. Our business forecast figures reflect this expectation.

Q&A: Potential for future extraordinary losses



Impairment losses of Taiyo Pharma

✓ We revised the valuation of sales rights for Taiyo Pharma products with declining profitability and recorded impairment losses of 7 billion yen as a result in FY2025/3.

Impairment losses of Taiyo Pharma: Overview

Description of extraordinary losses	Revised the valuation amount of sales rights whose profitability had declined at Taiyo Pharma Co., Ltd., a consolidated subsidiary of Taiyo Holdings.	
Monetary impact of extraordinary losses	Impairment losses amount to seven products: 7,010 million yen	
Main reason for incurrence of extraordinary losses	KYTRIL® MADOPAR®	• Steep rise in procurement price due to yen weakness and inflation • Decrease in selling price due to NHI drug price revision
	DIGOSIN®	• Steep rise in procurement price due to yen weakness and inflation • Decline in sales volume due to changes in the market environment resulting mainly from the elective care scheme for long-listed products
	OMEPRAL® TENORMIN® SELOKEN® REMINYL®	• Steep rise in procurement price due to yen weakness and inflation • Decrease in selling price due to NHI drug price revision • Decline in sales volume due to changes in the market environment resulting mainly from the elective care scheme for long-listed products

Note that due to the recognition of impairment losses, amortization expenses for the sales rights booked under intangible assets are anticipated to be reduced by 1,123 million yen in the fiscal year ended March 31, 2026, and thereafter.

太陽ホールディングス 12

Questioner: You mentioned that the recent extraordinary losses were attributable to the elective care scheme and the impact of the weak yen. How much risk do you think there is that you will have to record further extraordinary losses?

Sato: I don’t know the extent of the risk, but I believe we’ve done everything we can at this point and expect no further extraordinary losses going forward.

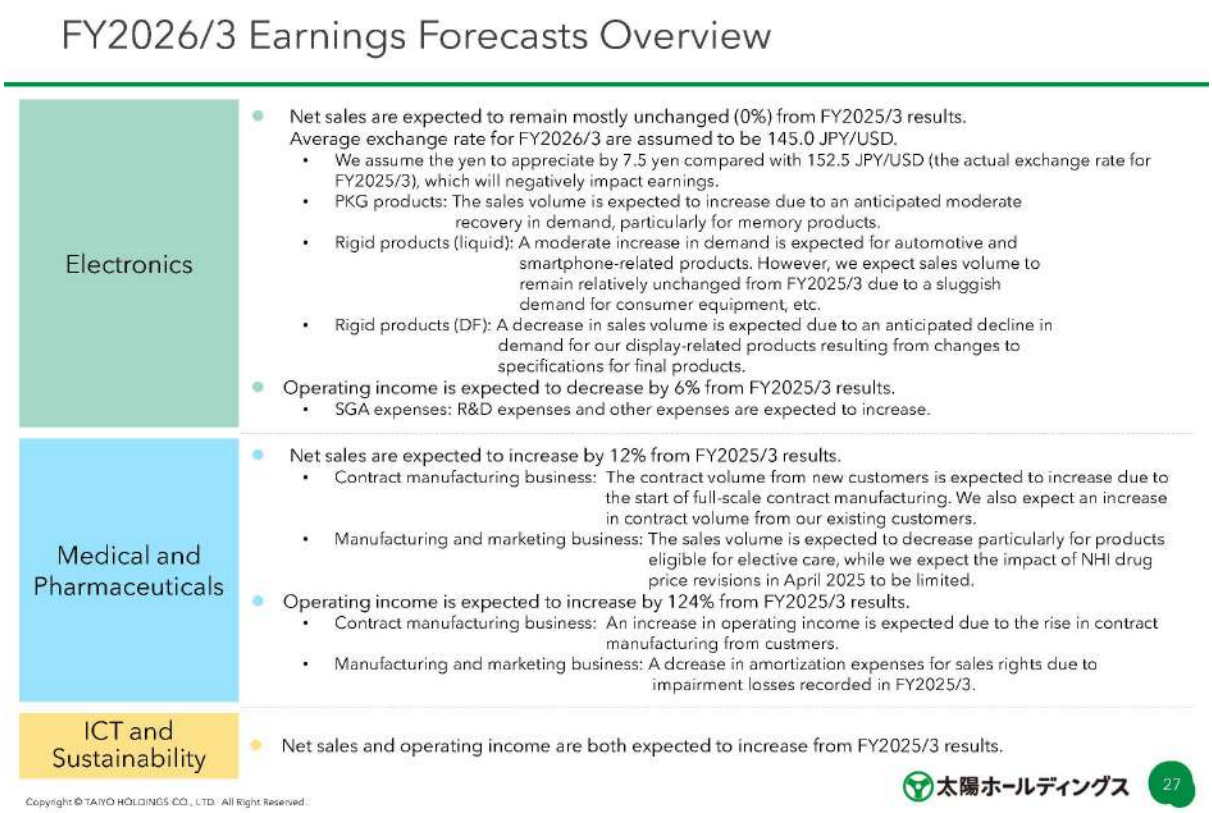
Q&A: Outlook for achieving ROE of 18%

Questioner: There has been considerable discussion since the beginning of the year regarding talks with DIC and the potential management integration of the company. Throughout this presentation, you, Mr. Sato, have repeatedly emphasized that “the investments currently planned are within this range” and that “the 18% ROE target set forth in the Long-Term Management Plan can be achieved through this capital policy and the expansion of existing businesses.”

