

The corporate governance of Taiyo Holdings Co., Ltd. (the “Company”) is described below.

I . Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

1. Basic Views

The Company has set forth its aims as a corporate group under its “Management Philosophy” and “Basic Management Policy.”

Its “Management Philosophy” has been set forth as the following: “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.” It is expressly stated under this policy that the Group’s reason for existence is to achieve a cheerful society by further advancing “every technology” at each Group company and by going beyond its existing products to create a wide range of innovate products to fulfill the dreams of the world.

The following is set forth as a part of the Company’s “Basic Management Policy:” “In achieving its management philosophy, the Group will fulfill its corporate social responsibility, including protecting the environment, enforcing quality control, and contributing to society.” It is expressly stated under this policy that going beyond the pursuit of profit to fulfill the Group’s social responsibility constitutes its basic management policy. Based on its “Management Philosophy” and “Basic Management Policy,” the Company recognizes that the trust and support of its stakeholders is indispensable in growing in perpetuity as a listed company, and that securing management transparency, fulfilling its accountability and conducting the satisfactory disclosure of information are musts to that end.

[Reasons for Non-compliance with the Principles of the Corporate Governance Code]

The Company is implementing the various principles of the Corporate Governance Code as of the date of submission of this report.

[Disclosure Based on the Principles of the Corporate Governance Code] Update

(Principle 1-4) Policy on Cross-Holdings of Shares and Standards for the Exercise of Voting Rights for Cross-Shareholdings

The Company’s basic policy in this regard is to target shares of corporations that link to the enhancement of its corporate value over the medium to long term for holding purposes. In acquiring shares, the Company verifies the associated economic rationality from the standpoints of the growth and earnings potential of the target company and the strengthening of its transactions with the Group and deliberates and reports on the matter at meetings of the Board of Directors in accordance with the pertinent acquisition value. Simultaneously, with regard to holding those shares, the Company proceeds to regularly verify the appropriateness and other aspects of holding the shares at meetings of its Board of Directors. In cases where holding the shares is not found to be meaningful based on the results of that verification, the Company’s policy is to curtail its holdings by selling them.

Additionally, in exercising voting rights, the Company makes comprehensive judgments on each proposal based on the enhancement of its corporate value over the medium to long term, economic rationality and other standpoints.

(Principle 1-7) Related Party Transactions

The Company has established regulations that keep transactions conducted by the Company or the Group with its Officers, principal shareholders, etc. from harming the joint interests of the Company, the Group or its shareholders in cases where the Company or the Group conducts such transactions.

Board Directors facilitating transactions that are advantageous to themselves, acquaintances or relatives or providing convenience thereto is prohibited under the “Board Director Treatment Regulations.” When Board Directors conduct competitive or personal transactions, the “Responsibilities and Authorities Table” dictates that they shall submit the matter to the Board of Directors for review and approval.

Additionally, for the purpose of keeping its interests from being unjustly harmed, the Company has set forth “Interested Party Transaction Regulations” regarding procedures in cases where it conducts transactions with Board Directors or interested parties.

Board Directors who are Audit & Supervisory Committee Members continue to monitor and verify competitive transactions, transactions with conflicts of interest and unconventional transactions between the parent company or its subsidiaries and shareholders, etc. in accordance with the “Audit & Supervisory Committee Auditing and Supervising Standards,” which are scheduled to be established in December 2024.

(Supplementary Principle 2-4-(1)) Diversity Initiatives in Human Resources

(1) Ensuring Diversity

In order to transform the diversity of its human resources into organizational power that is capable of accommodating a rapidly-shifting market environment and creating businesses with constant speed, while aggressively and continuously securing diverse human resources, the Company has tackled endeavors such as the development of the kind of workplace environment and internal training systems that are conducive to leveraging the attributes and abilities of individual human resources to the maximum extent. Under “Beyond Imagination 2030,” its long-term management plan leading up to the fiscal year ending March 31, 2031, the Company will proceed to establish various measures that enable it to further secure diversity in its human resources.

(2) Utilizing Diversity (Women, Etc.)

