



June 20, 2024

To whom it may concern:

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Notice Regarding Issuance of New Shares as Restricted Stock Compensation System and Performance-Linked Stock Compensation System

Taiyo Holdings Co., Ltd. (hereinafter the “Company”) hereby announces that its Board of Directors resolved at a meeting held on June 20, 2024 to issue new shares (hereinafter the “Issuance”) as part of the restricted stock compensation system and performance-linked stock compensation system (hereinafter collectively the “System”).

1. Outline of the Issue

(1) Pay-in date	July 9, 2024												
(2) Total number of shares to be issued	77,946 shares of common stock												
(3) Issue price	3,295 yen per share												
(4) Total issue value	256,832,070 yen												
(5) Offering or allotment method	38,546 shares will be allotted with specified transfer restrictions. 39,400 shares will be allotted in third-party allotment.												
(6) Allottees	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 70%;">Allotment with specified transfer restrictions:</td> <td style="text-align: right;">38,546 Shares</td> </tr> <tr> <td>Two Executive Board Directors of the Company</td> <td style="text-align: right;">24,636 shares</td> </tr> <tr> <td>Two Senior Managing Executive Officers of the Company</td> <td style="text-align: right;">13,910 Shares</td> </tr> <tr> <td>Third-party allotment:</td> <td style="text-align: right;">39,400 Shares</td> </tr> <tr> <td>Two Executive Board Directors of the Company (*excluding those who have resigned)</td> <td style="text-align: right;">34,700 shares</td> </tr> <tr> <td>Two Executive Board Directors of the Company (*who have resigned)</td> <td style="text-align: right;">4,700 Shares</td> </tr> </table> <p>* Executive Board Directors who have resigned refers to those who were in the position during the period from the date of the 77th Ordinary General Shareholders’ Meeting (June 17, 2023) to the day before the date of the 78th Ordinary General Shareholders’ Meeting (June 15, 2024) and who have resigned from the position after the date of the 78th Ordinary General Shareholders’ Meeting and as of June 20, 2024.</p>	Allotment with specified transfer restrictions:	38,546 Shares	Two Executive Board Directors of the Company	24,636 shares	Two Senior Managing Executive Officers of the Company	13,910 Shares	Third-party allotment:	39,400 Shares	Two Executive Board Directors of the Company (*excluding those who have resigned)	34,700 shares	Two Executive Board Directors of the Company (*who have resigned)	4,700 Shares
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(8) Other details	The Company has submitted an extraordinary report pursuant to the Financial Instruments and Exchange Act concerning the Issuance.												

2. Purpose and Reason for the Issuance

The Issuance will be conducted as part of the System, which applies to the Company's Executive Board Directors (meaning Board Directors specified in Article 363, Paragraph 1 of the Companies Act, and also including those who have resigned from the position; hereinafter, the same applies) and Senior Managing Executive Officers (hereinafter, the "individuals eligible for payment"), in order to further motivate them to contribute toward the sustainable enhancement of the Group's corporate value and to further promote the sharing of values with shareholders. The overview of the System is described below.

<Overview of the System>

(1) Overview of the System

Under the System, the Company allots shares of common stock issued or disposed of by the Company to individuals eligible for payment under conditions (1) through (4) below.

1) The total number of common shares issued or disposed of by the Company under the restricted stock compensation system in one fiscal year shall be 80,000 shares (hereinafter the "Restricted Stock Cap."), while the number of common shares issued or disposed of by the Company under the performance-linked stock compensation system in one fiscal year shall be 200,000 shares (hereinafter the "Performance Stock Cap."). Furthermore, the aggregate number of common shares newly issued or disposed of by the Company under the System for a given fiscal year shall be a number of shares fewer than 2,840,000 shares (hereinafter, "Holdings Cap.") when combined with the common shares held by all individuals eligible for payment (limited to individuals who are in the position eligible for payment of the Company at the time of receipt).

2) The Restricted Stock Cap., Performance Stock Cap., and Holdings Cap. may be adjusted in proportion to the split ratio/merger ratio, within reason, if the Company decides to undertake a stock split or reverse stock, or if it otherwise becomes necessary to adjust the cap.

