COVER STORY

The front cover features Banana Field by Kris Goto, a Hawaii-based artist who is active internationally. The piece is based on the concept of a happy world and happy people. Taiyo Holdings commissioned the work as part of its efforts to create a work environment where employees come into contact with original art that inspires emotion, learning, and creativity. Banana leaves sprout forth from the surface of the water which depicts the patterns of a printed circuit board as the people fish. The piece is displayed on the 15th floor of the Metropolitan Plaza Building in Tokyo, where our head office is located.

Integrated Report 2024

Happy people create a happy world.

16F, Metropolitan Plaza Bldg.,
1-11-1 Nishi-Ikebukuro, Toshima-ku,
Tokyo 171-0021, Japan
Taiyo Holdings Co., Ltd.
TEL: 81-3-5953-5200 (main)
FAX: 81-3-5953-5210
https://www.taiyo-hd.co.jp/en/

TAIYO HOLDINGS

TAIYO HOLDINGS

BRAND STATEMENT

Happy people create a happy world.

"Don't be afraid to fail."

Because what we learn from that
failure drives us forward.

Let's enjoy a challenge

without having the fear to make a mistake.
Let's enjoy change to create
the norm of tomorrow.
Let's look forward to the future
having a vision of a happier world.

Let's not limit ourselves.
With chemistry as our strength,
let's try to venture further.

Now is the time to sketch a new world.

Management Philosophy

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

Taiyo Values

Enjoy
Imagine the future, make actions.

Sincerity
Be honest. Make proud decisions.

Speed
Take action. Be a pioneer.

Communication
Listen to others. Convey your thoughts.

INDEX

1 BRAND STATEMENT

3 Management Philosophy and Taiyo Values

CHAPTER 1

The Taiyo Group Story

5 History of Value Creation
7 The Taiyo Group in Numbers
9 Taiyo Group Businesses
11 Value Creation Model
13 Cross Talk

CHAPTER 2

Value Creation and Sustainability

19 Long-Term Management Plan “Beyond Imagination 2030”
21 Basic Policy 01 Develop and Utilize Self-Sufficient Personnel Who Respond to Diversifying Organizations and Society
25 Basic Policy 02 Achieve Continuous Growth and Explore New Business Areas in the Electronics Business
29 Electronics business Feature: “InnoValley”
33 Basic Policy 03 Grow the Medical and Pharmaceuticals Business Further
37 Basic Policy 04 Advance and evolve through digital transformation
Basic Policy 05 Create new businesses
Basic Policy 06 Execute strategic M&A
39 Basic Policy 07 Strengthen Efforts Toward the SDGs

CHAPTER 3

Corporate Governance and Financial Information

45 Corporate Governance
55 Key Financial and Non-financial Data (Six Years)
57 IR Activities and Company Information

Editorial Policy
This marks Taiyo Group’s fourth integrated report. Our goal is for the integrated report to serve as an important tool for fostering our stakeholders' understanding of the Taiyo Group’s unique initiatives and business activities aimed at value creation. To continue our business activities in alignment with our management philosophy of “achieving a cheerful society” even in a rapidly changing environment, we formulated our long-term management plan, “Beyond Imagination 2030,” in 2021. This report focuses on the Taiyo Group's sustainability activities and business development around the seven basic policies established under the theme of the Beyond Imagination 2030. We intend to utilize this report as a key tool for fostering mutual understanding with our stakeholders going forward.

Guidelines Referenced
- Integrated Reporting Framework of the Value Reporting Foundation (VRF)
- Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation of the Ministry of Economy, Trade and Industry (METI)
- Chemicals Industry Standard of the Sustainability Accounting Standards Board (SASB) and others

Period Covered
April 1, 2023 to March 31, 2024 (In some cases this report includes information covering other periods.)

Reporting Boundary
Taiyo Holdings Co., Ltd. and its Group companies in Japan and overseas

Disclaimer
This report is not intended to solicit the purchase or sale of securities issued by Taiyo Holdings Co., Ltd. Additionally, forward-looking statements contained herein are based on various assumptions made by the Company as of the time of its preparation. The Company does not guarantee that these forward-looking statements will be achieved.

English Translation of the Japanese Document
This is a translation of the original Japanese document and is provided for convenience only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

CHAPTER 1 The Taiyo Group Story

History of Value Creation

"An engineer becomes a true engineer only when they create something that is useful for society..."
Launched in 1953 to fulfill our founder's maxim as above, Taiyo Holdings has been contributing in the electronics field as a provider of high-value-added products for many years.
Today, that technological ability and solid business foundation form the cornerstone for our efforts to take on the challenge of value creation in new fields ranging from healthcare, ICT and, fine chemicals to food and energy.

From a Global Niche Top Company to a Global Chemical Manufacturer

Net sales 104.7 billion

01 Founding Period

1953 Established Taiyo Ink Mfg.

Taiyo Ink Mfg. Co., Ltd. was established as a manufacturing and marketing company for printing ink in Minato-ku, Tokyo. Taiyo, which means "sun" in Japanese, was chosen as the company name to reflect our desire to be a light for society and useful for people everywhere.

1976 Shifted our focus to chemicals for the electronics industry

We made a major shift in business policy and switched from its founding business in printing ink to providing solder resist (SR) and other chemical materials to the electronics industry. This was a bold move because the viability of the electronics field was still unknown.

02 Challenging the World

1984 Introduced a liquid photo-imageable SR

We introduced a high-precision liquid photo-imageable (LPI) SR for high-density printed circuit board. In the following year of 1985, we filed a basic patent for liquid alkaline LPI SR (PSR-4000) and subsequently registered patents in the United Kingdom, United States, France, Germany, and Japan along with improvement patents in core countries.

1988 Started local production overseas

We established Taiyo Ink Mfg. Co., (Korea) Ltd. and began local production to meet rapidly growing sales volume in South Korea. We later expanded our local production activities to the United States in 1995, Taiwan in 1998, and China in 2003, creating a global supply structure based on local production and sales.

03 Starting New Businesses

2014 Started the Solar Power business and Food business

We established the renewable energy company Taiyo Green Energy Co., Ltd. in 2014 and commenced operations of a floating solar power plant in October 2015. In November 2015, we also started our Food business with the cultivation of baby leaf greens at a fully enclosed plant factory.

2017 Established our Medical and Pharmaceutical subsidiary

We launched the Medical and Pharmaceuticals business in 2017 with the establishment of our subsidiary Taiyo Pharma Co., Ltd. to manufacture and market long-listed products. Moreover, Taiyo Pharma Tech Co., Ltd. began providing efficient and reliable contract manufacturing of high-quality pharmaceuticals in 2019. We have built a revenue base that is a second only to our Electronics business.

04 Aiming for Sustainable Growth

2021 Announced the long-term management plan

We believe that, amid the immense changes in the business environment from pandemics, climate change, and rapid technological advances, it is important to look beyond the short-term changes to the longer-term horizon. With that perspective, we announced our long-term management plan, "Beyond Imagination 2030," for the next ten years.

2024 Selected as a constituent of the Nikkei Semiconductor Stock Index

We were newly selected as a constituent of the Nikkei Semiconductor Stock Index, which consists of semiconductor related stocks that are listed on the Tokyo Stock Exchange.

H I S T O R Y

The Taiyo Group in Numbers

Actual results on a consolidated basis as of March 31, 2024

In addition to maintaining the top spot worldwide in the solder resist (SR) market, also known as solder mask, the Taiyo Group is launching new businesses in the Medical and Pharmaceuticals domain as our second pillar, as well as in the domains of ICT, fine chemicals, energy, and food.
We are building on our steady management foundation to create new businesses and achieve sustainable growth.

Solder resist (SR) global share

No.1

We have a global market share of 53% or higher in liquid SR and 84% or higher in dry film SR.

* Source: Current Status and Future Outlook for Advanced Electronics Materials 2024 (2023 Estimate) by Fuji Chimera Research Institute, Inc. (available in Japanese only)

Number of Group employees

2,210

We have 1,528 employees in Japan, and more than 43% of our employees are based at our overseas locations.

Electronics business ratio of R&D to sales

7.4%

To continue expanding the business, we will make active capital investments and focus on the hiring and training of researchers and technicians.

Ratio of overseas sales

64.2%

The Electronics business has global production and sales sites primarily in Asia to realize local procurement, production, and sales to promote local production for local consumption. The overseas sales ratio is 90% or higher.

Net sales

104.7 billion

Following on our Electronics business and Medical and Pharmaceuticals business, we will implement new business operations to establish a revenue base that enables continuous growth.

Operating margin

17.4%

We outperformed the manufacturing sector's average operating margin of 4.9%* by a wide margin.

* Source: 2023 Basic Survey of Japanese Business Structure and Activities (FY2022 results) by the Ministry of Economy, Trade and Industry

Ratio of female board directors

43%

We are ranked second in the chemicals industry according to the "Industry Ranking of the Ratio of Female Officers" from the Cabinet Office's Gender Equality Bureau.

* As of September 30, 2024

Dividend on equity (DOE)

5.1%

This index indicates how much a company returns to shareholders through dividends. Our long-term management plan targets maintaining dividends of 5% or higher.

Return on equity (ROE)

9.0%

A return on equity (ROE) of 8% or higher indicates that equity is being used efficiently and generating a high rate of return. In our long-term management plan, we have set a target ROE of 18% or higher.

The 71st anniversary of our foundation

The company was founded in 1953 and celebrated the 70th anniversary of its founding in 2023. An anniversary event held in November 2023 brought together more than 1,600 Group employees and their families from Japan and overseas. This event served as an opportunity for deeper interaction with one another.

N U M B E R S

Taiyo Group Businesses

Creating a cheerful society with every technology utilizing the power of chemistry

Under our management philosophy, the Taiyo Group carries out various business activities that create broad value and contribute to the sustainable development of society as a whole.

BUSINESS

Electronics

Electronics business manufactures and sells chemical materials for electronic components playing important roles inside numerous electronics, including IT devices such as personal computers, smartphones and servers, and digital home electronics, as well as automotive-related products such as electronic control units.

Fiscal Year 2024

Net sales	Operating income
71.4 billion	16.4 billion

Driving the Electronics business with world-class solder resist (SR) technology

SR refers to ink that covers the surface of a printed circuit board equipped with various electronic components to protect the circuit pattern by forming an insulating film.

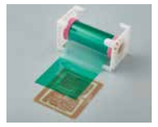
Primary roles: (1) Prevents solder from adhering to unwanted areas, (2) Protects circuit patterns from dust, heat, and moisture, and (3) Maintains electrical insulation between circuit patterns

Taiyo Ink Mfg. Co., Ltd. | Overseas group companies

Before SR coating → After SR coating

Liquid type

- Allows various coating methods (screen printing method, spray/curtain/roll coat methods, etc.)
- Applicable to a wide variety of substrate usages



Dry Film Type

- Highly smooth surface
- Easy to manage thickness
- Shortens customers' front-end process
- Eliminates solvent vaporization

ELECTRONICS

Medical and Pharmaceuticals

Medical and Pharmaceuticals business engages in manufacturing, marketing and contract manufacturing of ethical pharmaceuticals. Through this business, we respond to the various needs of the medical and pharmaceutical industry as a genuinely competitive manufacturing plant while providing a stable supply of high-quality pharmaceuticals that have been trusted for many years.

Fiscal Year 2024

Net sales	Operating income
29.2 billion	3.2 billion

Raw Material Suppliers ▶ Contract Development and Manufacturing of Ethical Pharmaceuticals (Taiyo Pharma Tech Co., Ltd.) ▶ Manufacturing and Marketing of Ethical Pharmaceuticals (Taiyo Pharma Co., Ltd.) ▶ Wholesale of Pharmaceuticals ▶ Hospitals and Dispensing Pharmacies ▶ Patients

Taiyo Pharma Tech Co., Ltd.

Taiyo Pharma Tech engages in the contract manufacturing of ethical pharmaceuticals including solid and injectable formulations. The company also directs its efforts to acquire new modalities as part of its effort to develop new areas.

Taiyo Pharma Co., Ltd.

Taiyo Pharma provides a stable supply of socially important ethical pharmaceuticals that have long been used over the years through manufacturing and marketing of long-listed products.

MEDICAL & PHARMACEUTICALS

ICT and Sustainability

ICT and Sustainability business has created new businesses in a wide range of fields, such as the ICT business, which supports the Taiyo Group and customers in the digital field, the Fine Chemicals business, which engages in contract development of synthesized chemicals, the Energy business, which promotes the use of renewable energy, and the Food business, which operates plant factories.

Fiscal Year 2024

Net sales	Operating income
4.0 billion	78 million

ICT business

funlead corp.	apex corp.
Xseeds Co., Ltd.	RIT Inc.

We play a role in renovating ICT infrastructures and constructing new systems for the Taiyo Group and customer companies. We are taking on new business challenges such as the development of new digital services that contribute to sustainable growth.

Fine Chemicals business

Taiyo Fine Chemicals Co., Ltd.

By leveraging our expertise for contract development of synthesized chemicals, and our technologies for dyes, pigments, and pharmaceutical intermediates, we produce and sell high-quality and high-value-added functional materials that are widely used in applications ranging from textile dyes to IT electronic materials.

Energy business

Taiyo Green Energy Co., Ltd.

We established Taiyo Green Energy Co., Ltd. in 2014 to spread and promote eco-friendly renewable energy. We are promoting the development of floating solar power plants with the aim of contributing to society by earnestly addressing worldwide environmental issues.

Food business

Taiyo Green Energy Co., Ltd.

With the aim of establishing agricultural techniques and methods that can be globally developed, we are cultivating baby leaf greens at a fully enclosed plant factory and high-quality strawberries using ICT, as well as frill lettuce by using an environmentally-friendly, recycling-oriented agricultural technique. To help solve future food issues, we are researching insect feed and farming edible crickets.

ICT & SUSTAINABILITY

Value Creation Model

In pursuit of our management philosophy of "achieving a cheerful society," we will promote our long-term management plan, "Beyond Imagination 2030," and create various forms of value.

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

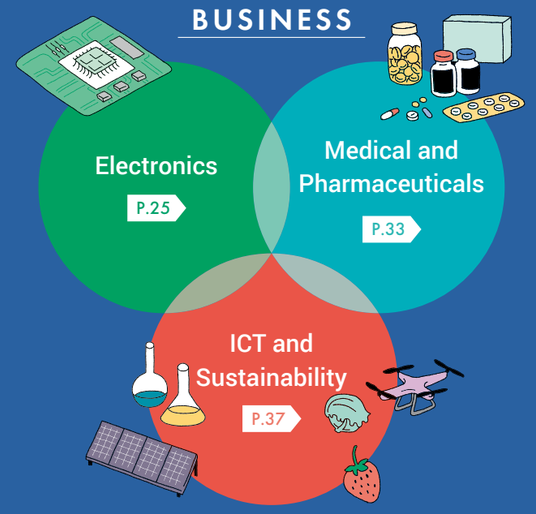
Long-Term Management Plan — Beyond Imagination 2030 P.19

INPUT

- Financial Capital P.55
- Manufactured Capital P.29, 35
- Intellectual Capital P.27
- Natural Capital P.41
- Social Capital P.43

Source of Growth
Human Capital
Self-sufficient personnel
P.21

BUSINESS



OUTPUT

Management Targets for FY2031

- ROE 18%
- DOE 5% or more, sustained

OUTCOME

- Innovations in the Electronics Technology
- Supply advanced, high-quality pharmaceuticals
- Promotion of DX and smart factories
- Spread of renewable energy
- Food production with less environmental impacts
- Contribution to a decarbonized society
- Joint development with local communities

Toward a cheerful society and a future beyond imagination

SUSTAINABLE DEVELOPMENT GOALS

Our Efforts to Achieve SDGs P.39

CROSS TALK

Self-Sufficient Personnel Will Realize a Cheerful Society

Creating New Businesses While Enjoying Changes

The first basic policy in the long-term management plan is to "develop and utilize self-sufficient personnel capable of acting independently." Why did the Taiyo Group come to value self-sufficiency? What will the self-sufficient personnel be expected to achieve, and what future possibilities will it open up? To explore these questions, we spoke with our President Eiji Sato and Outside Board Director Keiko Tsuchiya.

Eiji Sato

Taiyo Holdings Co., Ltd.
President and CEO

Mr. Sato joined Tohmatsu & Co. (currently Deloitte Touche Tohmatsu Limited) after graduating from university. He founded a consulting firm, after which he served several companies as director before his appointment as a Board Director of Taiyo Holdings Co., Ltd. in 2008. In 2011, he was appointed as President and CEO .

Keiko Tsuchiya

Taiyo Holdings Co., Ltd.
Outside Board Director

After graduating from university, Ms. Tsuchiya led the cultivation of leadership talent and organizational development as the head of human resources and talent development departments primarily at global companies. In 2015, she was appointed as a Board Director of Adecco Group, a comprehensive talent advisory services company. In 2017, she was appointed as an Outside Board Director of Taiyo Holdings.

CROSS TALK

Self-Sufficient Personnel Become the Very Foundation of the Company's Continuous Growth

Pressing the Accelerator for Ten Years to Develop Self-Sufficient Personnel

Sato: It was about ten years ago that we started using the keyword "self-sufficient." After I was appointed President as the company moved from maintaining the status quo to aiming for growth, our company began to focus our efforts on creating an environment in which people could grow. At that time, I started taking the initiative on new businesses to show our employees how to try things out. You were appointed as an Outside Board Director about seven years ago, is that right?

Tsuchiya: Yes, that is correct. At the time, there were few executives who would have started with the phrase "self-sufficient personnel," so it made a lasting impression on me. Particularly in the manufacturing industry, I think that many companies first looked at indicators such as productivity, which emphasizes labor output, and then considered human resources as management capital. However, at the time, you consistently spoke about the importance of nurturing self-sufficient personnel.

Sato: When I was 27 years old, I founded a company on my own and became an executive for the first time. I think that my experience in managing a consulting firm led me to emphasize the development of self-sufficient personnel. Consulting is really all about the personnel. Due to my experience of managing a company in such an industry, I keenly felt that self-sufficient personnel is the most important form of capital. When it comes to company growth, there are two patterns. First, there is the top-down growth pattern under an executive with powerful leadership, and many companies led by charismatic owner-presidents demonstrate this type of growth. In contrast, there are also companies where the employees act in a self-sufficient way and grow from the bottom up. As someone who was neither the founder nor the owner-president, it was clear that I had to choose the latter pattern. To put it another way, I concluded that we could not grow without nurturing self-sufficient personnel.

Encouraging More People to Work with "Happy Facial Expressions"

Sato: To increase the number of self-sufficient personnel, it is important to hire personnel with the potential to be self-sufficient and enable them to work in a fun and enjoyable manner. Therefore, we are committed to providing the employees with work motivation, fair evaluations and compensation, and a healthy workplace environment. This is because I believe as a manager that effectively balancing these three factors is required for attracting self-sufficient personnel.