From my perspective, these statements suggest that “the goals can be achieved without relying on acquisitions.” Would it be correct to interpret your message this way, or is there a significant discrepancy in that understanding?

Sato: That’s correct. Based on the current situation, I believe that achieving an ROE of 18% is entirely feasible. In addition, we have approximately 50.0 billion yen in borrowing capacity, which gives us the flexibility to pursue M&A opportunities. However, we do not have any specific M&A plans at this time, and I believe we can reach the 18% ROE target by continuing along our current course.

Q&A: Medium-term outlook for the Medical and Pharmaceuticals business



Questioner: I believe that it was in 2021, the company presented its medium-term development plan for the Medical and Pharmaceuticals business, with net sales of 30.0 billion yen and an operating margin of 15% (4.5 billion yen) for FY2026/3, and net sales of 60.0 billion yen and an operating margin of 15% (9.0 billion yen) for FY2031/3 as benchmarks.

In the Medical and Pharmaceuticals business, the first-half results at Taiyo Pharma, a group company, fell significantly short of the initial business forecast. However, Taiyo Pharma Tech delivered strong performance, and I believe this represents a fair overall assessment of the interim results. I understand that Taiyo Pharma Tech is expected to remain the growth driver going forward.

In terms of investment, I understand that if the company maintains the status quo or makes minor updates, such as small-scale replacements at the existing Takatsuki plant, the 9.0 billion yen income target is achievable by FY2028/3. Does this mean that the Medical and Pharmaceuticals business is expected to fully achieve the 9.0 billion yen profit level with the current structure in place?

Sato: Exactly. We believe that with a few additional improvements to our existing facilities, we can achieve the 9.0 billion yen profit target. However, looking further ahead, we recognize the need for additional capacity. In that context, we are currently anticipating some level of investment around FY2029/3 or FY2030/3.

Constructing a pharmaceutical plant typically takes about four years from initial planning to completion, so we expect to begin seeing the results of such investment in roughly four years. That said, even without a new facility, we believe the current plan is sufficient to fully achieve the 9.0 billion yen target.

Questioner: What was your initial forecast for the level of net sales?

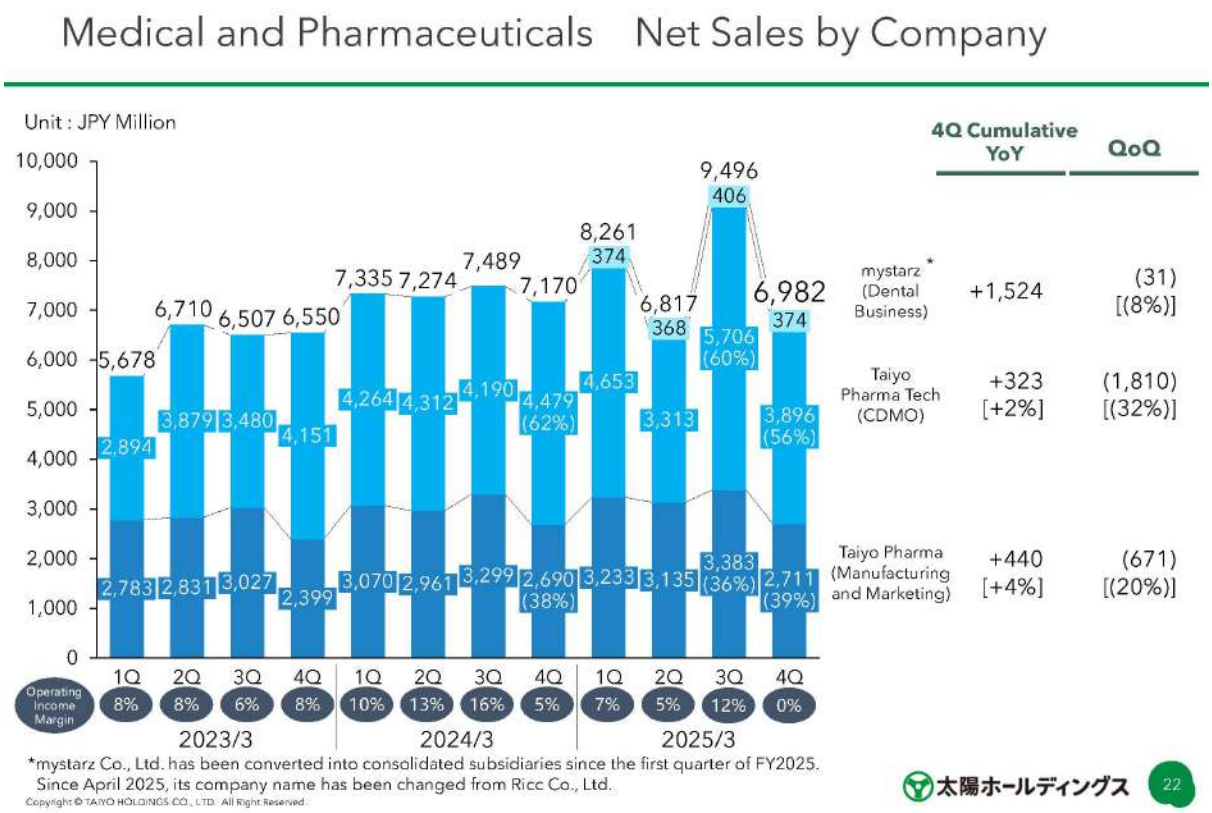
Sato: We expect net sales to decline slightly. This is because the profit margin of the pharmaceutical contract manufacturing business is currently on an upward trend. As this is an equipment-intensive industry, the profit margin will inevitably rise if we take on additional contracts. Therefore, we currently expect net sales to be slightly lower than 60.0 billion yen.