3) The Company must determine the number of common shares to allocate for restricted stock compensation before determining the number for performance-linked stock compensation.

4) The amount paid per share of common stock of the Company allotted under the System shall be determined by the Board of Directors. Generally, the amount will be the closing price of the Company's common shares fetches on the Tokyo Stock Exchange (hereinafter, the "TSE") as of the business day preceding the date of the resolution of each Board of Directors meeting regarding the determination of the offering of the common shares to be issued or disposed of (or the closing price of the most recent trading day if no trading is reported on that day). The amount shall remain within a range that gives no artificial advantage to the individuals eligible for payment receiving the common shares.

(2) Overview of restricted stock compensation system

Under the Restricted Stock Compensation System, the Company issues individuals eligible for payment with monetary claims they can use to purchase restricted stock.

After receiving the monetary claims from the Company, the individuals eligible for payment must pay the entirety of the monetary claims as in-kind contributions in exchange for receiving the common shares issued or disposed of by the Company.

The monetary claims are contingent on the following:

- ① The individuals eligible for payment agree to pay the entirety of the monetary claims they receive as in-kind contributions in proportion to the common shares issued or disposed of by the Company.
- ② The individuals eligible for payment sign an agreement with the Company concerning the allotment of restricted stock (the Restricted Stock Allotment Agreement).

- ③ Individuals eligible for payment still hold the position eligible for payment of the Company as of the time immediately before the payment date for the shares newly issued or disposed of in connection with the allotment.
- ④ The issuance of new shares or disposition of treasury shares related to the allotment has not been withdrawn, suspended or canceled for other reasons.

In consideration of conditions ① and ②, of the 77,946 shares of common stock to be issued in the Issuance, the 38,546 shares that pertain to restricted stock compensation are deemed shares with specified transfer restrictions as defined in Article 54, Paragraph 1, of the Corporation Tax Act and in Article 84, Paragraph 1, of the Order for Enforcement of the Income Tax Act.

A summary of the Restricted Stock Allotment Agreement is provided in “(3) Summary of Restricted Stock Allotment Agreement.”

In consideration of the responsibilities of the individuals eligible for payment and recent trends, the total value of the monetary claims the Company will provide as Restricted Stock Compensation Claims (hereinafter the “Monetary Claims”) will be 127,009,070 yen. This amount is considered sufficient to encourage individuals eligible for payment to further promote the sharing of values with shareholders and to motivate them to contribute toward the Company’s corporate value in the medium-to-long term. The Monetary Claims will be exchanged for a total of 38,546 shares of common stock to be issued based on the restricted stock compensation system. Also, the transfer restriction period will last ten years be starting from the pay-in date of the newly issued common shares.

Under the Issuance, four individuals eligible for payment designated as allottees under the restricted stock compensation system will receive 38,546 shares of common stock in exchange for paying the entirety of their Monetary Claims against the Company as in-kind contributions.

(3) Summary of Restricted Stock Allotment Agreement

1) Period of agreement: July 9, 2024, to July 8, 2034

2) Condition for lifting restrictions

Restrictions on the transfer of the stock are released once the following condition is met: The restriction period for the individuals eligible for payment’s allotted shares (as used in this section (3), “allotted shares” means the entirety of the shares of the Company’s common stock to be allotted to the individuals eligible for payment under the Restricted Stock Allotment Agreement) has elapsed (the restriction period may be adjusted if the individuals eligible for payment dies in office) and the individuals eligible for payment remained incumbent throughout the eligibility period (as used in this section (3), “eligibility period” means the period in which the individuals eligible for payment are eligible to be paid Restricted Stock Compensation Claims, the period lasting from the day of the 78th Ordinary General Shareholders Meeting to the day before the 79th Ordinary General Shareholders Meeting.)