Tsuchiya: Is there a secret to figuring out if personnel can be self-sufficient or not?

Sato: It is difficult to put into words, but I think it is in their "facial expressions." A person with the potential to join the ranks of self-sufficient personnel shows glimpses of that quality and will in their expressions, which are not easy to maintain. For that very reason, I try to pay close attention to a candidate's expressions during the final selection.

Tsuchiya: During my tenure, the number of employees with "happy facial expressions" has truly increased. Recently, I was impressed by the fact that the new graduates are also participating when management announces the strategy. When it comes to new graduates, most companies typically counsel them to first listen to what their senior colleagues have to say. However, at Taiyo Group, new graduates are exposed to management policy for the entire company right from the beginning. I believe that such experiences will lead them to become self-sufficient.

Sato: To ensure a well-balanced placement of personnel, we not only hire new graduates but also mid-career employees as well. Communicating the unique aspects of our initiatives to new graduates is also part of our aim to hire mid-career employees who know the world outside the company.

Creating a Cheerful Society

Tsuchiya: I clearly remember the first time that I visited Taiyo Ink Mfg. after being appointed as an Outside Board Director. The company's history was written out on the office wall, but the final part representing the future was left blank. I took this as a strong message that we should all come together to create a cheerful society for the future while cherishing the progress that we have made so far. At the time, there was a tendency for companies in the manufacturing industry to avoid concepts that incorporated the keyword "happy" in their management philosophy. However, you consistently and earnestly stated that you "wish to create a cheerful society." And when asked by shareholders about the future prospects of the business at the Ordinary General Shareholders' Meeting, you answered that you "wish to create a cheerful society by nurturing self-sufficient personnel," and I felt that you were serious about that unwavering belief.

Sato: It is certainly true that there was a tendency long ago to avoid the use of the word "happy" in a work context. At the same time, the best-selling products have always been those making us "happy." Smartphones are a prime example. Based on a strong belief that we could not contribute to the creation of "fun products" unless we ourselves were having fun, I added the goal of "achieving a cheerful society" to the management philosophy. That is also why "enjoy" was listed first in the Taiyo Values formulated in 2021.

Tsuchiya: The project to formulate the Taiyo Values, which started in 2019, continued at a steady pace even during the COVID-19 pandemic and involved the careful efforts of many people from management to frontline employees. There was even a discussion that gathered together over 200 people from across the Group. I think that engaging in this kind of process resulted in a set of values that everyone firmly believes in. The employees of Taiyo Pharma Tech, which joined the Group in 2019 as the subsidiary in charge of the Medical and Pharmaceuticals business, participated in the formulation of the Taiyo Values, which I believe created an opportunity to achieve the smooth organizational integration.

Sato: The Taiyo Values play a role as a common language for the entire Group which enables employees with different backgrounds and career histories to communicate from the same perspective, drive the business toward the realization of the management philosophy, and create new businesses together. Taiyo Pharma Tech was created as a result of taking over the Takatsuki Plant of Daiichi Sankyo Propharma from Daiichi Sankyo Co., Ltd. Due to its long history as a plant, I think that many employees were worried about the organizational integration. However, by carefully explaining and conveying our desire to achieve a cheerful society together, more than ninety percent of the employees decided to transfer to the new organization.

Creating the Future Depicted by the Taiyo Group

Creating an Organization and Culture Where Self-sufficient Personnel Take on the Challenge of New Value Creation

Sato: These past ten years have been a series of challenges for the Taiyo Group such as our entry into the floating solar power business and the launch of Medical and Pharmaceuticals business as our second pillar in addition to the growth in Electronics business. At the same time, I felt the need to clearly specify a long-term management strategy that includes the Medical and Pharmaceuticals business in addition to the Electronics business that has existed since the company's founding. Therefore, in 2021, we announced our long-term management plan, "Beyond Imagination 2030," until fiscal year 2031. In line with our commitment, we propose as the first basic policy to "develop and utilize self-sufficient personnel capable of acting independently." We look forward to a new business created by the assembled self-sufficient personnel by 2030.

Tsuchiya: I feel that we are steadily approaching the vision of the future that the Taiyo Group is aiming for. When opportunities arise, employees are encouraged to take action regardless of age or position and say "let's give it a try." This kind of culture is fostered with the support of our management. In that sense, the key to encouraging further employee

self-sufficiency may be to develop our managers to be more supportive.

Sato: I myself am focusing my efforts on one-on-one meetings with managers. Listening to around 50 managers per week allows me to know how self-sufficient each manager is and how they are supporting the self-sufficiency of the next generation.

Tsuchiya: Is there anything that you pay attention to during one-on-one meetings?

Sato: I try to at least be a good listener. Because if I start talking, then the other person will try to follow my intentions. That would significantly diverge from the idea of being self-sufficient personnel. Of course, some people find it difficult to broach a topic when they talk to the President, but I think that is a problem of frequency and continuity. If we meet every week, they will gradually open up and discuss not only work issues but also personal issues as well. Building a relationship in which they can speak openly in that way is extremely important.

Tsuchiya: So, the one-on-one meetings tend to be a place where businesslike communication takes place. While that is meaningful, you are trying to take it a step further and make the one-on-one meetings a place for essential mutual understanding. Creating such place for up-close-and-personal communication within the company organization is in fact quite difficult, but you have managed to smoothly put it into practice. Focusing on being a good listener also makes sense. In Japan, top executives assume the role of "speaker," so the employees tend to think "I will do exactly as I am told" and act accordingly. As a result, it seems that many companies are worried about their inability to cultivate self-sufficient personnel. I feel that successfully avoiding the trap that many Japanese companies fall into by focusing on being a good listener is an extremely innovative undertaking.

Sato: I hope to increase the number of management level employees that can shoulder management responsibilities by nurturing an organizational culture that allows self-sufficient personnel to develop and play an active role. There are several representatives of Group subsidiaries who are in their 30s and 40s, and we need to further increase the number of personnel in this managerial class.

Tsuchiya: This is a big opportunity for people who want to be involved in management from a young age. Having experience being involved in management even once by the time you reach your 40s broadens your perspective and creates a huge difference in your career options when you become a senior employee. Naturally, challenges come with various responsibilities and burdens, but I think that those who enjoy the change towards the future together with their team will be able to create new forms of value. I expect that you and all of the executives are faced with difficult situations, but basically you always seem to enjoy what you're doing. I think that is because you are seriously engaged in doing what you love. For that very reason, you truly have a "happy facial expression" on your face. Inspired by that example, an increasing number of young people are stepping up to take the initiative and tackle new challenges themselves. I hope that cycle of positive self-sufficiency spreads further throughout the entire Group.

Creating a Workplace Environment for Self-sufficient Personnel to Play an Active Role

Sato: We have made various efforts to create a workplace environment that attracts self-sufficient personnel, such as investing in cutting-edge research and development facilities, renovating the office areas, establishing the "Taiyo Daycare Center," on-site childcare facility, and expanding the employee cafeteria.

Tsuchiya: While I believe that the environment of the typical employee cafeteria is created within the scope of a company's facilities and budget, the Taiyo Group carefully considered every detail from the interior design of the cafeteria to the ingredients. As a result, you can really feel the unique culture of the Taiyo Group in the cafeteria. In addition, what recently impressed me was the investments in cutting-edge facilities and personnel to research and develop regenerative therapies and gene therapies at Taiyo Pharma Tech. I think that creating an environment in which people can cross the boundaries of our existing businesses and take on the challenge of new forms of value creation has become one catalyst for attracting highly-motivated personnel. I vividly remember them happily saying that "With the improvement of office, I feel that we can make our own future brighter." I believe there are few companies that are able to pursue the creation of a place to work to this degree, and I feel that it expresses how the company values the employees.

Sato: Speaking of research and development, we established the new technology development center, "InnoValley," within the Ranzan Office in April 2024. We prepared spaces and facilities in both the laboratory and office areas that are designed to enable the employees to demonstrate their maximum creativity. Going forward, we will continue to improve this center to maintain a high-standard workplace environment.

Making Continuous Investments in Human Capital

Sato: Going forward, we will continue to make active investments in human capital by introducing new facilities and developing the organization. In 2023, we significantly increased salary levels and started a new program that provides employees with a subsidy of up to 20,000 yen per month to purchase books. We plan to continue investing in human capital from a variety of perspectives going forward.

Tsuchiya: Talking to you today, I realized that "continuation" is a keyword for you, isn't it, Mr. Sato?

Sato: Yes, that is exactly right. Continuing to do something is important in business, and the reason I keep doing it is because I enjoy it. To transform into "an organization with abundant self-sufficient personnel," the Taiyo Group started a personnel and organizational development initiative called the "Co-creation Initiative for the Future" in March 2020. I believe that we have continued this effort due to the fact that employees who participate in the initiative are having fun.

Tsuchiya: I am looking forward to seeing what kinds of value that the self-sufficient personnel developed through such a continuous initiative will create while collaborating with individuals and teams freely and openly. The other day, I had the opportunity to once again review the company's 70-year history and was reminded that the company overcame various hardships and grew its business since its founding. Through the current investment in human capital and the stimulus from the influx of external personnel through M&A, I feel that the Taiyo Group has further activated the company DNA, which has been passed down since the company's founding, and entered into a period of blossoming. I think that it will become the kind of company that you cannot take your eyes off of.

Sato: That would make me very happy. One of the roles that we expect the self-sufficient personnel to fulfill is to lead the company in directions that even we executives could never imagine. As I said before, we are aiming for "an organization with abundant self-sufficient personnel." They will be the ones who lead the company, and we executives will just play a supporting role. For us, this is the ideal image of our company in 2030. Each individual will create the business while enjoying change as self-sufficient personnel and achieve a cheerful society. The Taiyo Group will continue striving to become such an organization.

Long-Term Management Plan

Beyond Imagination 2030

The environment around us is changing at a dizzying pace due to pandemics, climate change, rapid evolution of technology, etc. However, even in an unpredictable environment, our goal remains unchanged, and we will continue to conduct our business activities to achieve a cheerful society. We formulated our long-term management plan, "Beyond Imagination 2030," in June 2021, contemplating that it will become more important to manage with a long-term perspective, without falling at the mercy of short-term changes.

Management Targets for FY2031

ROE (Return on equity) **18%**

DOE (Dividend on equity) **5% or higher**

Achieving the Long-Term Management Plan

Seven Basic Policies

P.21

Basic Policy

01 **Develop and utilize self-sufficient personnel who respond to diversifying organizations and society**

By leveraging education, personnel rotation and in-house environmental improvements to generate opportunities and environments that enable our employees to achieve growth while taking on challenges, we are working to nurture self-sufficient personnel who set goals for themselves and have strong aspirations to reach them.

P.25

Basic Policy

02 **Achieve continuous growth and explore new business areas in the Electronics business**

We will expand our share of the SR market and promote the creation of new businesses that will become key supports of our earnings following SR primarily by enhancing our SR customer base, continuing to quickly introduce new products to the market, and promoting the development of new applications.

P.33

Basic Policy

03 **Grow the Medical and Pharmaceuticals business further**

Our aim is to seek out forms of business that are less impacted by environmental factors, build systems needed to continue the stable supply of existing products, and provide new pharmaceuticals products that meet the needs of healthcare institutions and patients.

P.37

Basic Policy

04 **Advance and evolve through digital transformation**

While keeping on top of drastic changes in the business environment, we will work to strengthen our global competitiveness by transforming all of our operations and systems, including order receipt and placement, production management, research and development, and new business development, so that we can provide new value to customers.

P.37

Basic Policy

05 **Create new businesses**

In order to increase our corporate value over the medium to long term, we will strengthen our existing businesses in addition to emphasizing initiatives to continuously create new businesses and efforts to build new enterprises that will become key supports of our earnings.

P.37

Basic Policy

06 **Execute strategic M&A**

As a means of strengthening our existing businesses and of accelerating the launch of new ones, we will go beyond utilization of the management resources of our Group, and continue our aggressive pursuit of strategic business and capital alliances with other companies, as well as M&A.

P.39

Basic Policy

07 **Strengthen efforts toward the Sustainable Development Goals (SDGs)**

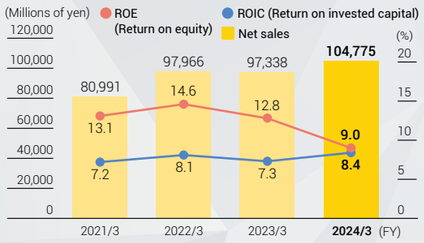
We will fulfill our corporate social responsibility as a company through the Electronics business contributing to technology innovation, the Medical and Pharmaceuticals business manufacturing, reliably supplying, and marketing pharmaceuticals, the Energy business considering climate change, the Food business addressing food shortages, and the ICT business, etc.

Fiscal Year 2024 Business Summary

In Electronics business, the sales volume for rigid products fell below the previous year due to the impact of sluggish sales of displays and consumer-related materials. On the other hand, in semiconductor package products, the sales volume increased slightly for dry film products from the previous year. Moreover, the weakening of the yen also contributed and resulted in an increase in income and profit. In Medical and Pharmaceuticals business, sales increased from the previous year due to the impact of the transfer of assets for new long-listed products in the manufacturing and marketing business and the product mix based on requests from manufacturing clients in the contract development and manufacturing business, etc. As a result, this business segment posted net sales of 104,775 million yen (up 7.6% year on year) and segment profit of 18,203 million yen (up 14.0% year on year).

Regarding ROE, while our long-term management plan targets a figure of 18% or more for 2030, ROE was 9.0% for fiscal year 2024, due to the impact of recording an impairment loss on the sales rights of Taiyo Pharma products. On the other hand, ROIC improved due to the rise in operating income.

To increase our corporate value, guided by the long-term management plan, we will continue to enhance our solder resist (SR) customer base, expand into areas related to printed circuit boards (PCB) other than SR, and accomplish our strategic objectives for the Medical and Pharmaceuticals business. We will also manage our capital dynamically, balancing shareholder returns with the need to maintain the reserves necessary for adapting to market changes.



ROE: Profit attributable to owners of parent/Average shareholders' equity during the period
ROIC: After-tax operating income / average [Interest-bearing debt balance + Net assets] during the period

Our Approach to Sustainability

To realize a sustainable society, we have committed to strengthening our efforts for the Sustainable Development Goals (SDGs) as one of our basic policies under our long-term management plan, "Beyond Imagination 2030."

Governance

The Sustainability Promotion Committee, chaired by the President and CEO, is responsible for the execution of all activities relating to sustainability. The Sustainability Promotion Committee holds discussions laterally across the Group on areas such as progress toward targets set in accordance with important matters, as well as the direction of activities related to sustainability, including climate change and human capital. The committee receives recommendations from the Board of Directors concerning priority challenges.

Implementation Framework

Board of Directors

Recommendations ↓ ↑ Reporting

Sustainability Promotion Committee
Chairman: President and CEO

Recommendations ↓ ↑ Reporting

Executing Departments and Subsidiaries

Risk Management

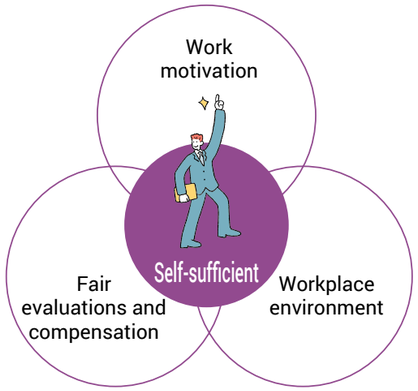
The Taiyo Group reassesses risks and opportunities by business several times a year to address short-term, medium-term, and long-term risks and opportunities relating to each business. To perform company-wide risk management on matters relating to sustainability that could have a significant impact, we have built a series of systems to ensure that the risks are assessed and identified by the execution division, and their response is managed and monitored by the Sustainability Promotion Committee and the Board of Directors.

Long-Term Management Plan: Basic Policy

01 Develop and Utilize Self-Sufficient Personnel Who Respond to Diversifying Organizations and Society

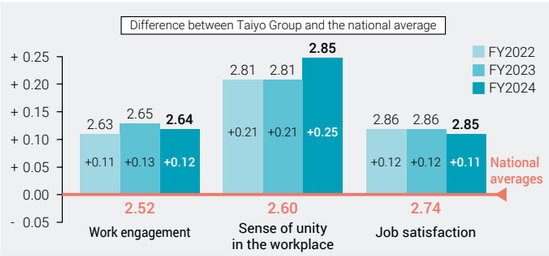
Basic policy 1 in "Beyond Imagination 2030," our long-term management plan, is to "Develop and utilize self-sufficient personnel who respond to diversifying organizations and society."

To establish an environment that enables each and every employee to work self-sufficiently even within an environment undergoing continual change, the Taiyo Group upholds its threefold commitment from management to employees by promising to realize work motivation, a healthy workplace environment, and fair evaluations and compensation. By striking a balance between these three commitments, we aim to be an organization with abundant self-sufficient personnel capable of setting goals for themselves and enjoying the process of achieving those goals and producing results.



Stress Check-based Indicator

Workplace environment: Results of stress checks by external organizations



*1 Implementing body: IMF Corp.
Evaluation score: Ratings ranged from 1 point at minimum to 4 points at maximum. Higher numbers reflect a more favorable result.
Companies evaluated: Taiyo Holdings, Taiyo Ink Mfg., Taiyo Fine Chemicals, Taiyo Pharma, Taiyo Pharma Tech, Taiyo Green Energy, Ranzan Shokudo.
Number of respondents: 1,029
Response rate: 96.2%

As an indicator of employee satisfaction regarding work motivation, a healthy workplace environment, and fair evaluations and compensation, we refer to stress check results. Due in part to the results of various initiatives, we exceeded the national averages in 32 (31 items in fiscal year 2023) of 36 individual items. When conducting the stress checks, we provide an opportunity for discussion to all managers and executives to create a system for implementing the optimal improvement measures in each workplace. As a result, three out of the four items which fell below the national average appear to be improving compared to the previous year.

The overall indicators consisting of work engagement, sense of unity in the workplace, and job satisfaction also continue to exceed the national average.

VOICE

A Workplace Environment Where Employees Can Maintain Their Work Motivation While Raising Children

After graduating and joining the company in a research and development position, I took two maternity leaves and childcare leaves and worked reduced hours after returning to work. During that time, I didn't have enough time to experiment, for example when I had to take nursing leave because my child suddenly became ill. Even though I had to work shorter hours, I was still assigned research themes as the main researcher. After taking childcare leave for my second child, I worked on developing the main resin that can be applied to electronic materials for the Beyond 5G system. With the support and understanding of my team members, we completed our own new, original resin. Through this experience, I learned that I can produce results by taking advantage of the company's support systems, managing my time, and making steady progress each day.