However, with the addition of mystarz (formerly Ricc), we believe that we may be able to achieve 60.0 billion yen. However, considering the profit of 9.0 billion yen, we currently expect it to be slightly lower than 60.0 billion yen.

Questioner: Understood. So, while there are some vague plans for new facilities or bases, the formal decision is expected to be made soon, with actual implementation, including cash outflows, beginning in FY2028/3 or later. Is that correct?

Sato: Exactly.

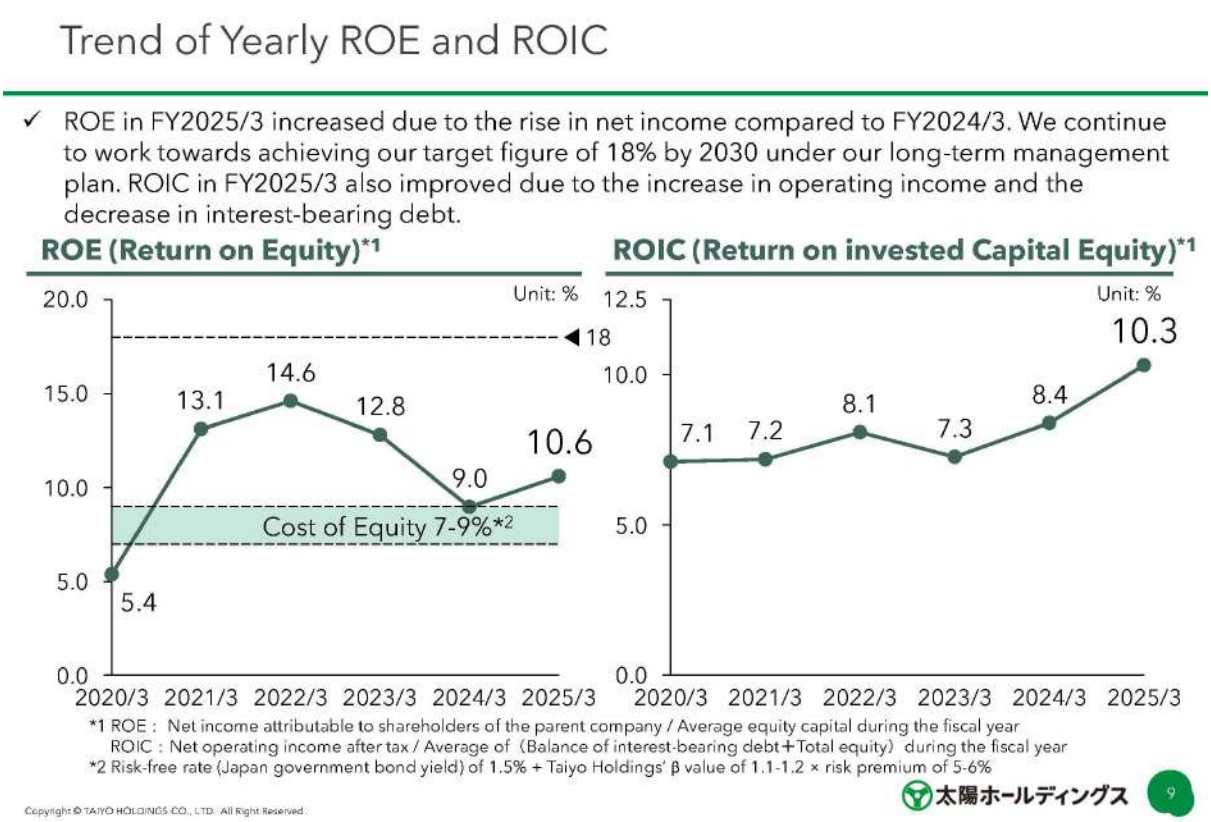
Q&A: The potential of mystarz



Questioner: mystarz (formerly Ricc) may not have significant profit potential at the moment, but is there any indication that the order of magnitude of its net sales could change in the medium term?

Sato: We expect the sales amount to remain in the range of tens of billions of yen, with a profit margin of around 10%. Roughly speaking, we anticipate sales of 50.0 billion yen and profits of 5.0 billion yen around 2030 to 2031.

Q&A: Rational behind 18% ROE



Questioner: I have a question regarding the 18% ROE target set in the Long-Term Management Plan. As I understand it, the current capital policy is well-defined, and if profit levels increase, the 18% target would naturally be achieved.