3) Provision for cases where individuals eligible for payment retire during the eligibility period

If an individual eligible for payment leaves office (or otherwise loses his/her status as an individual eligible for payment) during the eligibility period, the Company will immediately acquire, as a matter of course and for no consideration, the portion of the allotted shares for which restrictions still apply as per the previous paragraph, “2) Condition for lifting restrictions.” This portion is the number of allotted shares that remains after subtracting the number of allotted shares that would become fully transferable had the individuals eligible for payment remained in office. The latter number is the product (rounding down to the nearest whole number) of (1) the number of allotted shares the individuals eligible for payment holds at the time he/she retired and (2) one twelfth of the number of elapsed months starting from the month following the month in which the 78th Ordinary General Shareholders Meeting was held and the month containing the date of retirement of the individuals eligible for payment.

4) Acquisition of shares by the Company without compensation

Notwithstanding provisions including “3) Provision for cases where individuals eligible for payment retire during the eligibility period” above, immediately after the restriction period has elapsed, the Company will acquire, as a matter of course and for no consideration, allotted shares that remain restricted.

5) Management of shares

The allotted shares are managed in a dedicated account opened by the individuals eligible for payment at SMBC Nikko Securities Inc. during the transfer restriction period so that the individuals eligible for payment will be unable to execute a transfer, create a security interest or dispose of them during the restriction period. The individuals eligible for payment shall agree on the management of the account.

6) Provision for corporate reorganization, etc.

The Company may cancel the restrictions on the allotted shares by resolution of the Board of Directors if (1) the Ordinary General Shareholders Meeting approves a corporate reorganization (or the Board of Directors does so, if Ordinary General Shareholders Meeting’s approval is unnecessary), such as a merger agreement in which the Company becomes a non-surviving company or a share exchange agreement or a share transfer plan under which the Company becomes a wholly-owned subsidiary of another company, or (2) a change in controlling shareholder occurs. In the case of (1), the restrictions will be canceled immediately before the business day preceding the effective date of the corporate reorganization. In the case of (2), they will be canceled on the day on which the change in controlling shareholder occurs. If a corporate reorganization is approved or another event occurs during the eligibility period, the Company will immediately acquire, as a matter of course and for no consideration, the portion of the allotted shares for which restrictions still apply. This portion is the number of allotted shares that remains after subtracting the number of allotted shares that would become fully transferable had the event not occurred. The latter number is the product (rounding down to the nearest whole number) of (1) the number of allotted shares the Executive Board Director holds at the time and (2) one twelfth of the number of elapsed months starting from the month following the month in which the 78th Ordinary General Shareholders Meeting was held and the month in which a corporate reorganization or a change in controlling shareholder occurs.

(4) Overview of performance-linked stock compensation system

Under the performance-linked stock compensation system, the Company shall pay cash to individuals eligible for payment as a payment for their allotted shares of common stock to be newly issued or disposed of by the Company as performance-linked stock compensation.

Once the eligibility period (meaning the period beginning from the date of the Ordinary General Shareholders Meeting held two years before the fiscal year in which the performance-linked stock compensation is paid and ending on the day before the Ordinary General Shareholders Meeting held in the fiscal year before then) has elapsed, individuals eligible for payment who have received their performance-linked stock compensation pay this cash in exchange for common shares issued or disposed of by the Company. However, all income tax, resident tax, and other taxes levied on the performance-linked stock compensation, all social security premiums connected with the performance-linked stock compensation, all payment handling fees, and any fractional portion (the rounded off portion) are excluded from performance-linked stock compensation; hereafter the same shall apply.

Performance-linked stock compensation is contingent on the following: (1) The individuals eligible for payment undertake to exchange the entirety of their performance-linked stock compensation for their allotted common stock issued or disposed of by the Company, and (2) the individuals eligible for payment sign an agreement with the Company concerning the performance-linked stock compensation (the Performance-linked Stock Agreement).

However, for payment under the performance-linked stock compensation system, individuals eligible for payment will only receive cash bonuses in case where laws or judicial judgments prevent the Company from allotting common shares which were issued or disposed of to individuals eligible for payment. Also, if the number of common shares that should be issued or disposed of in accordance with the performance-linked stock compensation system exceeds the Performance Stock Cap. or the Holdings Cap., an amount equivalent to the shares in excess number will be paid in cash as a performance-linked stock compensation.