Later, I moved to the Human Resources Department as part of a new challenge. Currently, I work in the Development Department where I am involved in developing products using the new resin that I have created. While accumulating various experiences, I approach my work every day with a sense of fun and enthusiasm. Because I was able to balance my work and childcare with the support of those around me, I hope to contribute by supporting someone else in the future.

Mami Nosaka
Fundamental Technology Section, Fundamental Technology Development Department, Technology Development Center
Taiyo Ink Mfg. Co., Ltd.

We are working to improve the workplace environment and internal training system to encourage the self-sufficiency of each employee and enable our diverse personnel to maximize the use of their characteristics and capabilities.

Per-person book purchase subsidy

240,000 yen per year

We provide employees with a subsidy to purchase books to help them develop career on their own by acquiring awareness and knowledge in various fields through reading books.

Note: The above is the maximum amount of subsidy per employee per year.

Per-person seminar and training cost

Approx. 310,000 yen per year

We also make an effort to provide growth opportunities through in-house and outside seminars and training programs.

Note: Results during fiscal year 2024. Costs for in-house training include expenses related to design, etc.

Ratio of mid-career hires

49.7%

To incorporate the perspectives of diverse personnel with different backgrounds, we actively promote mid-career hiring.

* Results during fiscal year 2024

Ratio of female managers

21.4%

We aim to reach 30% by fiscal year 2031, and we are systematically promoting support for flexible working styles, such as establishing daycare centers and revising the flextime system, as well as developing the next generation of managers.

* Results during fiscal year 2024

Ratio of men taking childcare leave

80%

We are attempting to expand opportunities for both men and women to take childcare leave.

* Results during fiscal year 2024

Ratio of new hires of female graduates

53.3%

We are actively and continuously recruiting diverse personnel. The ratio of women was over half for fiscal year 2024.

* Results during fiscal year 2024

Health maintenance and improvement allowance per person

36,000 yen per year

We provide allowance to employees who do not smoke. The payout rate was 94.0% in fiscal year 2024 as we supported the health of many employees.

* The figure above is the maximum amount of support per employee per year.

Building the foundation for an organization with abundant self-sufficient personnel through continuous initiatives while constantly optimizing our activities

Co-creation Initiative for the Future

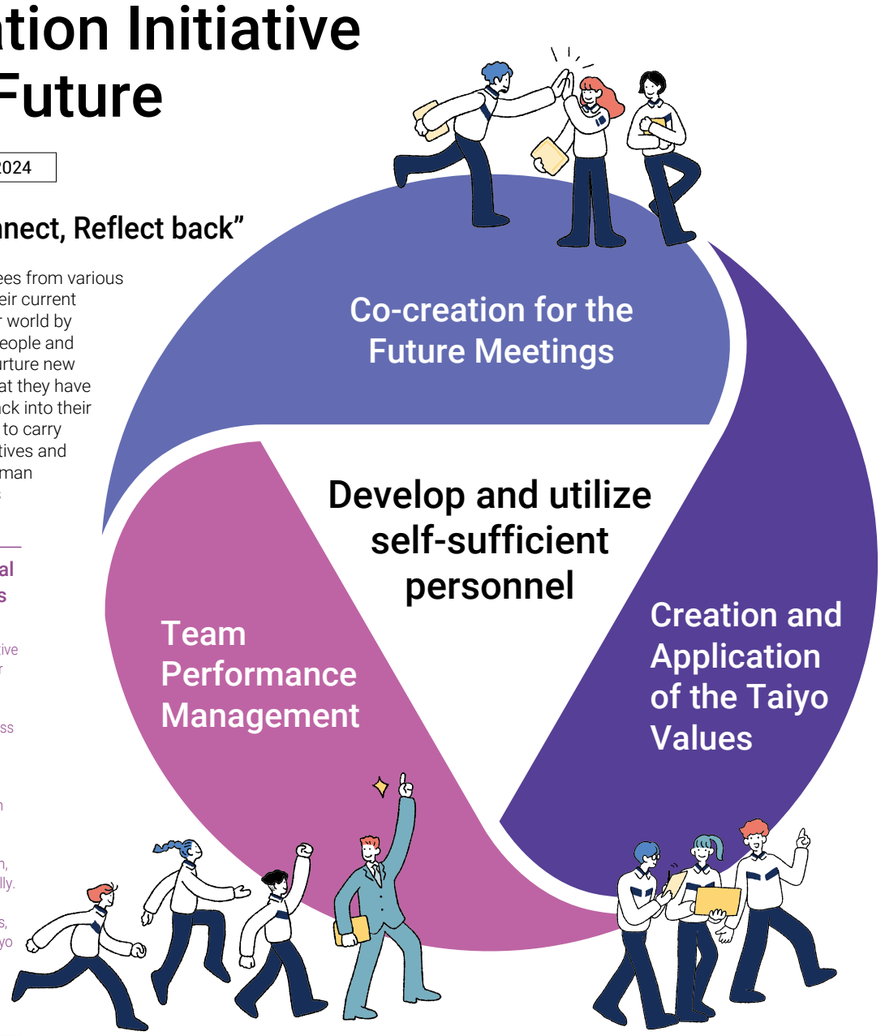
Theme for Fiscal Year 2024

"Transcend, Connect, Reflect back"

Our goal is to have employees from various backgrounds step out of their current surroundings, broaden their world by communicating with new people and learning new values, and nurture new possibilities by bringing what they have experienced and learned back into their daily lives. We will continue to carry out and expand these initiatives and pursue the ideal form of human capital management that is unique to the Taiyo Group.

Policy on Organizational and Human Resources Development

We launched the Co-creation Initiative for the Future in order to realize our management philosophy amid the bewildering changes that are occurring in society and the business environment by developing self-sufficient personnel capable of envisioning the future on their own initiative, basing their judgments on the true nature of things, and performing their work through co-creation with those around them, both individually and organizationally. Through the three measures of Co-creation for the Future Meetings, Creation and Application of the Taiyo Values, and Team Performance Management, we will grow into an organization with abundant self-sufficient personnel.



VOICE

Supporting the Continuation of Efforts and Improving Overall Group Performance

In its supporting role to further optimize the Co-Creation Initiative for the Future, the Human Resources Department has provided opportunities for employees to interact with one another, conducted pulse surveys and other fixed point observations, and conducted internal and external public relations activities. It has also made a point to visit each subsidiary in the Group to create opportunities for dialogue. I feel that these continuous efforts over the past five years have started to cultivate a feeling of unity across the entire Taiyo Group. In particular, the Taiyo Values are a common set of values that help each employee become aware that they are a member of the Taiyo Group.

By continuing these efforts going forward, we hope to continue to help improve the quality of relationships, thinking, actions, and results to enhance the performance of the entire Group.

Naoko Kitazawa
Recruitment / Human Resources and Organization Development Section, Human Resources Department, Taiyo Holdings Co., Ltd.

Co-creation for the Future Meetings

This program represents an ongoing effort to acquire an individualistic mindset while deepening the quality of team relationships and behaviors. It has been implemented in 148 organizations for a total of 1,469 participants as of the end of March 2024.

Helping improve team relationships by holding regular meetings

By sharing individual and team visions with one another and taking action to realize these visions, members can deepen mutual understanding and cooperation, and promote each growth. It is also being used as an opportunity to develop the next generation of leaders.

Fiscal year 2024: 17 teams and 177 people

- Held voluntary meetings in all departments of our seven Group companies
- Continued appointment of promotional leaders

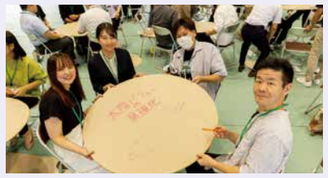
Achievements → Elevating the quality of dialogue through ongoing activities

Creation and Application of the Taiyo Values

The Taiyo Values are a set of values that we cherish to realize our management philosophy as self-sufficient personnel. As we come into contact with the Taiyo Values each day, we will put them into practice in our work while thinking about them and sharing our thoughts with our colleagues.

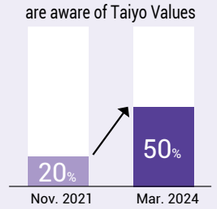
Hosting of off-site sessions for value leaders

Roughly two and a half years have passed since the Taiyo Values were formulated, and more than half of employees consciously apply these values in their daily work. During fiscal year 2024, we hosted a three-day value leader off-site session for 92 value leaders, which primarily focused on deepening their understanding of activities to apply the Taiyo Values. On the second day, the participants gathered at "T-LINKS," a welfare facility on the grounds of Taiyo Pharma Tech, to hold a workshop to create an opportunity to promote activities for applying the Taiyo Values through face-to-face meetings.



Hosting face-to-face meetings at T-LINKS

Percentage of respondents who answered that they feel that their team members are aware of Taiyo Values



VOICE

Thoughts of a Value Leader

Compared to when I first started my activities as a value leader, the team members have naturally not only learned the Taiyo Values but also actively undertaken the activities that I proposed, and I now feel that I have seen more situations where the Taiyo Values are applied in our daily communication. In the Technology Department that I belong to, there were few opportunities for all of the members to meet face-to-face, and there were times when we worried about ways to increase opportunities for value activities. However, I was inspired by discussions with other value leaders and decided to use a chat tool for value activities. This enabled us to freely exchange opinions regardless of place or time and smoothly conduct value activities. In addition, there are also forums for communication between value leaders that transcend departments, and I am greatly encouraged by being able to build relationships that I can call on when facing problems while incorporating the good ideas of other teams. I hope to enjoy my role as a value leader going forward.

Yoshihiro Hara
Technology Section, Technology Department, Taiyo Pharma Tech Co., Ltd.

Team Performance Management

This is an initiative for improving individual job performance and organizational capabilities to generate new business operations and improve Group performance while maintaining the personal and corporate relationships we have cultivated with great care in recent years. Beginning with a portion of our organizations, we will expand our scope of coverage going forward.

Expanding the initiative by sharing a handbook and conducting training

We produced a handbook summarizing the Performance Management concept and ideas for its practical daily application, which will be implemented as a resource that will continue to be updated through management practices in the workplace. Our goal is to improve the performance management capabilities of the organization by updating the handbook with management insights put into practice at each site.

Long-Term Management Plan: Basic Policy

02 Achieve Continuous Growth and Explore New Business Areas in the Electronics Business

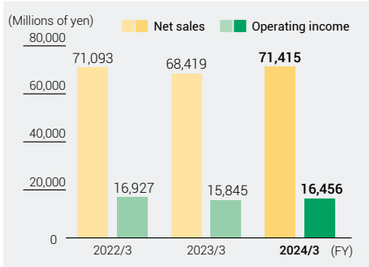
Fiscal Year 2024 Business Summary

In rigid products, the sales volume declined from the previous year for display-related materials and consumer-related materials. In contrast, the sales volume of automotive-related materials and smartphone-related materials saw year on year growth. In particular, the sales volume of automotive-related materials increased due to the full-scale recovery of automobile production with the progress in inventory adjustments due to the semiconductor shortage.

In semiconductor package (PKG) products, the sales volume decreased for liquid products and increased slightly for dry film (DF) products from the previous year. This was due to the impact of the gradual recovery in demand primarily in memory products.

Since over 90% of sales in this segment are made overseas, foreign exchange gains due to the weak yen contribute to revenue and profit growth. In the period under review, JPY against USD averaged at JPY 144.4/USD, which was 9.4 yen lower than the previous period's average rate of JPY 135.0/USD. As a result, net sales amounted to 71,415 million yen (up 4.4% year on year), and segment profit came to 16,456 million yen (up 3.9% year on year).

Net sales/Operating income*

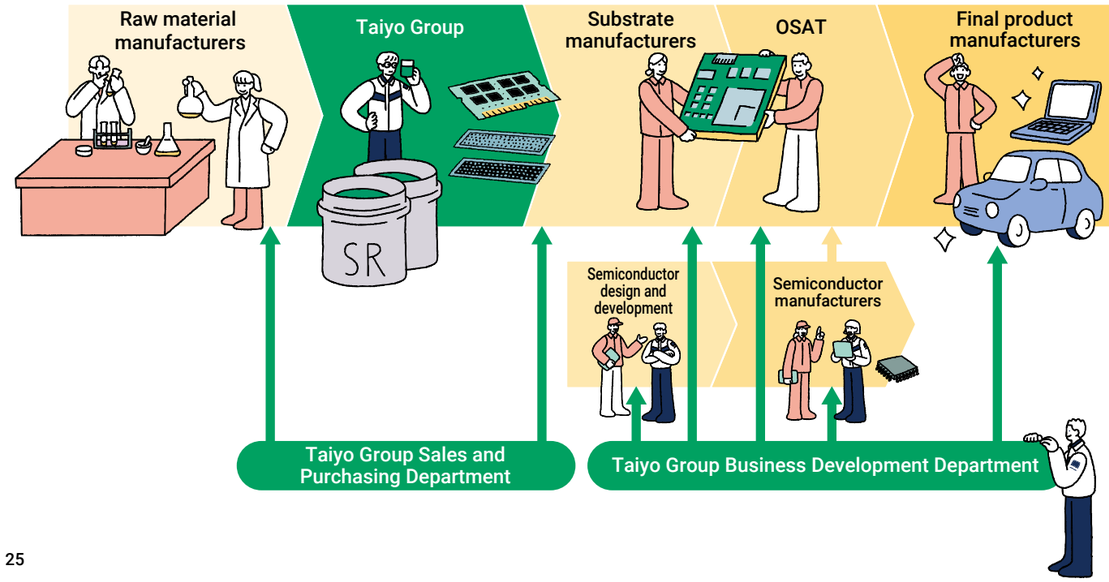


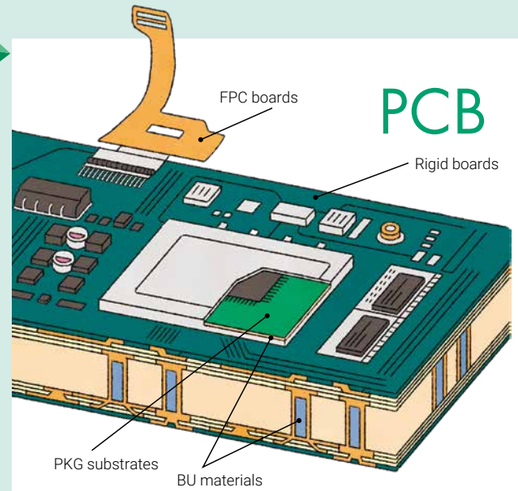
* Since the first quarter of fiscal year 2023, some R&D-related expenses and welfare benefit costs that we had previously included with corporate expenses have been allocated to each segment. In addition, in calculating the operating income for fiscal year 2022, we have used the same distribution method as we did for the first quarter of fiscal year 2023, which resulted in differences from previously disclosed figures.

Quickly Identifying Needs and Strengthening Our Collaboration with Manufacturers

This segment globally develops products in active collaboration not only with substrate manufacturers, who are our direct customers, but also with OSAT*, final product manufacturers, and other manufacturers in our supply chain. In addition to end-marketing, the Business Development Department of Taiyo Ink Mfg. plays a leading role in anticipating market needs, supplying products according to the requirements of each manufacturer, and driving the acquisition of material certifications by strengthening cooperation and partnerships with OSAT. As a result, such efforts have led to the adoption of our products in semiconductor package (PKG) substrates, automotive substrates, electronic components, etc.

* Companies that specialize in semiconductor assembly, testing, and other semiconductor manufacturing post-processes.

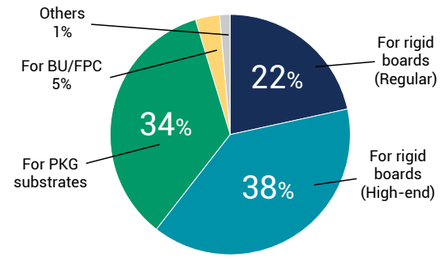




Printed Circuit Boards (PCBs) and Classification of Our Products

A printed circuit board (PCB) forms a conductive wiring pattern onto an insulated substrate by using conductive paste or chemical methods, such as plating and etching. PCBs are used in electric devices for a wide variety of uses. As PCBs are categorized by their shape and use into rigid boards, flexible printed circuit (FPC) boards, and semiconductor packages (PKG), as products including solder resist (SR) are used separately according to each application. In addition, when the build-up (BU) method is adopted for manufacturing multi-layer boards, products for BU materials will also be used.