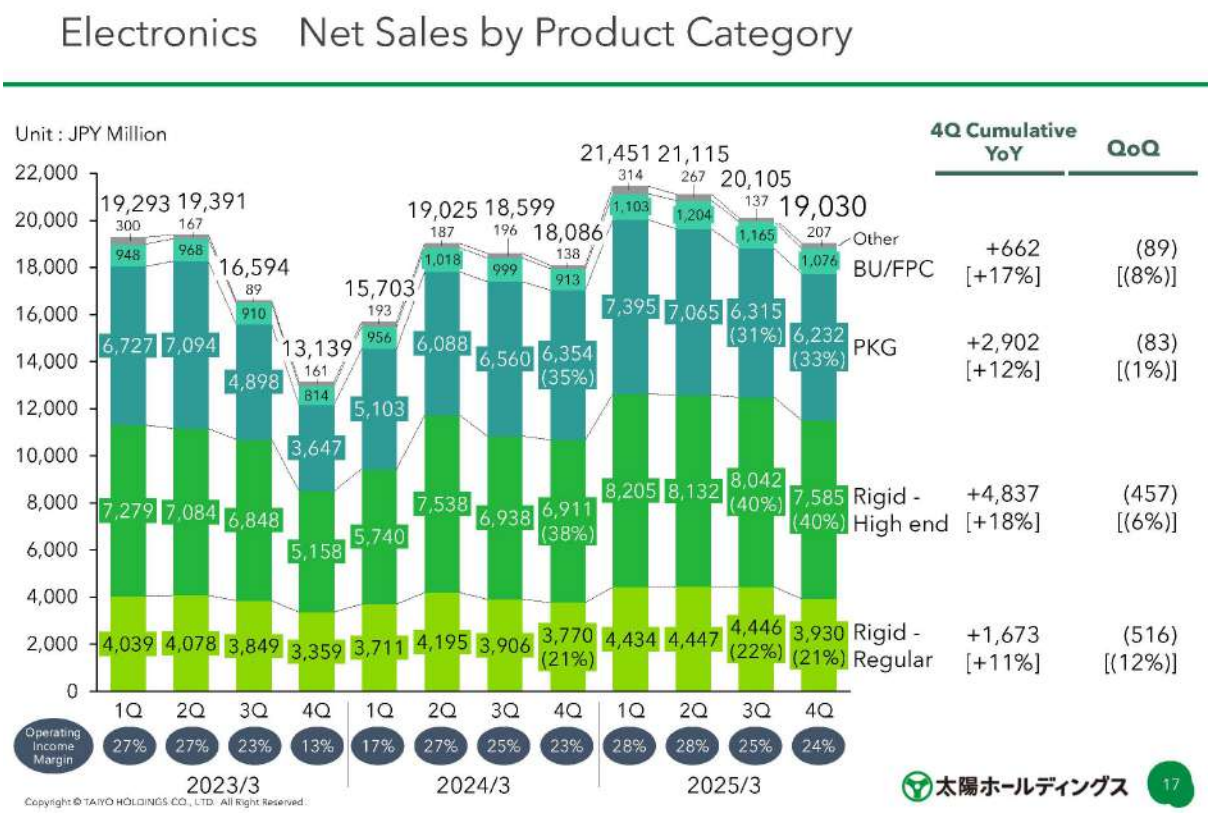
Looking ahead, however, it raises the broader question: Why was 18% chosen in the first place? Could you share your thinking on whether there are any intentions to raise this target in the future, or whether you aim to maintain a balanced level, perhaps around 20%, recognizing that this range reflects a healthy ROE?

Sato: Reversing the calculation from the target of approximately 20.0 billion yen in net income for the fiscal year, I remember that we initially set a target ROE of 18%. When we are asked, “What will you do after that?” our answer is, “We will consider that when the time comes.” However, we believe that around 20% is a benchmark and a sufficient level. At this point, we are not considering raising it any higher.

Questioner: At that time, I sensed that the company was also quite conscious of its market capitalization. Is your current approach to maximize profits while maintaining ROE at around 20%?

Sato: Exactly.

Q&A: Dry film insulation material for PCBs



Questioner: I have a question regarding the Electronics business. Earlier, you mentioned the ratio of DF in relation to rigid high-end board. From my understanding, due to fluctuations in the use of backlights for Mini LED display products, DF for standard PCB insulation materials has recently begun to enter the market.

I assume that your current DF ratio remains relatively small. Could you share the current situation at your company? Additionally, I'd appreciate insights on applications actually in use, your outlook for future potential, and whether production is carried out at a plant in the Kanto region.

Sato: The ratio is still less than 1%, so please understand that we are currently at the prototype stage. We are considering applications that include rigid circuit boards used in smartphones, and once adoption begins, we expect a significant increase in volume. However, this is not expected to materialize in the near term.

Regarding the production location, prototyping is currently being conducted in both the Kanto and Kyushu regions. A final decision has not yet been made, and production will take place at the site that proves most suitable at the time.

Questioner: At this point, have sample evaluations been completed, and are you currently producing a small number of prototypes for practical use?

Sato: You're absolutely right.