Additionally, persons who inherit the right to receive performance-linked stock compensation from individuals eligible for payment shall only receive cash bonuses as a performance-linked stock compensation.

A summary of the Performance-linked Stock Agreement is provided in “(5) Summary of Performance-linked Stock Agreement.”

In the Issuance, the Company will pay 294,364,207 yen of performance-linked stock compensation to the individuals eligible for payment, this amount being within 3.4% of the profit before income taxes (12,102 million yen) as of the 78th fiscal year by “1 - the average effective tax rate for the most recent three fiscal years - the average ratio of net income attributable to noncontrolling interests for the most recent three fiscal years” (71.54%). This performance-linked stock compensation will be exchanged for 39,400 common shares to be issued as performance-linked stock compensation pursuant to the performance-linked stock compensation system. The transfer restriction period will last three years starting from the pay-in date of the newly issued common shares.

Under the Issuance, pursuant to the performance-linked stock compensation system four individuals eligible for payment designated as allottees will receive 39,400 shares of common stock.

(5) Summary of Performance-linked Stock Agreement

1) Period of agreement: July 9, 2024, to July 8, 2027

2) Time when restrictions are lifted

Restrictions on the allotted shares (as used in this section (5), “allotted shares” means the common shares allotted pursuant to this agreement) will be lifted in their entirety once the restriction period elapses (the period may be adjusted at the shareholder’s request if an inheritance process concerning the shareholder has commenced).

3) Management of shares

The allotted shares are managed in a dedicated account opened by the individuals eligible for payment at SMBC Nikko Securities Inc. during the transfer restriction period so that the individuals eligible for payment will be unable to execute a transfer, create a security interest or dispose of them during the restriction period. The individuals eligible for payment shall agree on the management of the account.

4) Provision for corporate reorganization, etc.

The Company may lift the restrictions on the entirety of the allotted shares by resolution of the Board of Directors if (1) the Ordinary General Shareholders Meeting approves a corporate reorganization (or the Board of Directors does so, if Ordinary General Shareholders Meeting’s approval is unnecessary), such as a merger agreement in which the Company becomes a non-surviving company or a share exchange agreement or a share transfer plan under which the Company becomes a wholly-owned subsidiary of another company, or (2) a change in controlling shareholder occurs. For (1), the restrictions will be canceled immediately before the business day preceding the effective date of the corporate reorganization. For (2), they will be canceled on the day on which the change in controlling shareholder occurs.

3. Calculation basis of payment amounts and relevant details

The issue price for the Issuance was based on the value of the Company’s common shares. This amount was 3,295 yen, the closing price that the common shares fetched on the TSE on June 19, 2024, which was the business day preceding the date on which the Board of Directors approved the Issuance. The stock price on this date was reasonably representative of the Company’s performance and market trends (and not, therefore, artificially advantageous) given that the common shares was listed and stable (there were no significant fluctuation events at the time).

The issue price for the Issuance is considered reasonable, and not artificially advantageous, in that it exceeds 90% of the stock price for the business day preceding the board’s resolution and the average closing prices over the one-month period preceding the resolution (from May 20, 2024 to June 19, 2024), the three-month period preceding the resolution (March 21, 2024, to June 19, 2024), and the six-month period preceding the resolution (December 20, 2023, to June 19, 2024). For the one-month average closing price of 3,153 yen (all monetary amounts rounded to nearest yen), the issue price represents a premium of 4.50% (all percentages are rounded to two decimal places). For the three-month average closing price of 3,173 yen, it represents a premium of 3.84%. For the six-month average closing price

ENGLISH TRANSLATION OF JAPANESE-LANGUAGE DOCUMENT

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In the event of any discrepancy between this translated document and Japanese original, the original shall prevail

of 3,168 yen, it represents a premium of 4.01%.

4. Procedures pertaining to the Code of Corporate Conduct

As the dilution ratio for the Issuance shall be less than 25% and does not involve a change in controlling shareholders, it is not necessary to obtain an opinion from an independent third party or carry out procedures to confirm the intent of shareholders as provided for in Article 432 of the Securities Listing Regulations of the TSE.