Sales composition ratio (March 31, 2024)



Product classification

Liquid type / DF type

For rigid board materials

Regular / High-end

Products: SR, marking ink, plating resist and etching resist

For Build-up (BU) materials

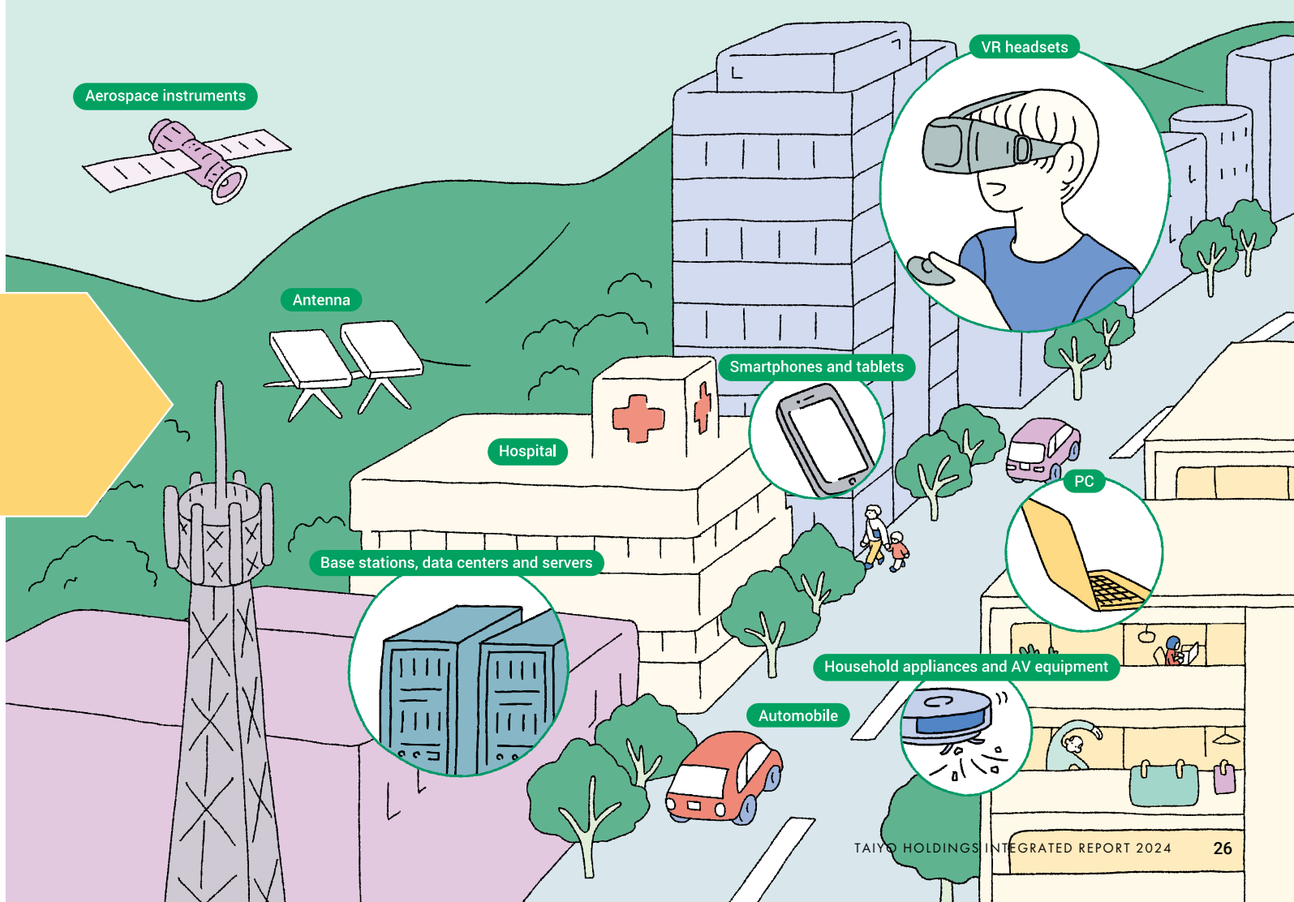
Products: Hole-plugging ink and interlayer insulating materials

For semiconductor package (PKG) substrates

Product: SR

For flexible printed circuit (FPC) board materials

Products: SR and photo-sensitive coverlays



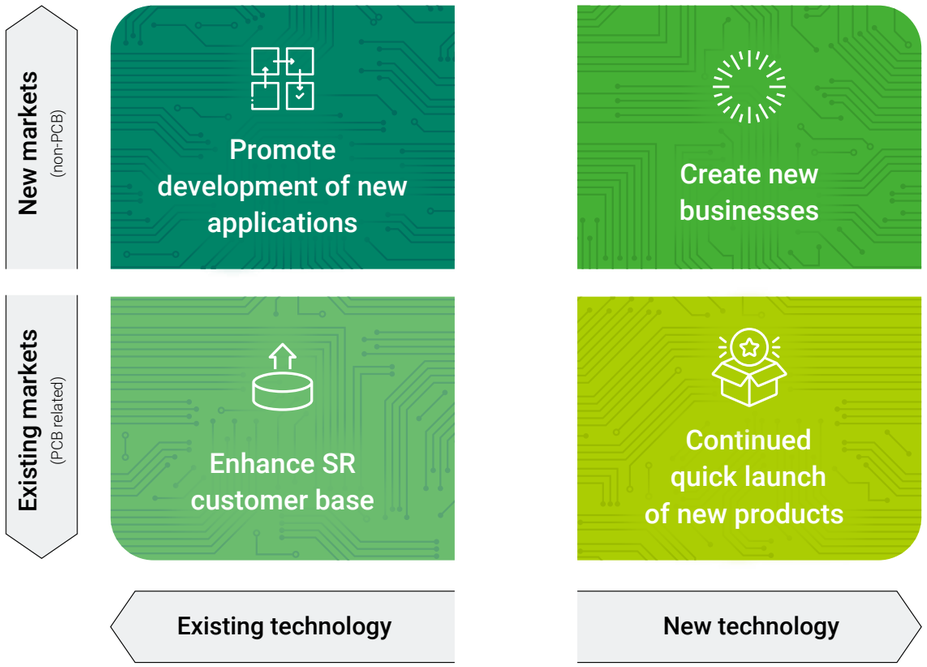
Growth Strategy of Electronics Business

Achieving New Business Creation and Continuous Growth Together

Shoji Minegishi
Electronics Company CTO
Senior Corporate Executive Officer
Taiyo Holdings Co., Ltd.

In the Electronics business, Taiyo Holdings boasts the world's top-class share for solder resist (SR), one of its mainstay products, and SR's overseas sales account for some 90% of our total SR sales. Under these circumstances, we are working in the Electronics industry to increase our SR market share by focusing on the three strategies, which are enhancing the SR customer base (existing markets + existing technology), continuing to quickly introduce new products to the market (existing markets + new technology), and promoting application development (new markets + existing technology). Additionally, as for other electronics components, we will advance the creation of new businesses (new markets + new technologies) that can become key supports of our earnings following SR to promote the sustainable growth of the Electronics Business.

Growth Strategy of Electronics Business Diagram



New Markets + Existing Technologies

Promote development of new applications

Expanding Applications of Electronic Components to Meet New Needs with Existing Technologies

We regard the electronic components market outside of our main products, printed circuit board (PCB) and semiconductor package (PKG) board materials, as new customers and markets. In the field of electronic components that are mounted on printed circuit boards (PCB), the popularization of electronic devices such as smartphones and next-generation mobility solutions due to technology innovation, policies and regulations, and social needs, etc. has created a demand for devices that are smaller, faster, multi-functional, and highly functional. This change is creating new challenges that conventional materials are unable to address. To respond to these challenges, we are proposing materials and methods based on knowledge and techniques that we have cultivated in the PCB market. Currently, our materials are starting to be adopted in electronic components such as inductors, SAW filters, magnetic sensors, etc. Going forward, we will continue to actively strive to further meet the needs of our customers.

Existing Markets + Existing Technologies

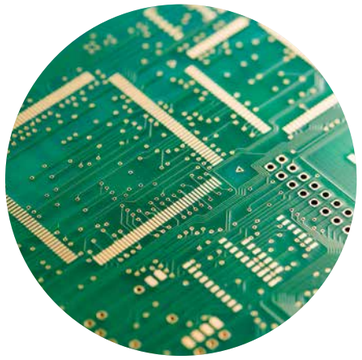
Enhance SR customer base

Expansion of the Generative AI market and Increased Demand for Related Devices and Infrastructure

The scale of the generative AI market is expected to reach 1.3 trillion dollars* by 2032. This represents a stunning increase of 42% over ten years. It is believed that the volume of information processing will increase exponentially, and digital infrastructure is expected to rapidly expand to process a large volume of data at high speed.

Amid such changes in the information environment, the demand for our products, which are used in AI servers and various AI devices as well as assorted devices and infrastructure that use such servers and devices, is expected to increase over the medium to long term. To quickly respond to such growth in an existing market, we will further accelerate our development activities while communicating closely with customers.

* Source: Bloomberg Intelligence, IDC



New Markets + New Technologies

Create new businesses

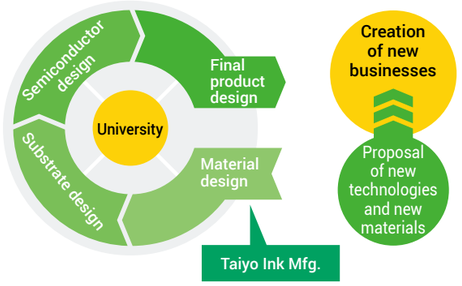
Participation in the Chiplet Integration Platform Consortium

Chiplet integrated technology*1 is coming under the spotlight as a new solution to replace the miniaturization of semiconductor integrated circuits by realizing the expansion integration scale, the increase of performance, and the reduction of power consumption. Taiyo Ink Mfg. participates in the Chiplet Integration Platform Consortium*2 to develop and provide insulating films for the redistribution layers that are used in such chiplets and the ones for sealing. In addition, we have started prototyping work aimed at developing substrate production techniques based on data presented at an international conference. Our Group will contribute to the development of advanced chiplets by supplying materials and proposing process conditions.

*1 It is an advanced packaging technology that has been developed as one that replaces and complements the technology to miniaturize semiconductor chips that had been advanced but were about to meet their limit. This systematized technology, in which separated semiconductor chips are combined like blocks, is expected to lead to the improvement of yield ratio in semiconductor manufacturing as well as to increase in system performance by its heterogeneous integrated structure.

*2 It is the consortium established on October 1, 2022, mainly by universities including the Tokyo Institute of Technology and private companies, with the aim of advancing R&D throughout the value chain from manufacturing technology and element technology to applications, and achieving industrialization, while conducting a study on the entire aspect of the chiplet integration platform technologies including the 3D integration technology and the photonic integration technology.

Consortium Overview



Existing Markets + New Technologies

Continued quick launch of new products

Development of the Zaristo 700 Thermosetting Insulating Material Dry Film (DF) Using a New Type of Resin

As electrical signals increase in speed and frequency due to the adoption of the fifth-generation mobile communication system (5G), interlayer insulating materials with low-dielectric properties are needed to reduce transmission loss in high frequency bands. To date, various types of thermoplastic resins with superior electrical properties have been considered as interlayer insulating materials with low-dielectric properties. However, there were significant issues concerning the processability and reliability. To resolve the significant challenges facing existing thermoplastic resins, we have developed a new PPE (polyphenylene ether) resin that is soluble in solvents and provides thermosetting properties. By combining and mixing this new PPE resin with the optimal materials, we have developed the Zaristo700 series of thermosetting insulating material DF which possess low-dielectric constant and low-dielectric loss tangent, superior processability, and high insulation reliability. In recognition of these features, the new resin received the 17th JPCA Award in 2021. Going forward, we will proceed with customer evaluations aimed at the adoption of Zaristo 700 in interlayer insulating materials and materials for high-frequency substrates that are essential to the electronic devices used in high-frequency 5G bands.

Inno Valley

Leveraging communication for the next generation of technology. The Taiyo Group announced its first technology development center.

Developing Self-sufficient Personnel to Achieve a Cheerful Society and Realizing the Manufacturing that Will Create the Future

In April 2024, we opened the technology development center "InnoValley" within the Ranzan Office. As indicated by the name "InnoValley," which is a neologism that combines "innovation" and "valley," the goal of this center is to become a "valley of innovation" that overflows with innovative ideas, businesses, and products.

In this facility, we have taken the utmost care to create the appropriate environment for maintaining the high performance of cutting-edge testing facilities and analytical instruments as well as guiding the work through equipment layouts aimed at increasing the development speed. Furthermore, we have created an environment that enables employees to work in a flexible manner and stimulates communication. In addition, another unique innovation is the establishment of an undesignated area in anticipation of the launch of new businesses in the future. The goal of this facility is to not only advance technology development but also promote employee growth.

Manabu Akiyama
General Manager, Process Development Department, Technology Development Center, Taiyo Ink Mfg. Co., Ltd.

1F to 3F: Laboratory area

4F to 6F: Office area

To stimulate communication and improve intellectual productivity by reflecting opinions from employees

InnoValley is divided into a laboratory area on the lower floors (1F to 3F) and an office area on the upper floors (4F to 6F). The internal structure of the facilities on each floor reflects the opinions of employees in the Development Department voiced in workshops to both stimulate communication and improve intellectual productivity.

Atrium inspired by a Ranzan Valley

Architecture designed to respect the environment and local characteristics

The entrance and office area are designed to incorporate local characteristics that allow visitors to feel the natural charm of the area around Ranzan, Saitama Prefecture where the facility is located. In addition, the facility saves energy while maintaining comfort by improving the efficiency of the air conditioning, lighting, facility piping, etc. The building has been certified as ZEB Ready based on an evaluation of its energy saving effect. Furthermore, the building received the highest rank of "S" in the CASBEE and CASBEE-Wellness Office assessments, which comprehensively evaluate building quality including consideration for the environment and scenery as well as indoor comfort.

ABW (Activity Based Working) Area Generates Flexible Ideas Through Free Working Styles

The office area on the upper floors provides two ABW areas in addition to employees' own seats. In addition to flexibly supporting diverse work styles, the ABW areas stimulate communication, which is the source of development, by encouraging information sharing inside and outside of the teams.

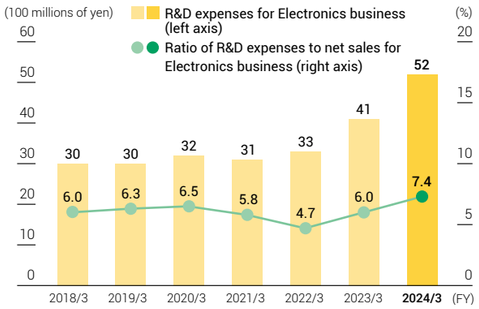
Planning and Design by DRAFT Inc.

Expanding Research and Development Activities

Achieving Further Growth in Electronics Business through Continuous Investment in Research and Development

The Taiyo Group devotes about 5% of the net sales of Electronics business to R&D expenses to promote the research and development of various types of insulating materials, conductive materials and display-related materials.

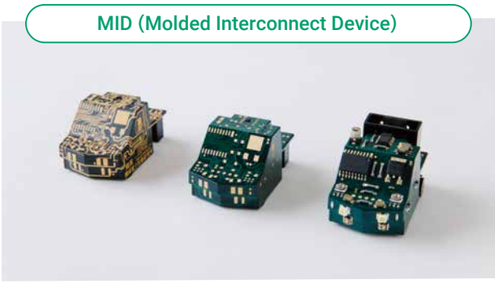
In fiscal year 2024, the Group applied 5,284 million yen (7.4% of the net sales of Electronics business) as R&D expenses in Electronics business. In addition to active capital investment, we are focusing our effort on hiring and developing outstanding researchers from Japan and around the world. The InnoValley building is also part of our investment in research and development. Through such initiatives, we will realize our management philosophy of "achieving a cheerful society by further advancing every technology in our Group and by creating a wide range of innovative products to fulfill the dreams of the world."

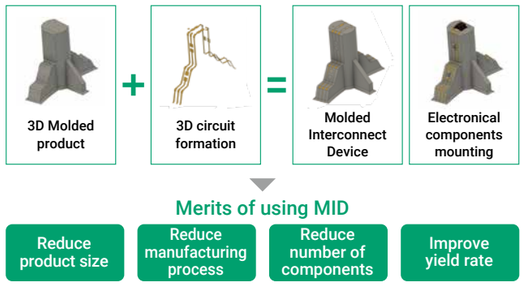


New Technology-based Solution - MID (Molded Interconnect Device) Product Development

To expand its business into new markets, the Taiyo Group is focusing its efforts on the development of a technology called MID (Molded Interconnect Device) that enables component mounting by forming electrical circuits on a molded case. Because it uses a three-dimensional molded substrate that is flexible as the base material, its strengths are improved designability and space saving. By leveraging these strengths, we are proposing methods that differ from conventional printed circuit boards in response to requirements for thinner and smaller electronic devices. In addition to developing solder resist (SR) that is adapted to the thermoplastic resin as the MID base material, we aim to increase awareness about the MID technology and establish new markets by creating MID prototypes ranging from circuit formation to component mounting.

MID (Molded Interconnect Device)





InnoValley Technology Development Center

Realizing Quick Technology Development

Streamlining Development with Highly Functional Design

The laboratory area on the lower floors was designed to maximize work efficiency by ensuring a smooth, circular flow between the raw materials room and the laboratories. By installing a new dispersing device and test coating machine, we can carry out the SR manufacturing process from dispersion to coating in an integrated manner, which enables us to smoothly fabricate evaluation samples and significantly shorten the time required for development. Furthermore, to rapidly respond to performance requirements for semiconductor materials, we have introduced the latest exposure machines, laminators, etc. to replicate the manufacturing processes of our substrate manufacturing customers.

Establishing an undeveloped area to ensure facility expandability

To create new businesses and quickly develop new products, it is important to be flexible in the development environment including facilities. Therefore, we have set aside part of the third floor as an undeveloped area. It is essential to keep such free space to create new forms of value in a field where technology is advancing at an accelerated pace.

VOICE

A Facility that Directly Reflects Employee Opinions

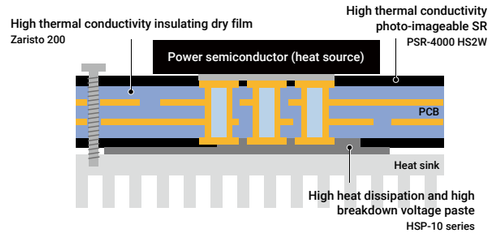
In planning and designing InnoValley, we established two subcommittees in charge of the laboratory area and office area respectively. To create a comfortable space, the subcommittees hosted workshops and held multiple discussions. As a result, we have created an office area that facilitates communication across departments by introducing a highly functional laboratory area and ABW (Activity Based Working). We hope that this Technology Development Center, which closely reflects the employees' opinions, will generate new technologies and innovative products.

Tomoko Ohtani
PCB Materials Development Section, Insulating Material Development Department, Technology Development Center, Taiyo Ink Mfg. Co., Ltd.

TOPICS

Awarded five years in a row Won 20th JPCA Award for "Thermal Conductive Insulating Materials with High Heat Dissipation for Power Semiconductors"

Power semiconductors are essential to make electronic devices more energy efficient. However, as electronic devices miniaturized and improved their efficiency, an solution to the heat problem has been required. The Taiyo Group has developed three types of thermal conductive insulating materials with high heat dissipation for substrates equipped with power semiconductors by using compounding and dispersion technologies. These materials have high thermal conductivity and insulation performance. They are attracting attention as next-generation insulating materials suited to substrates equipped with power semiconductors such as winning the 20th JPCA Award at the 53rd International Electronic Circuits Exhibition in 2024 (JPCA Show 2024).



16th JPCA Award (2020) New seed films for high-frequency compatible wiring formation

17th JPCA Award (2021) Thermosetting-type film for high frequency compatibility

18th JPCA Award (2022) Thick insulating film for advanced packages

19th JPCA Award (2023) Low-loss photosensitive insulating film

Long-Term Management Plan: Basic Policy

03 Grow the Medical and Pharmaceuticals Business Further

Launching New Businesses and Developing Them into Growth Businesses

Two top executives look back on the development of the Medical and Pharmaceuticals business, which started as a new business in 2017 and grew into the second pillar of the Taiyo Group, while also discussing the outlook for the future.

Masao Arima
CBDO of Medical and Pharmaceuticals Company, Senior Corporate Executive Officer, Taiyo Holdings Co., Ltd.

Sayaka Tomioka
Managing Executive Officer CFO, Taiyo Holdings Co., Ltd.

Why was Medical and Pharmaceuticals Launched?

Arima: The Group decided to enter the Medical and Pharmaceuticals business in 2015. At the time, our mainstay solder resist (SR) products accounted for more than 80% of our overseas sales ratio with a market share of over 50%. So, the business structure was strongly impacted by external factors such as market trends for final products that use SR and fluctuations in the silicon cycle. To escape from such a business structure, we launched Medical and Pharmaceuticals business as our second pillar. However, it was not easy to enter a market with high barriers to entry.