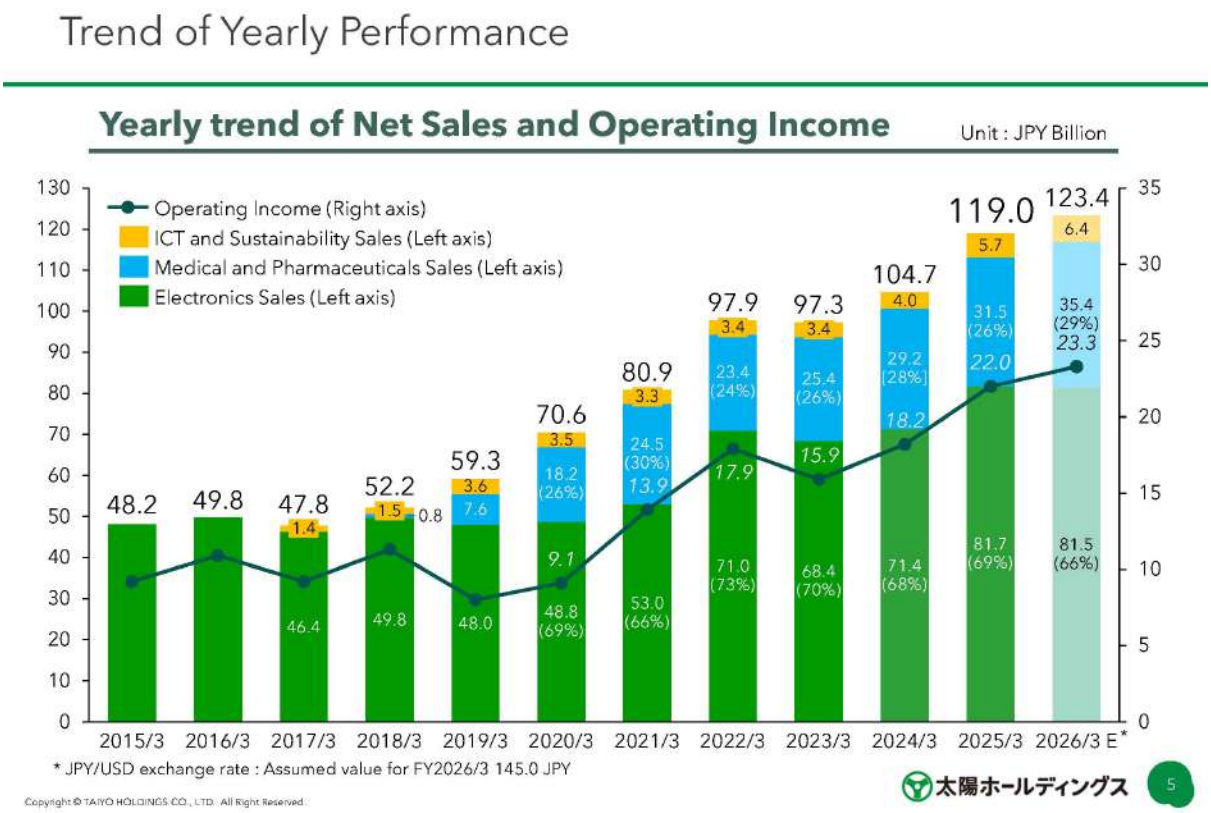
Questioner: Are there any other promising applications besides smartphones?

Sato: Are you referring to rigid board?

Questioner: Yes.

Sato: The biggest advantage of DF is that it allows for both surface flattening and thin-film formation. As for demand, the primary application at this stage is in smartphones.

Q&A: Factors contributing to ICT&S business growth and future outlook



Questioner: Could you tell us about the background and factors behind the gradual increase in profits and growing presence of the ICT&S business, as well as your outlook for the future?

Sato: The ICT&S business is composed of three main segments. The first is the contract manufacturing of synthetic products, carried out by Taiyo Fine Chemicals Co., Ltd., which is actively pursuing contracts for Taiyo Ink Mfg. Co., Ltd.

In addition, new business initiatives—led primarily by Taiyo Fine Chemicals—are being developed and have begun to show promising results.

The second is funlead corp., which is positioned at the core of the ICT&S business and is currently performing very well. We believe the company is on the verge of rapid growth, with a high degree of certainty. This company is also aiming to sell its products outside the company through internal DX, and with internal DX progressing smoothly, sales outside the company are also going well.

The third business is Taiyo Green Energy, which is engaged in floating solar power generation. As the electricity generated was originally sold under the Feed-in Tariff (FIT) scheme, the business has a structure designed to generate stable profits. In parallel, the company also operates food and agriculture businesses as initiatives to return a portion of its profits to society. As Taiyo Green Energy is conducting R&D to address the anticipated global food crisis, this business is not expected to generate significant profit.

Two of the three businesses in the ICT&S business are currently showing strong growth, and we believe you can expect that growth to continue going forward.

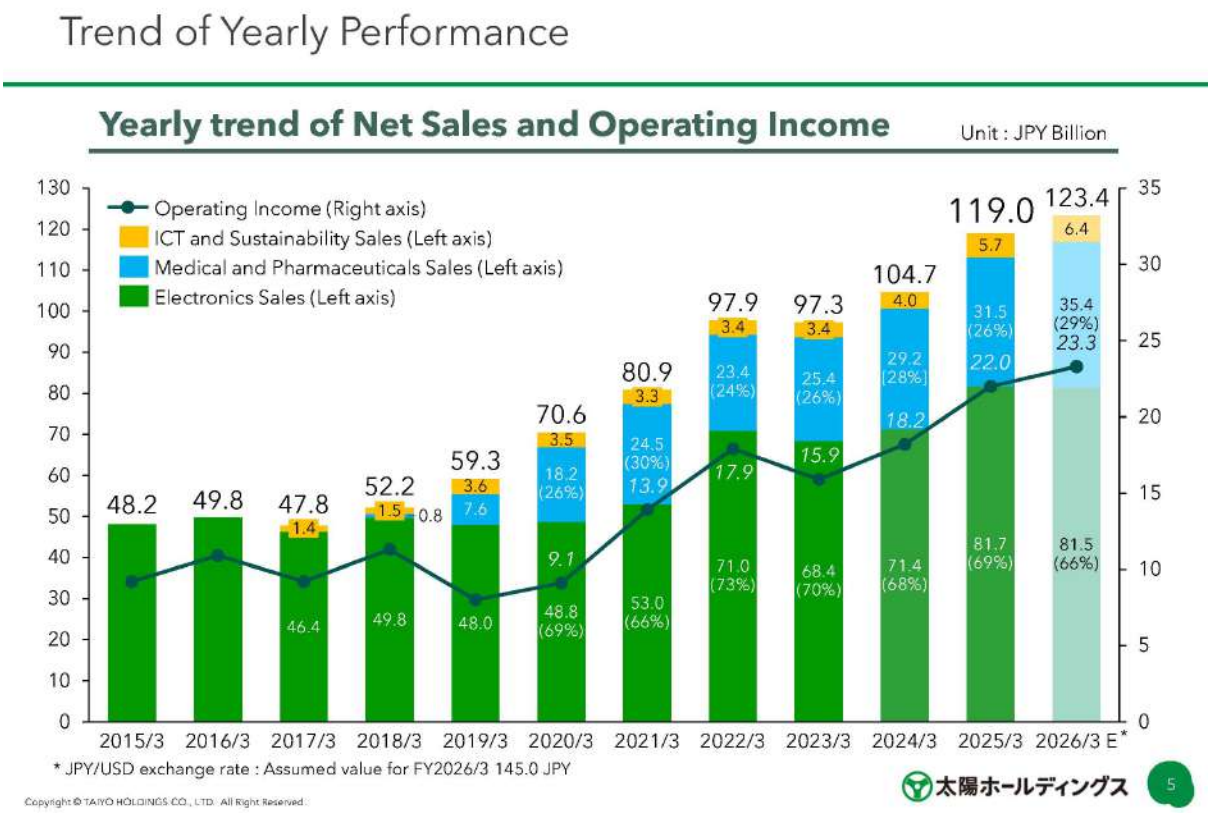
Questioner: Do you see Taiyo Fine Chemicals and funlead as currently growing mainly within the group? Or is funlead, in particular, positioned to attract external customers through its external sales activities?

Sato: Funlead is a company with a high proportion of external customers, who account for approximately 70% to 80% of its business. The same applies to Taiyo Fine Chemicals, where external customers make up around 70% of the business.

Questioner: I see. So, funlead is incorporating internal group sales in addition to the business with external customers, resulting in an increasing overall volume and improved profitability. Is that correct?

Sato: That's exactly right.

Q&A: Medium- to long-term outlook for ICT&S business



Questioner: The company has been involved in a variety of businesses from the perspective of growth. Among them, SR alone is not enough to ensure stability, so it is expanding into the ICT&S business, including pharmaceuticals, energy, and food, with the aim of achieving higher growth.

One of those pharmaceuticals has had its ups and downs, but it has finally reached the stage it is at today. The Energy business is also growing steadily. There was some talk about the Food business, such as crickets. How is that going?

What is the medium- to long-term outlook for these businesses in the ICT&S business?

Sato: Our Energy and Food business is conducted with the aim of providing solutions to social issues. Energy does not generate losses, so we are maintaining overall profitability in our Energy and Food businesses. Currently, we are using the profits generated by the Energy business to fund the Food business. Overall, our profits are slightly positive, but we do not expect this to grow significantly in the near future.

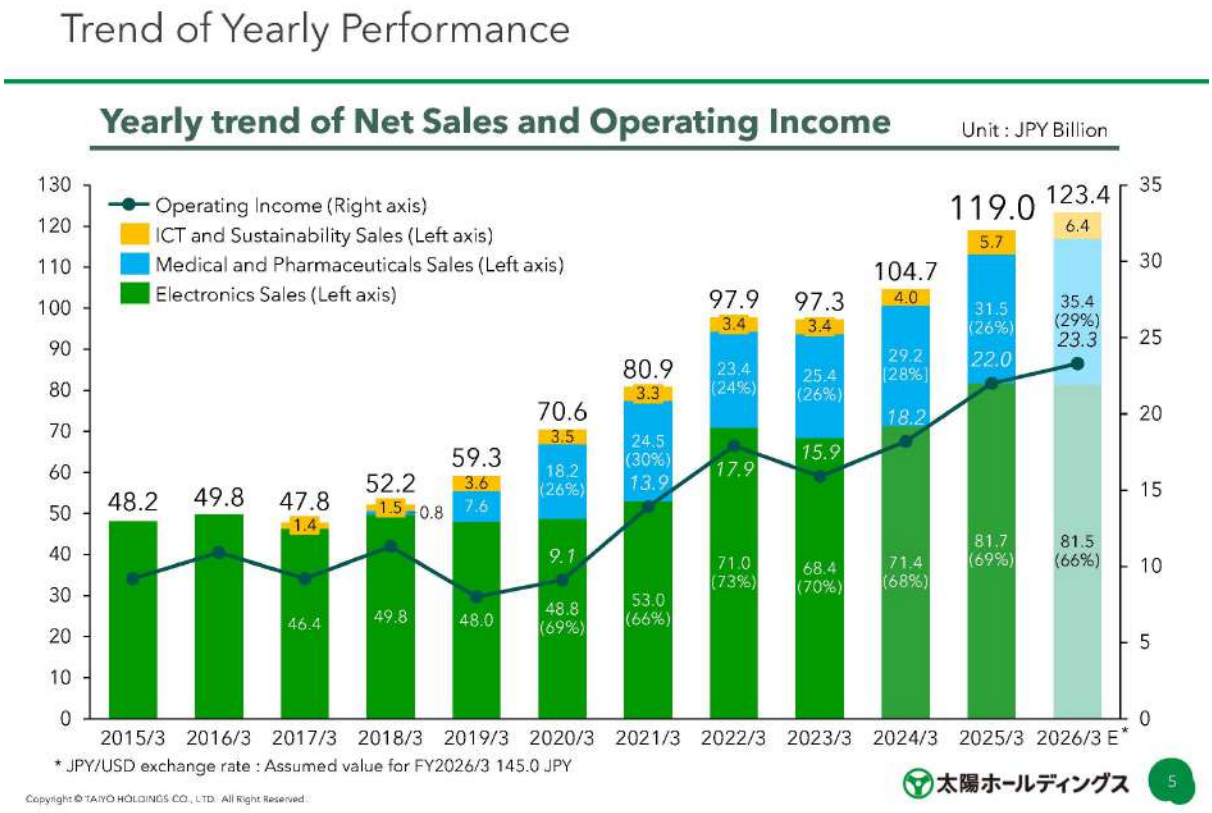
Questioner: In that case, assuming that you will grow the Medical and Pharmaceuticals business over the next three to five years, what will happen after that? What are your plans?