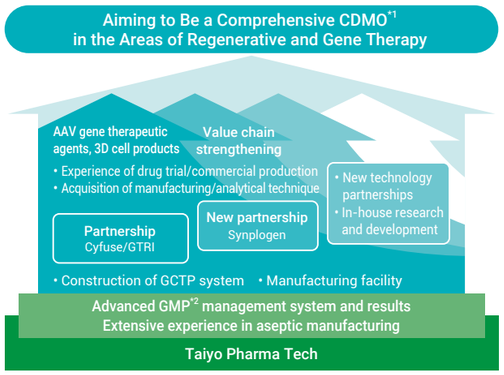
Tomioka: The business model that we chose is to acquire long-listed ethical pharmaceutical products and handle their manufacturing and marketing, which was an extremely creative way to enter the market. It was a huge investment for us. However, looking back on it now, it was a necessary first step in entering a new business from a different industry.

Arima: Two years after coming up with this idea, we established Taiyo Pharma in 2017 and began operations in 2018. This was due in large part to our previous experience in the Electronics business as well as connections and luck. When we actually started the business, we discovered that many of the business practices differed from the Electronics business and feel the enjoyment of being able to introduce a new way of doing things in each industry. We believe that we can provide a stable supply of pharmaceuticals while also achieving new things by entering the business from a different industry and implementing improvements from the perspective of each industry.

For Steady Growth and Further Progress

Arima: Since I believed that our mission was to create value through our manufacturing capabilities, from the beginning, I felt that it was essential for us to have our own plant for pharmaceuticals manufacturing. We finally came across the Takatsuki Plant, which is our current manufacturing base for this business. In 2019, we took over the plant from Daiichi Sankyo Co., Ltd. and launched Taiyo Pharma Tech. This transfer was a major first step that we were able to take thanks to Taiyo Pharma.

Tomioka: In addition to manufacturing related systems, quality control, and other systems, Taiyo Pharma Tech also has a well-developed training system for personnel and we have a track record of providing a stable supply of high-quality pharmaceuticals for over 90 years. By applying these strengths, we are striving to acquire new modalities in the fields of regenerative and gene therapy in cooperation with venture companies and academia.



*1 Pharmaceuticals contract development and manufacturing organization (CDMO)
*2 Good manufacturing practices (GMP)

Preparing for 2030

Arima: The medical and pharmaceuticals industry is facing threats to the stable supply of pharmaceuticals such as on-going revisions of the National Health Insurance (NHI) Drug Price System, labor shortages, and inflation.

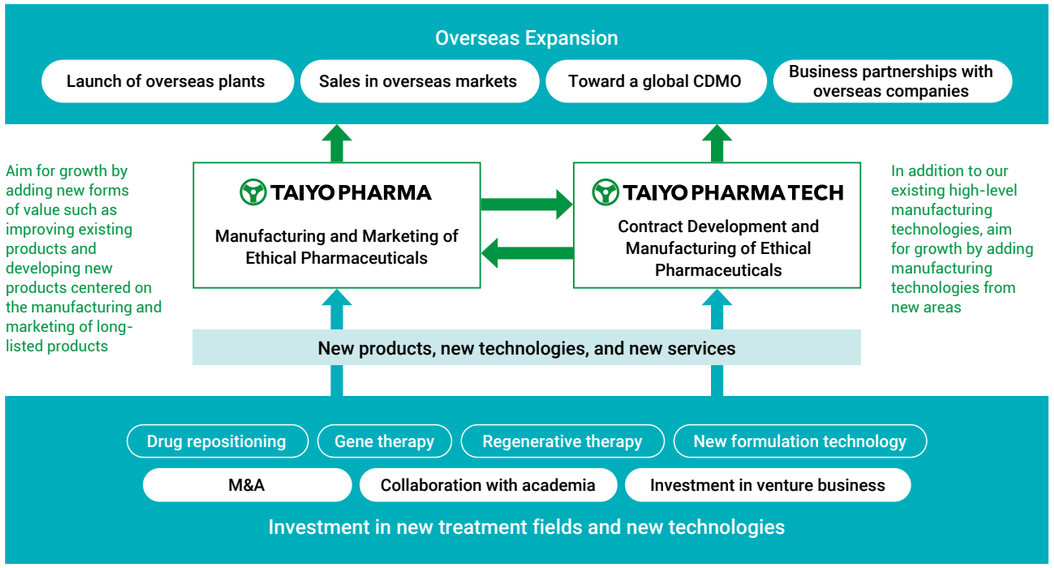
Tomioka: Such structural distortions lead to defects and unacceptable irregularities in the production control and quality control of generic drugs and result in incidents that shake the public's trust in the industry and suspensions of the product supply to correct defects. For that very reason, it is important to build and maintain a system for the continuous stable supply of high-quality pharmaceuticals drugs while lowering the production costs.

Arima: Going forward, we will further strengthen our quality control system while also driving improvements in production efficiency through DX, etc. Because we entered the market from a different industry, I believe that there is still much more that we can accomplish by leveraging "every technology" across the entire Group. In the Research Division as well, we have started to build a system that can conduct pharmaceuticals research and analysis.

Tomioka: To achieve 60 billion yen in sales and an operating margin of 15%, which are stated as management targets in 2030, it is essential that Taiyo Pharma Tech make further progress in the new fields of regenerative and gene therapy. In particular, the field of gene therapy is expected to have a high potential to produce visible results by 2030.

Arima: Taiyo Pharma and Taiyo Pharma Tech will first work together to solve the social issue of ensuring a stable supply of pharmaceuticals drugs. Moreover, it would be ideal if they were able to create new pharmaceuticals drugs according to the needs of medical facilities and patients. For that reason, we would like to analyze the behavior of chemical substances that determine the quality of pharmaceuticals drugs, strengthen the hiring and training of personnel who understand the essence of pharmaceuticals drugs, and provide opportunities for such personnel to freely interact with one another to create an environment that facilitates innovation going forward.

Medical and Pharmaceuticals Growth Strategy



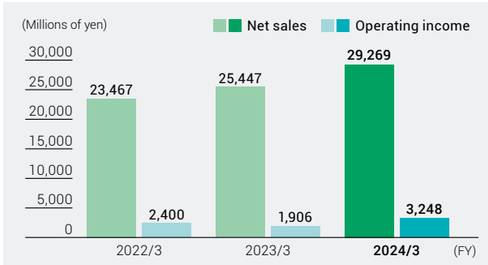
Fiscal Year 2024 Business Summary

Taiyo Pharma's ethical pharmaceuticals manufacturing and marketing business saw an increase in net sales from the previous fiscal year despite the negative impact of National Health Insurance (NHI) drug price revisions. This increase resulted from an increase in demand accompanying the transfer of assets for REMINYL®, the new long-listed products, and a supply shortage of other companies' products with the same efficacy, antitussives, and other products.

Taiyo Pharma Tech's ethical pharmaceuticals contract development and manufacturing business also saw an increase in net sales due to a change in product mix at the customer's request and a revision of the selling price accompanying the surge in raw material and energy prices.

As a result, net sales amounted to 29,269 million yen (up 15.0% year on year), and segment profit came to 3,248 million yen (up 70.4% year on year).

Net sales/Operating income*



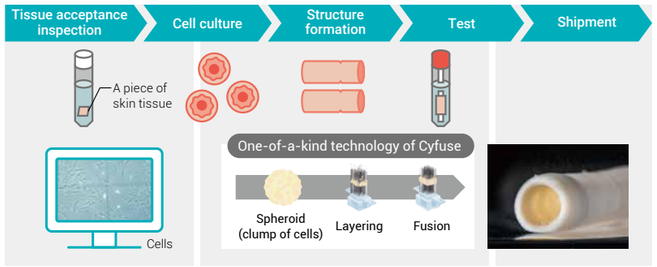
* Since the first quarter of fiscal year 2023, some R&D-related expenses and welfare benefit costs that we had previously included with corporate expenses have been allocated to each segment.

Aiming for a Stable Supply of Regenerative Therapy Products with Rising Expectations

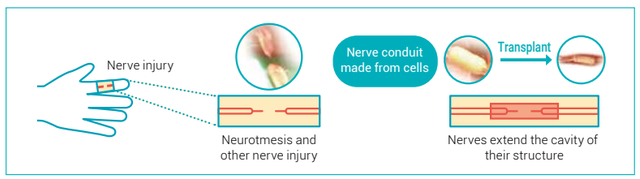
Regenerative therapy is a form of treatment that uses cells and artificial materials to regenerate and restore the lost function of tissues and organs that have become dysfunctional or impaired. The Taiyo Group has been working to build a manufacturing system for regenerative therapy products. In September 2021, we completed a manufacturing facility for cell-based products for regenerative therapy and started full-scale operation of a CDMO (Contract Development and Manufacturing Organization) business for regenerative therapy products during the current period.

Manufacturing Process

A mass of cultured cells called a "spheroid" is stacked and fused into a needle array using a bio-3D printer to form body tissues, such as blood vessels. Once the structure is formed, it is extracted from the needle array, inspected, and then shipped.



Overview of the nerve regenerative technology by transplanting of 3D nerve conduits



Partnering with Cyfuse to Start CDMO Business for Regenerative Therapy Products

Cyfuse Biomedical K.K., a partner of Taiyo Pharma Tech, and Kyoto University developed a nerve regeneration technology by transplanting three-dimensional nerve conduits manufactured with 3D bioprinters as a new treatment for peripheral nerve injury and verified its safety and efficacy through investigator-initiated clinical trials. Taiyo Pharma Tech is currently preparing to manufacture products for corporate clinical trials that Cyfuse will conduct, and will continue to accelerate its efforts aimed at bringing regenerative therapy products to the market and implementing new regenerative therapies in society going forward.

TOPICS

Transfer of the REMINYL® therapeutic agent for Alzheimer's disease

In April 2023, Taiyo Pharma and Janssen Pharmaceutica NV agreed that Janssen's subsidiary Janssen Pharmaceuticals K.K. would transfer to Taiyo Pharma the rights to manufacture and market, etc. in Japan for the long-listed product REMINYL® (generic name: galantamine hydrobromide). REMINYL® is a socially important pharmaceutical drug with a proven track record of use, indicated for preventing the progression of symptoms of mild to moderate dementia caused by Alzheimer's disease. Taiyo Pharma will strive to ensure a stable supply of REMINYL® while also continuing to provide pharmaceuticals drugs that meet the needs of medical institutions and patients going forward.

The field of gene therapy is expected to become an innovative form of treatment for various diseases. Taiyo Pharma Tech introduced manufacturing equipment for gene therapeutic agents to its plant and completed the facility in March 2023. This facility complies with domestic and overseas manufacturing and quality control standards (GMP/GCTP), being able to respond to various requirements from small scale at an early phase of development to mass manufacturing with a scale of 200 liters. In addition, Taiyo Pharma Tech signed a business partnership agreement regarding the development and manufacture of gene therapy products with Synplogen Co., Ltd., a biotech startup originating from Kobe University.

Building a Value Chain in Gene Therapy Product Development

In November 2023, Taiyo Pharma Tech executed a work partnership contract with Synplogen Co., Ltd. Synplogen provides viral vectors for gene therapy that utilize their own proprietary DNA synthesis technology as well as mRNA design, development, and analysis services (Gene Therapy Biofoundry® Services). We aim to build a system that enables the quick technology transfer of gene therapy products designed and developed through these Gene Therapy Biofoundry® Services to Taiyo Pharma Tech's GMP manufacturing facility and make practical use of revolutionary gene therapy products.

Gene therapy product development value chain

VOICE

Aiming to Establish the Manufacturing Technologies for Gene Therapy Products at the Takatsuki Plant

I am currently striving to learn a series of technologies from cell culture to refining processes with the goal of conducting contract manufacturing of viral vector products including adeno-associated viral vectors (AAVs) and other gene therapy products at the Takatsuki Plant. In particular, our goal is to manufacture AAV vectors with stable quality at high yields. To do so, we are making many improvements through trial and error such as reviewing standard operating procedures and optimizing parameters according to the equipment. The advantages of gene therapy are that it has few side effects and the effect of a single treatment continues for a long period of time. We aim to leverage these advantages to the utmost extent to reduce the treatment burden on patients and help improve their quality of life. Going forward, we will continue to work together as a team to do our best to reach this target.

Tatsuya Matsuda
ATMPs Development Section, Technology Department, Takatsuki Plant, Taiyo Pharma Tech Co., Ltd.

Mao Ishibashi
ATMPs Development Section, Technology Department, Takatsuki Plant, Taiyo Pharma Tech Co., Ltd.

VOICE

Striving to Establish Gene Therapy Products as Quickly as Possible

Many of the technologies in the gene therapy field are still in the development stage and have not been fully established. Therefore, we are exploring the adoption of more advanced cell culture methods that can be scaled up for commercialization. The techniques and insights accumulated in that process will lead to the optimization of manufacturing processes according to the type of viral vector and gene for therapeutic purposes. Gene therapy drugs are pharmaceuticals drugs that hold significant promise for diseases for which there are no effective treatments. To deliver these innovative drugs to patients as quickly as possible, we will accelerate our efforts to improve this technology.

Long-Term Management Plan: Basic Policy

04 Advance and evolve through digital transformation

05 Create new businesses

06 Execute strategic M&A

Evolving ICT and Sustainability

– funlead Growth Strategy –

Creating New Businesses and Products Starting from the Digital Transformation of Taiyo Holdings

Keiichi Kobayashi
President and CEO
funlead corp.

Socially implementing cutting-edge technologies using Taiyo Holdings as a testing ground

At funlead, we aim to provide new forms of value to customers through the social implementation of cutting-edge services and products, and we are working to achieve this goal by using our support of the digital transformation within the Group as a stepping stone. We are strengthening collaboration across Taiyo Group by stationing our team members at each core subsidiary to identify the diverse needs of each business. Furthermore, we are insourcing the development of small and medium-sized systems to prevent the development specifications and maintenance operations from becoming a black box and accelerate the digital transformation. IT-based innovation is essential to the goal of creating new businesses that the Taiyo Group is aiming for. Going forward, we will continue to quickly create new forms of value through active M&A and co-creation between each business and the ICT business.

Realizing a Total Support System by Expanding the Group Through M&A

funlead has engaged in active M&A to support the digital transformation and business growth of customers through a wide range of digital technologies. Since December 2022, we have newly acquired the shares of Apex, Xseeds, and RIT. By maximizing the synergies between each company, we have built a total support system that covers everything from customer proposals to strategic planning, project management, the development of specific solutions, and operation and maintenance.

APEX

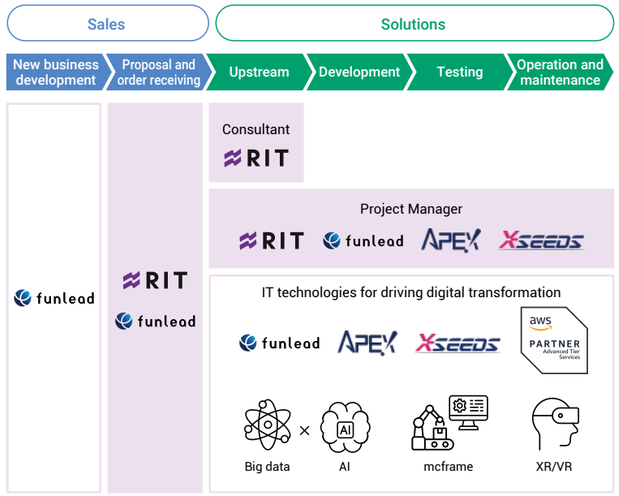
In December 2022, we acquired all of the shares of apex corp., a company that provides comprehensive services including production control and SCM (supply chain management) in core systems to major manufacturing companies.

Xseeds

In August 2023, we acquired all of the shares of Xseeds Co., Ltd., a company that has been responsible for the operation and development of core systems and business systems for many years and has more recently focused its efforts on app development and supporting the introduction of XR technologies such as VR and AR.

RIT

In January 2024, we acquired all of the shares of RIT Inc., a company that has provided integrated support to various companies ranging from DX strategy consulting to the development of SaaS products that utilize generative AI and generative AI environment building services.



Growth Business TOPICS 01

Strengthening System Development Using AWS*

AWS offers flexible support to achieve business efficiency and improve productivity. funlead has a team with advanced AWS expertise and technical capabilities and was certified as an AWS Advanced Tier Services Partner as an entity with a superior track record of customer experience.

* AWS (Amazon Web Services) are a set of cloud computing services provided by Amazon.

May 2024: Certified as an AWS Advanced Tier Services Partner

aws PARTNER Advanced Tier Services

Strengthening the Business Foundation of the Taiyo Group Through DX

1 Centralizing the management of reporting materials and reducing email to streamline operations
(Taiyo Holdings Co., Ltd.)

We used AWS CloudFront*1, WAF*2, and SES*3 to develop a system that manages the data exchange between the Taiyo Group, that is needed for the Accounting Department to create financial statements and business management documents. By automating email notifications to each Group company and centralizing document management, the system significantly reduced the time spent on exchanging data.

2 Integrating the reservation system to increase convenience and reduce food loss
(Ranzan Shokudo Co., Ltd.)

Ranzan Shokudo operates the employee cafeteria for the Taiyo Group. Using AWS, they integrated the reservation system for six cafeterias in a short period of time. The ability to easily make a reservation from a smartphone has increased the level of convenience. This enables meals to be provided according to reservations, which reduces the burden on the cafeteria and a lot of food waste.

*1 A content delivery network operated by AWS that delivers content to the user from the closest location from among delivery sites around the world.
*2 WAF (Web Application Firewall) is a security service that protects web applications in the AWS environment from cyberattacks. It can be used to protect AWS CloudFront.
*3 SES (Simple Email Service) is an email delivery service provided by AWS.

Growth Business TOPICS 02

Upgrading the "STiV" Generative AI Platform

STiV is an AI knowledge management system that streamlines operations and eliminates tacit knowledge, even in an industry that requires advanced expertise, through chat search and knowledge summaries by using generative AI. It links the data that each company possesses internally with vast amounts of data including laws and regulations and related documents to enable seamless searching.