Sato: It is certain that we will grow our Medical and Pharmaceuticals business over the next three to five years. Beyond that, we will take a flexible, action-oriented approach.

Although market growth is visible in the Electronics business at present, we aim to improve the current situation where we are relying on sales accumulation. While we would like to expand the Electronics business horizontally through M&A or other means, we currently have no specific plans

in place.

Q&A: Future development of BGA-related business



Questioner: In the Electronics business, there have been frequent reports since last year stating that "there is not much demand for AI-related products, but the company's position as a second-tier supplier of materials for the back-end process is becoming stronger, and expectations are high." How has the company reflected contribution to ball grid array (BGA)-related business in this fiscal year's business performance? And what are your thoughts on future developments?

Tomioka: The BGA business is, of course, an area with one strong competitor in the industry. While our products are being used to some extent, we are gradually expanding our market share. That said, we are not allocating a significant portion of our budget to this area at this time.

Questioner: So it is a slow and steady process here as well.

Tomioka: That's exactly right.

Q&A: Factors behind changes in sales and profits for FY2025/3

Performance by Segment
Cumulative Net Sales, Operating Income and EBITDA

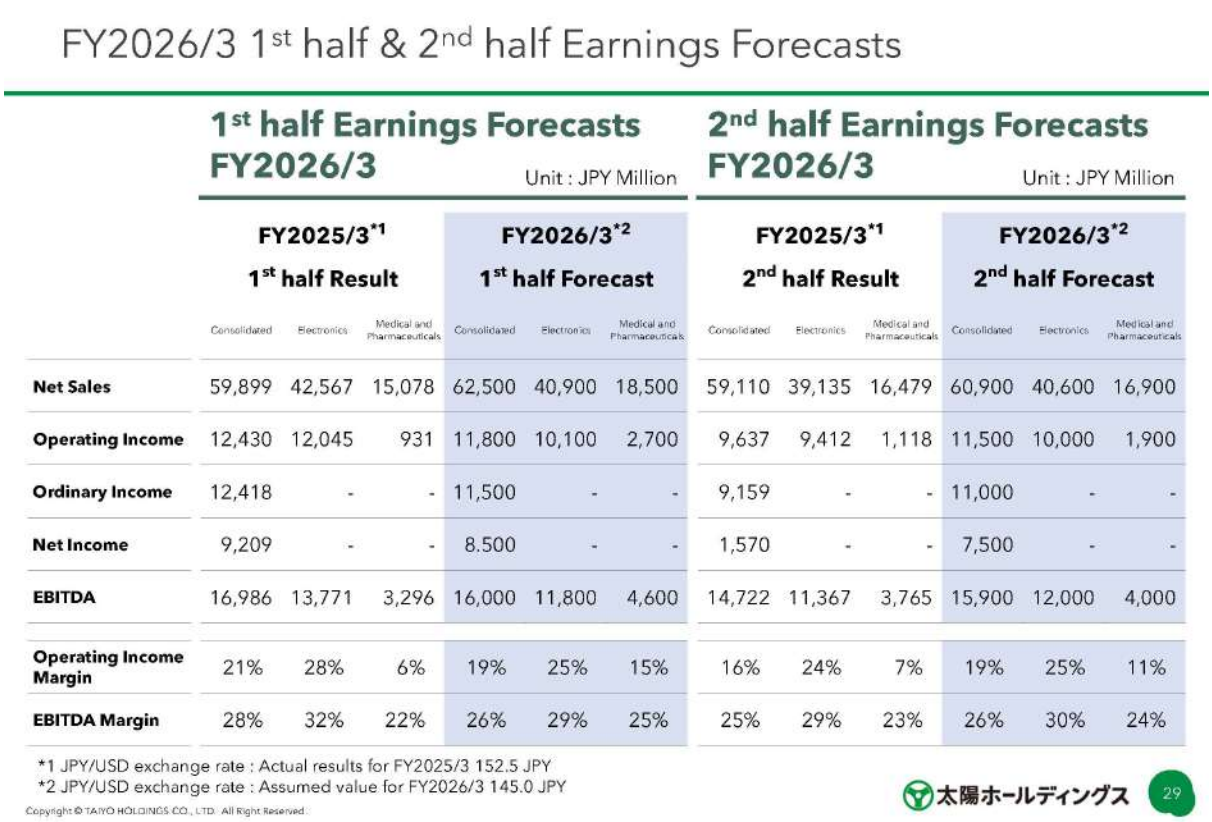
	Unit : JPY Million	① 2024/3 4Q Cumulative Result	② 2025/3 4Q Cumulative Result	②-① YoY	(②-①)/① % of Changes	③ 2025/3 Full Year Forecast (Announced on Mar.24)	②/③ % of Progress
Electronics	Net Sales	**71,415**	**81,703**	*10,287*	*14%*	**81,200**	*101%*
	Operating Income	**16,456**	**21,458**	*5,002*	*30%*	**21,400**	*100%*
	Operating Income Margin	23%	26%			26%	
	EBITDA	**19,259**	**25,139**	*5,880*	*31%*	**25,000**	*101%*
	EBITDA Margin	27%	31%			31%	
Medical and Pharmaceuticals	Net Sales	**29,269**	**31,558**	*2,288*	*8%*	**32,500**	*97%*
	Operating Income	**3,248**	**2,049**	*(1,199)*	*(37%)*	**2,200**	*93%*
	Operating Income margin	11%	6%			7%	
	EBITDA	**8,543**	**7,061**	*(1,481)*	*(17%)*	**7,300**	*97%*
	EBITDA Margin	29%	22%			22%	
ICT and Sustainability	Net Sales	**4,090**	**5,749**	*1,658*	*41%*	-	-
	Operating Income	**78**	**262**	*184*	*235%*	-	-
	Operating Income Margin	2%	5%			-	-
Company Expense	Operating Income / Loss	**(1,579)**	**(1,703)**	*(123)*		-	-

Questioner: Please explain what happened to cause sales to exceed forecasts and profits to fall short of forecasts for FY2025/3.

Sato: The difference between results and forecasts is quite small in both the Electronics business and the Medical and Pharmaceuticals business. While the Electronics business achieved its targets, we had anticipated slightly stronger performance. The difference in sales was primarily due to the accumulation of year-end bonuses, equipment upgrades, and repair expenses. Meanwhile, profits were generally in line with our initial expectations.

The same applies to the Medical and Pharmaceuticals business. The negative impact mainly stems from several accounting-related factors, such as sales that had been expected at the end of the fiscal year, being pushed into April due to delayed shipments, and personnel expenses exceeding initial projections. These small individual items, when combined, led to a negative deviation from expectations.

Q&A: Future outlook for Taiyo Pharma



FY2026/3 1st half & 2nd half Earnings Forecasts

1st half Earnings Forecasts FY2026/3 Unit : JPY Million

	FY2025/3*1 1st half Result			FY2026/3*2 1st half Forecast		
	Consolidated	Electronics	Medical and Pharmaceuticals	Consolidated	Electronics	Medical and Pharmaceuticals
Net Sales	59,899	42,567	15,078	62,500	40,900	18,500
Operating Income	12,430	12,045	931	11,800	10,100	2,700
Ordinary Income	12,418	-	-	11,500	-	-
Net Income	9,209	-	-	8.500	-	-
EBITDA	16,986	13,771	3,296	16,000	11,800	4,600
Operating Income Margin	21%	28%	6%	19%	25%	15%
EBITDA Margin	28%	32%	22%	26%	29%	25%

2nd half Earnings Forecasts FY2026/3 Unit : JPY Million

	FY2025/3*1 2nd half Result			FY2026/3*2 2nd half Forecast		
	Consolidated	Electronics	Medical and Pharmaceuticals	Consolidated	Electronics	Medical and Pharmaceuticals
Net Sales	59,110	39,135	16,479	60,900	40,600	16,900
Operating Income	9,637	9,412	1,118	11,500	10,000	1,900
Ordinary Income	9,159	-	-	11,000	-	-
Net Income	1,570	-	-	7,500	-	-
EBITDA	14,722	11,367	3,765	15,900	12,000	4,000
Operating Income Margin	16%	24%	7%	19%	25%	11%
EBITDA Margin	25%	29%	23%	26%	30%	24%

*1 JPY/USD exchange rate : Actual results for FY2025/3 152.5 JPY
*2 JPY/USD exchange rate : Assumed value for FY2026/3 145.0 JPY

太陽ホールディングス 29

Questioner: Taiyo Pharma recorded net sales of 6.4 billion yen in the first half, and 6.1 billion yen in the second half following the launch of the elective care scheme in October. It doesn't appear that there was a sharp decline. Do you expect the slowdown to continue going forward? Additionally, you cited the elective care scheme as the primary factor behind the impairment loss. However, if high costs and the weak yen also had an impact, do you see a possibility of another impairment loss occurring?

Sato: Products subject to the elective care scheme account for just under 30% of Taiyo Pharma's net sales. Of that portion, approximately half fell in the second half of the fiscal year, meaning the impact on FY2025/3 net sales was limited to just a few percent.

In FY2026/3, the impact will be felt over the full year, effectively doubling that amount. The impact on net sales may not appear substantial, given that products under the elective care scheme represent only about 20% of total net sales. The major reason for the impairment loss was the significant amount of sales rights for the products.

You asked, "If the weak yen and high raw material costs were factors in the impairment loss this time, could it happen again?" I believe the possibility is not zero. However, given that the yen has already weakened considerably, our primary concern now is raw materials denominated in euros. These account for a significant portion of our costs, so if the euro appreciates further, there is a risk that we could incur another impairment loss. That said, at this point, we do not expect the impact to be significant.

Regarding high cost factors, we have taken steps such as sufficiently raising the minimum statutory NHI drug prices, and we are implementing measures to minimize further impact. We sincerely hope that this will be the last impairment loss.