STiV Solution

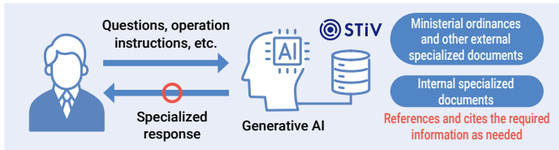
Features of STiV

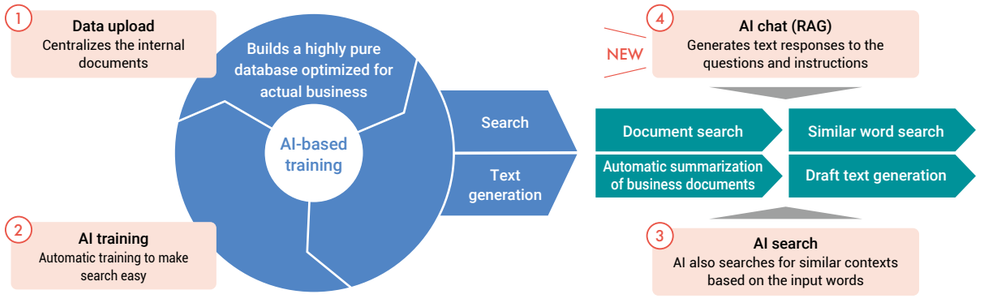
1. Aggregates and centralizes diverse information through AI algorithms
2. Associates data in specialized fields
3. Uses and manages various types of knowledge
4. Dramatically improves information access

INPUT Vast amounts of data including internal and external tacit knowledge such as external documents, laws and regulations, ministerial ordinances, and other external data as well as internal databases, past documents, etc.

NEW Optimizing the output with AI chat (RAG)

AI chat using RAG has eliminated the issues with conventional GPTs and provided highly accurate written responses to questions in specialized fields. It also supports searches and responses that specify reference documents and limit the target documents, which is in high demand in specialized fields.





Long-Term Management Plan: Basic Policy

07

Strengthen Efforts Toward the SDGs

Since its founding, the Taiyo Group has continued to engage in various initiatives that solve social issues through its business activities and contribute to society as a company. These initiatives facilitate the achievement of SDGs based on our management philosophy of "achieving a cheerful society by further advancing every technology in our Group and by creating a wide range of innovative products to fulfill the dreams of the world." To realize this management philosophy, we have committed to strengthening our efforts toward Sustainable Development Goals (SDGs) in our long-term management plan, "Beyond Imagination 2030," as one of the basic policies. We will continue to actively engage in these activities and aim for sustainable development going forward.

01 Our Origin and Management Philosophy

02 What We Achieve through Our Business

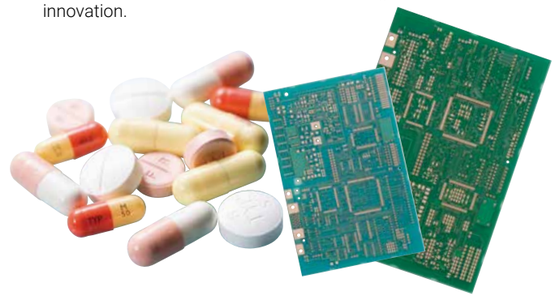
03 What We Contribute as a Company

SUSTAINABLE DEVELOPMENT GOALS

01 Our Origin and Management Philosophy

Stable Supply and Technological Innovation

As we continue advancing every technology to achieve "a cheerful society," the Taiyo Group promotes resilient infrastructure development and comprehensive and sustainable industrialization, all while striving to create innovation.



02 What We Achieve through Our Business

Solving Food Problems and Promoting Sustainable Agriculture

Taking on the challenge of solving various issues such as the farming and commercialization of protein-rich crickets

To resolve every food problem and promote sustainable agriculture by ensuring a stable food supply, improving nutritional status, preserving and restoring the terrestrial ecosystem, and responding to desertification, we are operating various businesses related to insect farming and plant factories.

Cultivation and shipment of baby leaf lettuce and strawberries that do not require large open spaces

Creating a Workplace Environment that Increases Employee Creativity and Contributes to Mental and Physical Health

Igniting employees' creativity in an environment allows them to come in touch with artworks in daily lives toward creating new values

Ranzan Shokudo helps solve food waste problems by utilizing left-over cooking ingredients that were produced for mass merchandisers but not generally distributed

Toward the Realization of a Decarbonized Society

To ensure sustainable consumption and production, the Taiyo Group has established a total of 16 floating solar power plants nationwide (as of August 2024) that generate renewable energy.

TOPICS

Participated in Apple's Supplier Clean Energy Program

Through its Supplier Clean Energy Program, Apple Inc. in the U.S. is calling on suppliers all over the world to put renewable energy to use in their production activities for the company. In 2018, Taiyo Ink Mfg. became the second Japanese company certified by Apple as a Clean Energy Supplier.

Investigating the Impact on Water Quality and Biodiversity

We have concentrated on advancing the development of floating solar power plants. To date, there have been very few reports on the environmental impact of building floating solar power plants. Therefore, we have been investigating on the impact that floating solar power plants have on water quality and biodiversity through a joint research project with Chuo University since 2021. Using the insights gained from this research, we will actively strive to generate renewable energy in an environmentally-friendly manner going forward.

Solar power plants 16 units

03 What We Contribute as a Company

13 CLIMATE ACTION

Response to Climate Change

Governance and Risk Management

Climate change is a serious social issue facing global society and is accordingly a priority management issue of the Group. For that reason, we are engaging in the active disclosure of information based on the TCFD recommendations.

The Sustainability Promotion Committee regularly holds meetings to evaluate the impact of the risks and opportunities posed by climate change on our business and to discuss and decide on ways to reduce those risks and secure those opportunities. The committee regularly receives recommendations on important matters from the Board of Directors while also continuously managing and monitoring the status of initiatives by the executing departments.

Going forward, we will continue to promoting initiatives to address climate change issues and actively disclose information to further strengthen our fiduciary relationship with stakeholders.

Furthermore, the Taiyo Group responded for the first time to the CDP Climate Change 2023 Questionnaire, which is administered by an international NGO that analyzes and evaluates environmental initiatives of companies and other organizations, and we received a score of B.

Strategies

We are analyzing the 1.5°C and 4°C climate change scenarios to identify risks and opportunities with reference to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change (IPCC) and the World Energy Outlook (WEO) of the International Energy Agency (IEA).

Scenario	Changes in social environment	Risks	Opportunities	Main countermeasures
1.5°C Scenario	Introduction and raising of carbon tax in various countries	○	○	· Gathering of information on environmental regulations in each country and examination of countermeasures · Aggressive introduction of renewable energy · Promotion of energy efficiency
	Progress towards a decarbonized society	○	○	· Promotion of development of products with low environmental footprint · Promotion of development of products for next-generation mobility · Promotion of changes to product packaging configuration · Promotion of recycling of used plastics
	Response to stakeholder requests	○	○	· Reinforcement of efforts for environment · Proactive disclosure of information and communication to respond to investors and market concern
4°C Scenario	Suspension of plants due to intensified damage from natural disasters	○	—	· Increase in the number of production sites · Risk management and response from perspective of Business Continuity Planning (BCP)

Examples of Opportunities Created by the Progress Toward a Decarbonized Society

Expansion of floating solar power plant

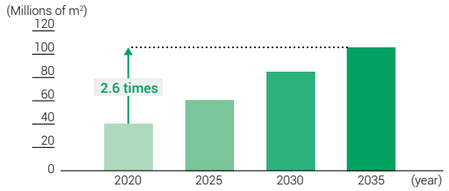
In response to the power shortages after the Great East Japan Earthquake of 2011, we have promoted our Renewable Energy business based on floating solar power generation. Floating solar power generation mitigates the decline in power generation efficiency during the summer and also contributes to environmental conservation and a reduction in the burden on local government and agricultural businesses. In February 2024, we installed the 16th floating solar power plant and started our first off-site corporate Power Purchase Agreement (PPA) business*. The power generated by this business will be supplied to public facilities in Izumisano City through Izumisano Electric Power, a general incorporated foundation funded by Izumisano City. Going forward, we will continue to support the utilization of renewable energy not only by the Taiyo Group but also by customers and society as a whole.

* A power purchase agreement that installs solar power generation systems in locations remote from electricity demand facilities and sends the electricity generated to the electricity demand facilities via the transmission network.

Rising demand for solder resist (SR) due to the increasing electrification of automobiles and use of automotive electronics

The future demand for electric vehicles (EV) is expected to further increase, because they do not emit CO_2 while driving. By 2035, the automotive substrate area of EVs is anticipated to grow by 2.6 times compared to 2020. The associated increase in the use of SR will lead to an increase in Group sales, which we regard as a business opportunity.

Forecast for the sales volume of automotive substrates

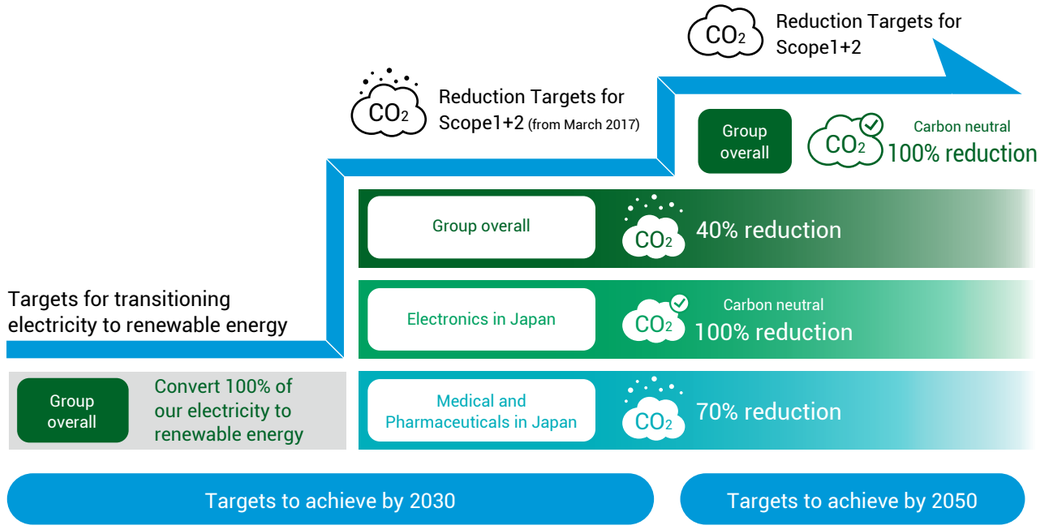


* Source: Total Research on On-Vehicle Electric Devices and Components 2022 (2020 is actual results while 2025, 2030, and 2035 are forecasts) by Fuji Chimera Research Institute, Inc.

Metrics and Targets

Our Group targets more significant CO_2 emission reductions than before, intending to achieve carbon neutrality, a goal that the Japanese government has set for 2050. By fiscal year 2031, we aim to reduce total Group CO_2 emissions by 40% compared to fiscal year 2017. We also aim to achieve carbon neutrality in fiscal year 2031 in the Electronics business in Japan and to reduce emissions by 70% in the Medical and Pharmaceuticals business in Japan to achieve carbon neutrality for the entire Group by 2050.

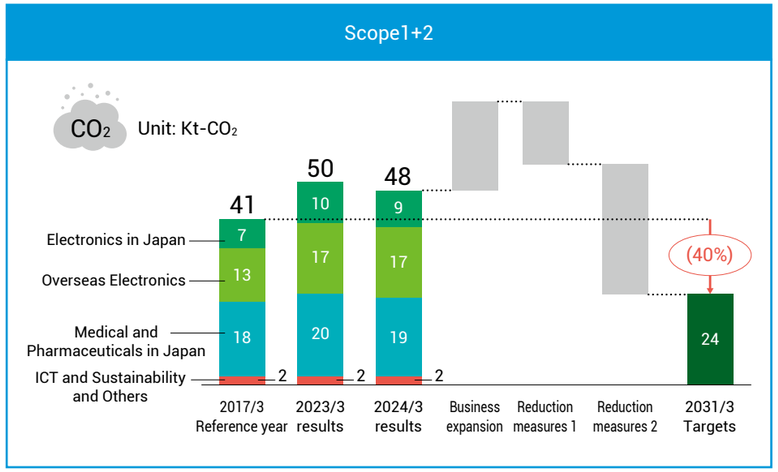
In fiscal year 2024, Taiyo Pharma Tech converted the fuel source used in its production facilities. Furthermore, we introduced high-efficiency air conditioning control systems and production facilities with high CO_2 reduction efficiency at our overseas manufacturing sites. Moving forward, we will reach our targets for CO_2 reduction by proactively working to increase the efficiency of existing facilities while introducing renewable energy throughout the Group.



Achieving Our Targets with Floating Solar Power Plants as the Foundation of Measures to Reduce Our Domestic CO_2 Emissions

We will promote the reduction of CO_2 emissions and aim to achieve our targets through measures that leverage our strengths, beginning with our floating solar power generation business. We will continue to position the realization of a decarbonized society as one of our important tasks and enhance our information disclosure. In addition, we will strive to assess the level of emissions (Scope 3) across the entire supply chain and work to realize a sustainable society by conducting our business activities in an even more environmentally friendly manner.

Reductions in CO_2 Emissions Planned by 2030 (Scope 1+2)



Examples of Scope 1+2 reduction initiatives

Reduction measures 1

- Maintenance and expansion of floating solar power plant

Reduction measures 2

- Adopting renewable energy
- Improving efficiency of facilities
- Promotion of electrification, etc.

02 What We Achieve through Our Business

Contributing to People's Health Through the Manufacturing and Sales of Ethical Pharmaceuticals and Dental Prosthetic Products

In August 2017, we established Taiyo Pharma to manufacture and market ethical pharmaceuticals and long-listed products. In October 2019, we began contract development and manufacturing of ethical pharmaceuticals at Taiyo Pharma Tech, which we acquired from Daiichi Sankyo Co., Ltd., and welcomed Ricc Co., Ltd., a manufacturer and seller of dental prosthetic products, to the Group in March 2022. Going forward, we will continue to contribute to people's health and happiness through our Medical and Pharmaceuticals business.

Received Manufacturing and Marketing Approval for an Additional Dosage Formulation of Madopar® Combination Tablets L50

Taiyo Pharma developed a half-dose formulation of Madopar® combination tablets, a therapeutic agent for Parkinsonism treatment, and received manufacturing and marketing approval in February 2024.

We developed the half-dose formulation in response to requests from the Japanese Society of Neurology and the Movement Disorder Society of Japan to improve patients' motor complications and reduce the burden on medical facilities by adjusting the dosage of Levodopa, the active ingredient in the Madopar® combination tablets.

Expanding the Application of Kytril® Injections and Intravenous Infusion Bags

On February 25, 2022, Taiyo Pharma obtained approval from Japan's Ministry of Health, Labour and Welfare to add indications, dosages and administrations pertaining to postoperative gastrointestinal symptoms (nausea, vomiting) for Kytril® injection 1mg, Kytril® injection 3mg, Kytril® intravenous infusion bag 3mg/50mL and Kytril® intravenous infusion bag 3mg/100mL (generic name: granisetron hydrochloride) (Kytril® injections and intravenous infusion bags), which act as 5-HT_3 receptor antagonists.

Investment in the Africa Healthcare Fund

The Taiyo Group invested 0.5 million US dollars in the African Healthcare Fund* in 2020 and 2022, respectively. Through investing in this fund with an excellent investment track record in Africa, the Taiyo Group will build a network with local companies expected to generate synergy in the future and contribute to the solution of social issues and the realization of sustained business.

* Operated by AAIC Holdings Pte. Ltd.

Partnership

Athlete Nozomi Okuhara

Athlete Yuro Nagahara

Partnerships with Local Governments

Taiyo Ink Mfg., which is located in Saitama Prefecture, is registered as a SDGs Partner of Saitama Prefecture as a prefectural company that is actively engaged in achieving SDGs and setting targets for the environment, economy, and society. Moreover, the company has obtained platinum certification under Saitama Prefecture's "Certification System for Companies Practicing Diverse Work Styles" as a company that is putting diverse work styles into practice.

Contributing to Sports Promotion

In January 2019, Taiyo Holdings signed an endorsement agreement with badminton player Nozomi Okuhara in women's singles and with skateboarder Yuro Nagahara in men's park skateboarding, starting in January 2023.

03 What We Contribute as a Company

Sustainable Collaboration with Local Communities

Participation and Cooperation with Local Events

At Taiyo Pharma Tech, we promote community contribution activities by exhibiting at and sponsoring community-based events.

- Takatsuki Industry Festa 2023
- 26th Takatsuki Jazz Street (sponsor, venue provision, and operation volunteer)

Cooperation as Blood Drive Supporter

Taiyo Ink Mfg. and Taiyo Pharma Tech support the blood drive measures sponsored by the Ministry of Health, Labour and Welfare (MHLW). As a blood drive supporter, we encourage our employees to understand and participate in blood drives. In fiscal year 2024, 159 employees participated in blood drives.

Efforts in Local Beautification Activities

Taiyo Pharma Tech aims to grow with the community and actively participates in beautification activities.

- Takatsuki City Environmental Cleanup Promotion Day (Bi-annual)
- Shinkawa Waterway Cleanup Campaign
- Cleanup around the plant (six times a year)
- Yodo River and Akuta River Cleanup Big Campaign

Operating the Children's Cafeteria Near Ranzan Station

The Taiyo Group manages a children's cafeteria at Ekimae Ranzan Shokudo, located in front of Musashi-Ranzan Station in Saitama Prefecture. During fiscal year 2024, the cafeteria served meals once or twice a month, providing an average of 60 meals per month. We will continue to provide meals and a place to eat to deliver a fun dining experience for as many children in the community as possible.

FY 2024 results: provided 736 meals

Hosting Social Studies Field Trips from Elementary Schools

Taiyo Ink Mfg. and Taiyo Pharma Tech welcome educational field trips and offer facility tours and interviews.

Ranzan Municipal Shiga Elementary School

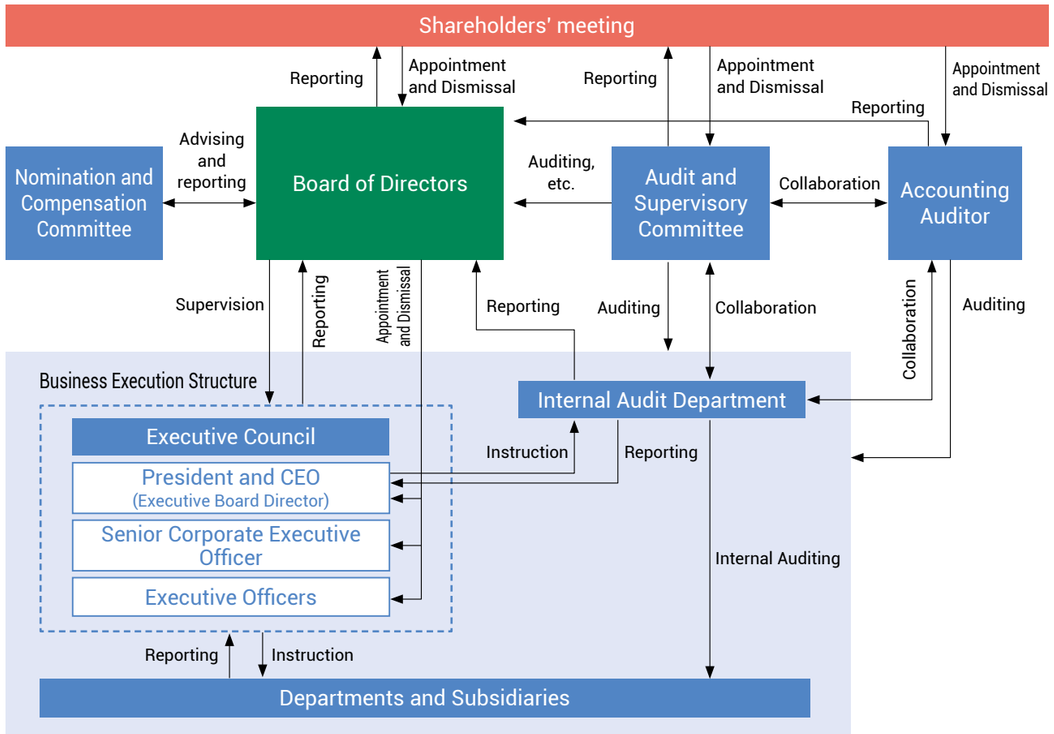
Takatsuki Municipal Touen Elementary School

Corporate Governance

Transitioning to a Company With an Audit and Supervisory Committee to Aim for the Optimal Governance System

Regarding corporate governance, we shifted our organizational design to a company with an Audit and Supervisory Committee in June 2024 to further clarify the supervisory and executive structure and to strengthen the role of the Board of Directors as a monitoring board. Under the new system, the Board of Directors, consisting of board directors appointed by a resolution of the General Shareholders' Meeting, and the Audit and Supervisory Committee, consisting of board directors who are Audit and Supervisory Committee Members, will play a central role in further accelerating the decision-making and business execution of the Board of Directors.

Corporate Governance Framework (as of the end of September 2024)



Overview of the Corporate Governance System

Board of Directors

From the perspective of ensuring the effectiveness of the Board of Directors, we are constantly examining the balance that maximally utilizes the diversity of the members, including their knowledge, experience, and skills. The Board of Directors consists of four Board Directors who are not Audit and Supervisory Committee Members (including one Outside Board Director and one Non-Executive Board Director) and three Board Directors who are Audit and Supervisory Committee Members (including two Outside Board Directors), all of whom are elected at the General Shareholders' Meeting. The Board of Directors deliberates and resolves all important matters as well as supervises the execution of business by the Representative Director.

In addition, 43% of the Board of Directors (three out of seven Board Directors) are women.

Audit and Supervisory Committee

The Audit and Supervisory Committee monitors the business activities of board directors and operational status of governance from a neutral and objective perspective to ensure sound development of the Taiyo Group as a whole, based on an appropriate corporate governance system. The current Audit and Supervisory Committee is made up of three Board Directors who are Audit and Supervisory Committee Members (including two Outside Board Directors). It audits and supervises decision-making by the Board of Directors and business execution by Board Directors in accordance with audit plans.

Nomination and Compensation Committee

The Company has established a voluntary Nomination and Compensation Committee as an advisory body for the Board of Directors and the Audit and Supervisory Committee. The Nomination and Compensation Committee of the Company is comprised of one Internal Board Director and two Outside Board Directors and deliberates and reports on the matters consulted to the Board of Directors.

Executive Council

The Company has established an Executive Council made up of Executive Board Directors, Senior Corporate Executive Officers and Executive Officers in order to help invigorate the Board of Directors and expedite its business execution. As the Board's two Senior Corporate Executive Officers (both male) and fifteen Executive Officers (thirteen males and two females, including two executive officers of foreign nationality) are granted the authority to make decisions to a reasonable extent for business execution purposes, the Company believes that it enables swift decision-making in response to changes in the environment.

Initiative transitions

The Company has continued to change in order to enhance our corporate governance and realize swift decision-making.

2008	2017	2022	2023	2024
Introduced executive officer system	Appointed female Outside Board Directors	Introduced in-house company system	Introduced delegated executive officer system	Transitioned to a company with an Audit and Supervisory Committee

List of Taiyo Holdings Officers (as of the end of September 2024)

Officer Information

01 Eiji Sato
President and CEO

Reason for appointment After becoming a Board Director in 2008 and later serving as Vice President, Mr. Sato assumed the position of President and CEO in 2011. He was appointed Chief Executive Officer of Medical & Pharmaceuticals Company in May 2022. As President and CEO, Mr. Sato applies his knowledge and experience in all aspects of operations to oversee the management of the Group, including decision-making and the supervision of business execution.

02 Hitoshi Saito
Vice President

Reason for appointment After becoming a Board Director and Senior Managing Executive Officer in 2016, he assumed the position of Vice President and CEO of the Electronics Company in 2022. Possessing a wealth of marketing knowledge and management experience from time spent overseas, Mr. Saito applies this knowledge and experience to all aspects of operations.

03 Kiyofumi Takano
Board Director

Reason for appointment In addition to many years of extensive experience and knowledge of technology, R&D, and marketing, Mr. Takano also has a track record of involvement in new business creation. The Company expects that his experience and track record will contribute to the enhancement of corporate value.

04 Keiko Tsuchiya
Outside Board Director

Reason for appointment Ms. Tsuchiya was appointed to apply her vast experience and knowledge in the human resources field, including her management experience as a director in the human resources consulting services industry, toward the Human Resources Department and to strengthen human resources of our Group.

05 Kaori Terunuma
Board Director (Audit and Supervisory Committee Member)

Reason for appointment
Ms. Terunuma was appointed for her vast knowledge and career experience in accounting and finance, and her experience as an auditor of an overseas subsidiary of the Company.

06 Hidenori Sugiura
Outside Board Director (Audit and Supervisory Committee Member)

Reason for appointment
Mr. Sugiura was appointed to apply his vast experience and knowledge of finance cultivated through his history in the securities and financial industry and as a university professor and lecturer as an expert in finance.

07 Ikumi Sato
Outside Board Director (Audit and Supervisory Committee Member)

Reason for appointment
Ms. Sato was appointed to apply her vast knowledge and experience as a lawyer in corporate legal affairs, IT/intellectual property, and foreign legal affairs.

Skills Matrix

Name	Current titles and responsibilities at the Company*1		Expertise and career experience required of board directors*2						
			Corporate management / Business strategy	Global	Production quality / Research and development	ESG / Sustainability	Human resource management / Diversity	Finance and accounting / M&A	Legal affairs / Risk management
Eiji Sato	President and CEO		○				○	○	○
Hitoshi Saito	Vice President		○	○	○	○			
Kiyofumi Takano	Board Director	Newly appointed	○	○	○				
Keiko Tsuchiya	Outside Board Director	Independent		○		○	○		
Kaori Terunuma	Board Director (Audit and Supervisory Committee Member)	Newly appointed					○	○	○
Hidenori Sugiura	Outside Board Director (Audit and Supervisory Committee Member)	Newly appointed Independent				○		○	○
Ikumi Sato	Outside Board Director (Audit and Supervisory Committee Member)	Newly appointed Independent				○	○		○

*1 We have made the appointment as an independent officer in accordance with stipulations of Tokyo Stock Exchange, Inc., and have notified the exchange.

*2 [Corporate management / Business strategy] Assumes management experience, directorship experience, business strategy, etc.
[Global] Assumes achievement and experience in business development with global awareness
[Production quality / Research and development] Assumes knowledge and experience of relevant industry and business
[ESG / Sustainability] Includes the meaning of activities for environmental and social contribution, community development and sustainable business
[Human resource management / Diversity] Assumes initiatives concerning development, training and utilization of self-sufficient personnel in response to increasingly diverse organizations and society, management, and diversity (activities for women's advancement, etc.)
[Finance and accounting / M&A] Assumes knowledge and experience of financial accounting and strategic M&A
[Legal affairs / Risk management] Assumes knowledge and experience of corporate legal affairs and legal risk management

Detailed Deliberations by the Board of Directors (fiscal year 2024)

Board of Directors Function and Composition

Our Board of Directors delegates authority over execution of business to members of management to facilitate swift decision-making. This serves to strengthen the corporate governance system and separate the business supervision and execution functions. In fiscal year 2024, the Board of Directors focused their discussion in particular on the institutional design system of the Board of Directors and consequently resolved to transition to a company with an Audit and Supervisory Committee. We will continue to engage in a series of discussions concerning an appropriate governance system, and building and operating the system.

Progress on the Long-term Management Plan

The Board of Directors discusses how to achieve long-term growth and respond swiftly to changes in the business environment. Board directors checked on the progress of "Beyond Imagination 2030," our long-term management plan, which was formulated in June 2021, and discussed whether there were policies, plans, etc. that should be revised in the current uncertain business environment. These discussions focused closely on whether the necessary steps have been taken to mitigate country-specific risks, which could affect the Electronics business in particular. Furthermore, the Board of Directors decided to increase the salary levels in line with the revision of the employee salary system, which was discussed as an ongoing investment in human capital. The Board of Directors will continue to discuss changes in the business environment that could affect the accomplishment of our long-term management plan, as appropriate.

Sustainability

Because sustainability is an important management issue, we have named strengthening initiatives targeting achievement of the sustainable development goals (SDGs) as one of the basic policies of our long-term management plan. During the Board of Directors meetings held in fiscal year 2024, board directors engaged in a series of discussions concerning initiatives mainly revolving around the four topics of governance, strategy, risk management, and metrics and targets in relation to response to climate change and investment in human capital, and determined the policy on information disclosure. We will continue our deliberations to specify and resolve issues relating to sustainability.

Evaluation of the Effectiveness of the Board of Directors (fiscal year 2024)

The Taiyo Group conducts analysis and evaluation to assess the effectiveness of the Board of Directors. Assessments are based on evaluations provided by each board director and help promote continuous improvement to the operations, composition, and structure of the Board of Directors by identifying issues and points of improvement.

Analysis and evaluation method	● Questionnaires are distributed to each board director. Responses received from all of the board directors are used to conduct an effectiveness evaluation of the Board of Directors and identify issues. ● Based on evaluation results, the Board of Directors holds deliberations to improve its functionality.
Questionnaire items	(1) Structure of the Board of Directors (2) Management of the Board of Directors (3) Agendas of the Board of Directors (4) Structure supporting the Board of Directors
Evaluation results	● The effectiveness of the Board of Directors is ensured. ● The diversity in the composition of the Board of Directors is sufficiently ensured. ● A deeper discussion pertaining to the management resource allocation and business portfolio strategies was verified. ● Improvements were verified with respect to the agenda of the Board of Directors meetings and the structure that supports the Board of Directors such as establishing opportunities exclusively for outside board directors to exchange and share information, etc.
Progress	● The Company transitioned to a company with an Audit and Supervisory Committee in order to further clarify the supervisory and executive structure and to strengthen the role of the Board of Directors as a monitoring board.
Future action	● We will continue to work on the following issues to further improve the Board's effectiveness. (1) Ensure diversity in the composition of the Board of Directors and maintain an appropriate number and ratio of outside board directors. (2) Continue discussions from a long-term perspective regarding management planning, management resource allocation, and succession planning for the representative director.

Activities of the Officers (fiscal year 2024)

Title	Name	Attendance at Board of Directors meetings	Attendance at Audit and Supervisory Board meetings
President and CEO	Eiji Sato	10 meetings (100%)	—
Vice President	Hitoshi Saito	10 meetings (100%)	—
Board Director	Eiji Takehara	10 meetings (100%) *1	—
Board Director	Masao Arima	10 meetings (100%) *1	—
Board Director	Tomoyuki Tanaka	10 meetings (100%) *1	—
Outside Board Director	Masayuki Hizume	10 meetings (100%) *1	—
Outside Board Director	Keiko Tsuchiya	9 meetings (90%)	—
Outside Board Director	Asako Aoyama	10 meetings (100%) *1	—
Outside Board Director	Yumiko Kamada	10 meetings (100%) *1	—
Audit and Supervisory Board Member	Kaori Terunuma	10 meetings (100%)	10 meetings (100%)
Outside Audit and Supervisory Board Member	Hidenori Sugiura	10 meetings (100%)	10 meetings (100%)
Outside Audit and Supervisory Board Member	Ikumi Sato	10 meetings (100%)	10 meetings (100%)
Outside Audit and Supervisory Board Member	Akihito Sakai	2 meetings (100%) *2	2 meetings (100%)

*1 He stepped down from the position upon expiration of the term of office at the conclusion of the Company's Ordinary General Shareholders' Meeting held on June 15, 2024.
*2 He stepped down from the position upon expiration of the term of office at the conclusion of the Company's Ordinary General Shareholders' Meeting held on June 17, 2023.

Comments from an Outside Board Director

Growing Governance System of the Taiyo Group

Viewing the Transition to a Company with an Audit and Supervisory Committee from the Perspective of an Outside Board Director

The transition to a company with an Audit and Supervisory Committee, which clarifies the roles of supervision and execution, has made the operation side of the Board of Directors more sophisticated and efficient, and also made the decision-making process faster than ever. While the Group has been continuously working thus far to improve the governance system, such as introducing an in-house company system and a delegated executive officer system, I feel that this latest change in the institutional design is extremely significant in our pursuit of the ideal form of corporate governance. Moreover, to ensure the effectiveness of the supervision by the Board of Directors, it was decided that an outside board director would serve as the Chair of the Board, a position which I was appointed to, in addition to the change in institutional design.

Future Expectations of the Taiyo Group

Mr. Sato, our Representative Board Director, always approaches corporate management while maintaining a strong awareness of fairness and transparency, which is the reason that the Group keeps improving. The speed of change to achieve such improvement has been also remarkable. As society and the management environment change, our corporate governance will naturally change as well. My expectation for the future of the Taiyo Group is to change while maintaining the current speed.

Keiko Tsuchiya Outside Board Director

Officer Compensation System

Composition of Compensation

The compensation system for executive board directors aims to provide motivation toward improving medium- to long-term corporate value by establishing a plan for short-term, medium-term, and long-term incentives, thus acquiring and retaining elite top management personnel. With the goal of further sharing value between executive board directors and shareholders, this system is comprised of basic salary compensation and performance-linked cash compensation, as well as a stock compensation system comprised of performance-linked stock compensation and restricted stock compensation.

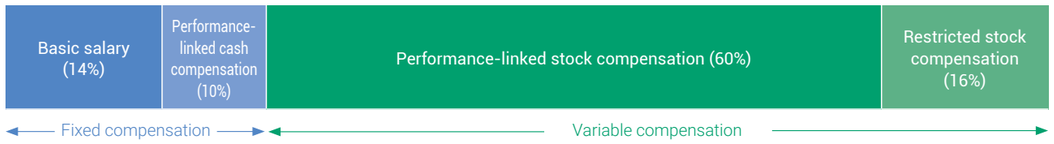
Compensation Determination Process

Decisions on the calculation method, payment timing, distribution, and other matters concerning officer compensation is made by the Board of Directors within a range approved by the General Shareholders' Meeting. As part of the decision-making process, the Nomination and Compensation Committee uses the officer compensation research data from an outside research agency to conduct an objective comparative analysis of compensation levels. After deliberation on the compensation policy and compensation levels, the Committee reports to the Board of Directors, which makes the final decision based on the Committee's findings.

Compensation System for Executive Board Directors

Total compensation			
		Stock compensation system	
Basic salary compensation	Performance-linked cash compensation (short-term incentives)	Performance-linked stock compensation (medium-term incentives)	Restricted stock compensation (long-term incentives)
Amount determined based on position is paid.	Profit before income taxes × (1 - most recent three fiscal year average effective tax rate) - most recent three fiscal year average profit margin attributable to non-controlling shareholders) ×1.6% maximum. Within the range of the amount calculated according to the above formula, the total amount of performance-linked cash compensation is calculated, allocated according to position, and paid in cash.	Profit before income taxes × (1 - most recent three fiscal year average effective tax rate) - most recent three fiscal year average profit margin attributable to non-controlling shareholders) ×3.4% maximum. Within the range of the amount calculated according to the above formula, the funds for three-year restricted stock is allocated according to position and paid in cash.	As annual compensation for the execution of duties, directors are allotted monetary claims according to their position, and allocated 10-year restricted stock (up to a maximum of 300 million yen per year).

Compensation Structure for the President and CEO (fiscal year 2024)



Risk Management

Our Group's wide-ranging business fields include Electronics, Medical and Pharmaceuticals, ICT, Fine Chemicals, Energy, and Food, and we are also advancing business operations overseas. Therefore, we perform risk management for each operational business department in which we identify, analyze, and evaluate the risks that exist at the various stages, from the company-wide level to the business processes level. Information, including progress in the state of risk management at each business department, is reported to the responsible director, and we have built a system by which the appropriate measures are taken promptly. In the event of an emergency, the Company ensures prompt reporting, information sharing, and implementation of countermeasures in accordance with the Risk Management System and Escalation Flow, and if necessary, establishes an Emergency Response Division to minimize damage (loss). For risks reported from each business site, risk items that are expected to seriously impact company management are reported to the Board of Directors for deliberation.

Operating Risks

1) Risk associated with responses to social issues
2) Foreign exchange risk
3) Country risk
4) Manufacturing site disaster risk
5) Infectious disease risk
6) Risk related to the procurement of raw materials
7) Tougher pricing competition with peers
8) Bankruptcy of clients
9) Technological innovation risk
10) Patent risk
11) Pharmaceutical side effects, etc.
12) Developments in governments' pharmaceutical administration
13) Impairment risk
14) International tax risk including transfer pricing tax systems
15) Risk associated with securing human resources
16) Risk associated with information security

Compliance

The Group recognizes that a sound management structure and strong awareness of ethics and compliance with laws and regulations among all employees are critical to living up to the expectations of stakeholders and society as well as achieving long-term growth. The Group established its compliance promotion structure in and, since then, has continued to educate employees on ethical values and foster knowledge of laws and regulations.

Compliance Activities

Whistleblower protection laws have been improving around the world in recent years. In Japan, the revised Whistleblower Protection Act was enacted in June 2022, requiring Japanese companies to improve the effectiveness of their whistleblower systems. The Group has long maintained and operated an internal reporting system (hotline) in line with legal requirements, and we took advantage of this recent amendment to appoint whistleblowing officers and employees at all domestic Group companies and conducted training regarding whistleblowing procedures. Going forward, we will evaluate the operational status of each Group company and strive to operate the appropriate whistleblowing system.

To broadly share compliance activities with all employees, the Group has established and operates a dedicated compliance website on our internal portal website through which we provide contact information for whistleblowing, distribute compliance-related teaching materials and information, and provide training material content. The use of such an internal portal site promotes autonomous compliance education according to the tasks of each department and helps employees to participate in compliance activities. Going forward, we will strive to further expand the content of a compliance website and create a system to encourage participation in compliance activities.

Our Group will continue to move forward with organizational management that places importance on corporate compliance and business activities that are fair and impartial.

Compliance Training

The Group provides employees with continuous compliance education to promote an understanding of the risk factors at the level of individual behavior with a spirit of ethical and legal compliance during the course of business activities.

During fiscal year 2024, we carried out compliance training in an e-learning format for all employees in addition to the compliance training for new employees that is conducted on an annual basis. This e-learning training was first held for the purpose of reconfirming basic knowledge mainly about the harassment. In fiscal year 2025, the theme will be further changed with the goal of disseminating a broad range of compliance knowledge to all employees.

Moving forward, we will work to improve our training and awareness-raising activities in ways that lead to the practical application of compliance education in our work, leading to better business results and the creation of a motivating working environment.

Anti-Corruption

For our Group, preventing corrupt acts in any form, such as bribery of public officials, receipt of excessive gifts or entertainment, collusion, embezzlement, and breach of trust, is ranked as one of the most important tasks in thorough compliance. We concentrate effort on ensuring a sound management environment by enhancing our internal systems capable of responding appropriately to risks of corruption in order to prevent them before they manifest themselves.

Human Rights Compliance

To respect the human rights of our employees, the Group has established guidelines regarding human rights, labor, etc. In addition, we also conduct an assessment of our suppliers from the perspectives of child labor and forced labor and work to prevent and mitigate any negative impacts on human rights while also engaging in responsible procurement that takes into consideration human rights violations and other problems in the procurement of raw materials, etc.

An Introduction to Our Executive Board Directors and Executive Officers

Theme

What Do You Enjoy about Working at the Taiyo Group?

Eiji Sato
Executive Board Director

I enjoy talking about the company's past and present, understanding one another, and most of all, creating our future with all of our self-sufficient employees.

Hitoshi Saito
Executive Board Director

I enjoy having a place to talk with colleagues of all generations and inspire one another. I enjoy being a part of the process of everyone's growth through the business, the creation of new businesses, and the increase in the corporate value.

Masao Arima
Senior Corporate Executive Officer

Big dreams, high goals, and a lot of trial and error. Every day brings change, excitement, and adventure. Results will surely come. Such company would have to be fun.

Shoji Minegishi
Senior Corporate Executive Officer

Increasing what we can accomplish expands our future possibilities. Daily effort is required to increase what we can do and results in the realization of our dreams from possibilities. I believe that the joy of realizing what we envision leads to enjoyment.

Daisuke Mishima
Senior Managing Executive Officer

There is an exceptional joy found in considering the global situation, economy, market movements, technology trends, the competitive environment, and employee momentum, etc. all together to make up my mind and drive the business forward. Greater uncertainty just fires me up!

Taiyen Tsai
Managing Executive Officer

Growth. I have learned from the people I have met, the experiences I have had as a young employee, and the different industries in which I have developed the business. In that sense, I enjoy growing in every aspect of my work in addition to the growth in the business numbers.

Naohiro Arata
Managing Executive Officer

In recent years, the Taiyo Group has seen a large increase in the number of both young and experienced employees.
In addition, globalization is also rapidly advancing. I greatly enjoy creating new things by communicating and cooperating with various people.

Terumichi Tawara
Managing Executive Officer

I feel that it is up to me to create as many new challenges as I want and feel the enjoyment when I realize that I have grown further through the process and results of those challenges.

Hideyuki Goto
Managing Executive Officer

"I can take on challenges with amazing colleagues in the Taiyo Group." I enjoy every day, even just for that. The best part is seeing my subordinates celebrate that they fearlessly set high goals, overcame hardships and challenges, reached their goals, and realized their own growth!

Keiichi Kobayashi
Managing Executive Officer

Working together with my team members, customers, and business partners to create new forms of value for the world, thereby increasing the corporate value of the Taiyo Group, gaining more recognition, and striving to achieve further growth.

Hidekazu Miyabe
Managing Executive Officer

Imagining the future and creating various products as well as overcoming high barriers that no one has surpassed together with my colleagues is the driving force behind my happiness. Being able to share the new landscape that lies ahead with everyone is the most enjoyable moment.

Sayaka Tomioka
Managing Executive Officer

Taking on new challenges, working as a team, supporting the challenges of my colleagues, and noticing my colleagues' growth. There are many things that cannot be done alone, but can be done as a team. I will continue to enjoy many new challenges.

Takuji Maekawa
Executive Officer

Engaging in activities to grow the business outside of Asia, including Europe and America, at Taiyo America, such as product development, strategic alliances, corporate acquisitions, and increasing the added business value through Taiyo CVC, which explores AI and other technologies that transforms people's lives.

Hyungki Bae
Executive Officer

Possessing strong self-sufficiency and great pride. Training self-sufficient personnel who will drive our future. Also I enjoy constantly challenging ourselves to reach a higher level, advancing to be a world-class company, and growing together with our customers with a great sense of pride.

Yukiko Yoshino
Executive Officer

Continuing to challenge ourselves without restrictions. Spreading the excitement of those challenges to people around us and making them excited as well. "Happy people create a happy world."

Taisuke Ikeda
Executive Officer

The responsibility and pressure of managing three companies in three countries. I have not reached the point yet where I can enjoy this situation, but I push forward every day together with employees from three countries and with five nationalities to reach our goals in a lively and enjoyable way.

Taro Onishi
Executive Officer

I work in Shenzhen, China.
I enjoy thinking about how we can grow our business in China, our largest market in the world, and experiencing Chinese business and culture through my work.

Nobuhito Ito
Executive Officer

In the Taiyo Group, I feel that employees who enjoy their work are those who can self-sufficiently think and act. I think that what enjoy means in the Taiyo Group is the ability to envision the future together with many colleagues who enjoy their work.

Noriaki Shimamura
Executive Officer

One of the mottos that we cherish at the Taiyo Group is "Create your own opportunities!" When you notice something, don't just leave it, but take the initiative to handle it. Such repeated efforts will lead to new challenges and create a sense of purpose.

Key Financial and Non-financial Data (Six Years)

Taiyo Holdings Co., Ltd. and Consolidated Subsidiaries (fiscal years ended March 31)

	FY2019	FY2020		FY2021	FY2022	FY2023	FY2024
Operating results (Millions of yen)							
Net sales	59,389	70,627		80,991	97,966	97,338	**104,775**
Cost of sales	33,043	41,574		46,125	55,099	54,547	**55,944**
Selling, general and administrative expenses	18,247	19,917		20,922	24,908	26,818	**30,627**
Operating income	8,099	9,136		13,943	17,958	15,972	**18,203**
Profit attributable to owners of parent	4,396	3,749		9,529	11,803	11,405	**8,654**
Depreciation	3,357	5,283		6,994	7,497	7,441	**8,676**
Cash flows (Millions of yen)							
Cash flows from operating activities	5,907	13,739		16,312	18,308	22,736	**21,224**
Cash flows from investing activities	(5,487)	(45,912)		(11,603)	(11,258)	(13,160)	**(21,069)**
Cash flows from financing activities	(12,001)	31,593		19,755	(11,279)	(13,942)	**8,954**
Financial position (end of fiscal year) (Millions of yen)							
Total assets	105,666	142,192		179,001	189,273	187,263	**212,751**
Total property, plant and equipment	22,313	44,761		46,348	52,255	60,401	**68,852**
Total liabilities	35,146	72,668		102,504	103,806	94,523	**112,353**
Non-controlling interests	337	301		357	1	3	**4**
Total net assets	70,520	69,523		76,497	85,466	92,739	**100,398**
Stock-related information*1							
Basic earnings per share (yen)	76.42	66.01		167.49	209.13	203.71	**154.89**
Dividends per share (yen)	65.10	65.10		80.10	69.55	89.00	**80.00**
Net assets per share (yen)	1,238.62	1,217.11		1,348.42	1,522.11	1,663.25	**1,795.14**
Total number of shares issued (Shares)	57,777,972	57,939,294		57,997,004	58,083,128	58,185,501	**58,291,559**
Financial indicators							
Operating margin (%)	13.6	12.9		17.2	18.3	16.4	**17.4**
Return on equity (%)	6.2	5.4		13.1	14.6	12.8	**9.0**
Equity ratio (%)	66.4	48.7		42.5	45.2	49.5	**47.2**
Dividend on equity (%)	5.3	5.4		6.3	5.1	6.0	**5.1**
Non-financial information							
Number of employees (People)	1,614	1,988		2,067	2,137	2,120	**2,210**
Scope1 CO_2 Emissions (t-CO_2)	3,037	16,403		16,513	16,224	15,964	**16,022**
Scope2 CO_2 Emissions (t-CO_2)	19,603	26,760		28,562	33,405	33,526	**31,736**
Waste (t)*2	550	591		3,045	2,831	4,894	**3,592**
Water withdrawal at manufacturing sites within the Group (m^3)	179,320	1,083,562		967,352	958,762	938,018	**897,211**

*1 A 2-for-1 stock split was conducted on October 1, 2021. Basic earnings per share and net assets per share are retroactively calculated to the start of fiscal year 2019. The dividend per share amounts also reflect the stock split. Series I Class A Shares and Series II Class A Shares possess the same rights as common shares in regard to the right to receive dividends of surplus and the right to receive distribution of residual assets. Accordingly, when calculating net assets per share and basic earnings per share, we include Class A-I and Class A-II shares in the number of outstanding shares at period-end as well as in the average number of outstanding shares during the period. However, the provisions on Series I Class A Shares and Series II Class A Shares were removed with the revisions to the Articles of Incorporation on June 19, 2021.

*2 The scope of data was changed to encompass the entire Group from fiscal year 2024.

IR Activities

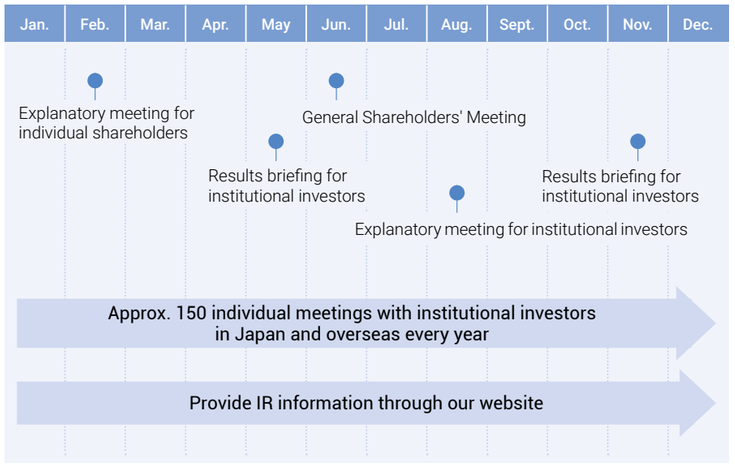
Proper Information Disclosure and Ensuring of Transparency

Taiyo Holdings conducts expeditious disclosure based on the principles of transparency, fairness and continuity, in line with Japan's Companies Act, Securities and Exchange Act and other relevant laws, as well as the Rules on Timely Disclosure of Corporate Information by Issuer of Listed Security (Rules on Timely Disclosure) stipulated by securities exchanges. Regarding the disclosure of information not required by the Rules on Timely Disclosure, Taiyo Holdings fully respects and observes the need for timely disclosure, and makes every effort to assure full disclosure to investors by appropriate methods.

Communication

To provide shareholders and other investors with useful information for investment decisions, we hold results briefings and explanatory meetings for institutional investors and individual shareholders. We also provide IR information via our website and publish an integrated report. In fiscal year 2024, we held two results briefings for institutional investors, one explanatory meeting for institutional investors, and one explanatory meeting for individual investors. In addition, we conduct a total of about 150 individual meetings with institutional investors in Japan and overseas every year.

Activity Schedule

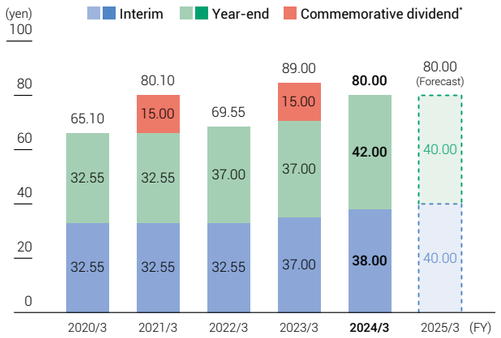


Capital Policy and Shareholder Returns

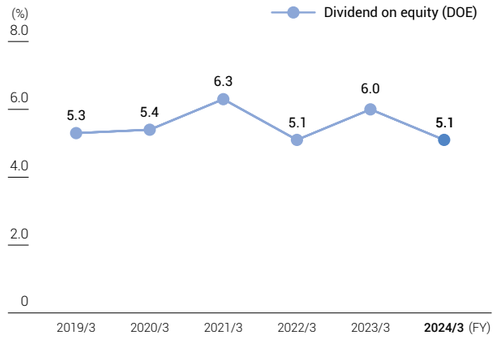
In order to emphasize capital efficiency, we set a target ROE of 18% or more, which will exceed our cost of equity (estimated at 6 to 8%), and we will work to improve our profitability to achieve that target. Furthermore, we also position cash-based profit returns to shareholders as a core policy and return a high level of profit in a continuous and stable manner. Specifically, a target indicator for the Dividend on Equity (DOE), which has been set in our long-term management plan, is to maintain it at 5% or higher. Since dividends in fiscal year 2024 were set at 80 yen per share, the DOE for fiscal year 2024 has resulted in 5.1%.

In addition, for fiscal year 2025, we plan to distribute an interim dividend of 40 yen per share and a year-end dividend of 40 yen per share, representing a full-year dividend of 80 yen per share.

Trends in Dividends per Share



DOE (Consolidated)



* 2021/3: Commemorative dividend on the 20th anniversary of being listed on Prime Market of the Tokyo Stock Exchange
2023/3: Commemorative dividend on the 70th anniversary of the company's establishment

External Evaluation

CDP Climate Change

We responded to the CDP Climate Change 2023 Questionnaire and received a score of "B" for our climate change initiatives and disclosure.

Highest Eruboshi Rank

Since 2023, Taiyo Pharma Tech has received the highest ranking of "3" for two consecutive years under the "Eruboshi" system of certification based on the Act on the Promotion of Women's Active Engagement in Professional Life.

Health & Productivity Management Outstanding Organization 2024

Taiyo Pharma Tech was recognized as a 2024 Certified Health and Productivity Management Outstanding Organization*1 by the Ministry of Economy, Trade and Industry.

2024 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

We have been selected as a component of the MSCI Japan Empowering Women Index (WIN) of companies that excel in gender diversity.

Neither the inclusion of Taiyo Holdings in the MSCI Index nor the use of the MSCI logo, trademarks, or index name imply funding, endorsement, or sales promotion by MSCI or its subsidiaries and affiliates for Taiyo Holdings. MSCI owns the MSCI Index solely and exclusively. The MSCI, the MSCI Index names, and logos are trademarks of MSCI or its subsidiaries and affiliates.

JPX-NIKKEI 400

We have continued to be selected since fiscal year 2023 as a constituent stock of this new stock index composed of companies with high appeal for investors, which meet the requirements of global investment standards.

Stock Information (As of March 31, 2024)

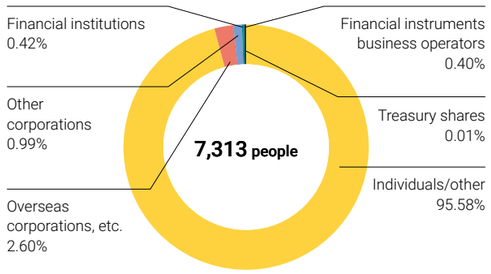
Status of Stock

Total number of shares authorized	100,000,000 shares
Total number of shares issued	58,291,559 shares
Number of shareholders	7,313 shareholders
Number of shares in one unit	100 shares

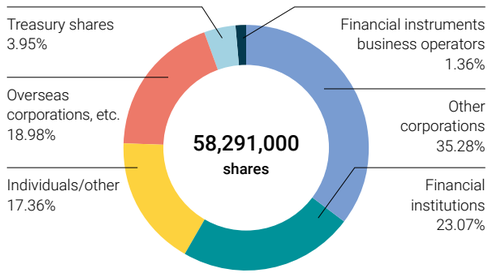
Major Shareholders

Shareholder name	Shares held (Thousands)	Share ratio (%)
DIC Corporation	11,234	20.07
Kowa Co., Ltd.	5,533	9.88
The Master Trust Bank of Japan, Ltd. (Trust account)	5,036	9.00
Custody Bank of Japan, Ltd. (Trust account)	3,176	5.67
MISAKI ENGAGEMENT MASTER FUND	2,477	4.42
SMBC Trust Bank Ltd. (Sumitomo Mitsui Banking Corporation retirement benefit trust account)	2,232	3.99
Shikoku Kasei Holdings Corporation	1,490	2.66
THE BANK OF NEW YORK MELLON 140042	1,166	2.08
Toshin Yushi Co., Ltd.	1,077	1.92
Japan Post Insurance Co., Ltd.	1,004	1.79

Breakdown of Shareholders by Owner



Breakdown of Shareholdings by Owner



Company Information

Expanding a Happy World from Japan to the World

The Taiyo Group aims to become a global company and has established sites around the world.
The Electronics business has established production and marketing sites in Japan, China, Taiwan, South Korea, the United States, and Vietnam. It has also developed marketing and technical service sites in China, Taiwan, South Korea, Hong Kong, Singapore, Thailand, and the United States.

List of Group Companies

- Taiyo Holdings Group Locations
- Production and Marketing sites for Electronics business
- Sales and Marketing sites for Electronics business
- Others

Corporate Overview (As of March 31, 2024)

Company name	Taiyo Holdings Co., Ltd.
Head office location	16F, Metropolitan Plaza Bldg., 1-11-1 Nishi-Ikebukuro, Toshima-ku, Tokyo 171-0021, Japan
Telephone number	81-3-5953-5200 (main)
Date established	September 29, 1953
Operations	Holdings company, Group management policy creation, and business management
Capital	9,903.43 million yen
Number of employees	Consolidated: 2,210 / Nonconsolidated: 156

List of Executives (As of the end of September 2024)

President and CEO	Eiji Sato
Vice President	Hitoshi Saito
Board Director	Kiyofumi Takano
Outside Board Director	Keiko Tsuchiya
Board Director (Audit and Supervisory Committee Member)	Kaori Terunuma
Outside Board Director (Audit and Supervisory Committee Member)	Hidenori Sugiura
Outside Board Director (Audit and Supervisory Committee Member)	Ikumi Sato

Corporate Website

https://www.taiyo-hd.co.jp/en/

The Taiyo Group proactively engages in the disclosure of a variety of information to shareholders and other investors, including corporate and financial information. For detailed information, please visit the Group's corporate website.