As of March 31, 2024, the ratio of female employees occupying managerial positions at the Company was approximately 21.4% and non-Japanese personnel and mid-career hires accounts for 3.0% and 49.7% of the total workforce respectively. Going forward, the Company will aim to bring the ratio of female employees occupying managerial positions to 30% by the fiscal year ending March 31, 2031.

Additionally, the ratio of female employees occupying Officer positions* was 42.9%, with the ratio of female employees and non-Japanese personnel occupying Executive Officer positions at 12.5% for both. The Company will continue to appropriately promote personnel internally as it continually examines the balance of business strategies and personnel strategies in which diversity is leveraged to the fullest.

*The definition of Officers in the “ratio of female employees occupying Officer positions” is Officers according to the Companies Act (Internal and Outside Board Directors).

*The ratio of female employees occupying Officer positions and the ratio of female employees and non-Japanese personnel occupying Executive Officer positions reflect personnel changes as of June 2024.

(3) Human Resource Development Policy and Internal Environment Development Policy Aimed at Ensuring Diversity and Status Thereof

Work environments and values regarding work are changing considerably due largely to changes in legal and social demands and the diversification of places and modes of employment in recent times.

Going forward, the Company will continue to assist with the realization of flexible career paths and work styles, develop workplace environments, and conduct other endeavors on a proactive and ongoing basis so that its employees can work while sustaining a high level of motivation even in a constantly changing environment, and will endeavor to secure “autonomous human resources” that accommodate increasingly diverse organizations and society.

(Principle 2-6) Demonstration of Functions as Asset Owner of Corporate Pension

Based on the fact that the management of corporate pension reserves affects employees’ stable asset-building as well as the fiscal position of the Company, in addition to placing human resources outfitted with the necessary experience and qualities, the Company works towards training those human resources so that the organization in charge of the corporate pension is able to conduct appropriate activities such as monitoring asset management institutions.

(Principle 3-1) Enhancement of Information Disclosure

- (i) The Company discloses its Management Philosophy and other elements of its basic management policy, its medium- to long-term management strategy and other information on its website (<https://www.taiyo-hd.co.jp/en/about/philosophy/>). Please refer to this website.
- (ii) The Company’s basic views on corporate governance are stated in “1.1 Basic Views” in this report. Please refer to that section.
- (iii) The Company has established a Nomination and Compensation Committee to ensure the objectivity and transparency of Board Directors and Executive Officer compensation. This committee plans to report its examination results to the Board of Directors.
- (iv) The Company has established a Nomination and Compensation Committee to ensure the objectivity and transparency of Board Director nominations. This committee plans to report its examination results to the Board of Directors. For the election of Executive Officers, the Board of Directors examines and resolves the suitability of candidates based on their career history and other factors. For their dismissal, the Board of Directors examines and resolves the appropriateness of that action based on standards for dismissal prescribed in the “Regulations on the Board of Executive Officers and the Treatment of Executive Officers.”
- (v) The Company indicates the reasons for the nomination of Board Directors candidates in its “Notices of Convocation of General Shareholders Meeting.” Additionally, the Company has prescribed guidelines, duties, etc. pertaining to the performance of duties in its regulations on the treatment of Board Directors. In cases such as when Board Directors violate these regulations or when their ability to perform their duties is suspect, the Company reserves the right to recommend their resignation. Should those Board Directors not comply with said recommendation, the Company reserves the right to carry out procedures for their dismissal in accordance with the provisions of the Companies Act. Up to this point, no dismissal of Board Directors has taken place at the Company. However, in cases where it does occur, the Company will disclose the associated details over TDnet or its website. Elections and dismissals of Executive Officers, once resolved by the Board of Directors, are disclosed over TDnet or the Company’s website with details on the associated personnel changes.

(Supplementary Principle 3-1-(3)) Disclosure of Sustainability Initiatives, Etc.

The Company endeavors to work together with a wide range of stakeholders, proactively disclose information and improve transparency. It discloses the Group’s views and policies on sustainability, associated initiatives, investments in human capital and intellectual property and other information on its website (<https://www.taiyo-hd.co.jp/en/sustainability/>) as well as in “Beyond Imagination 2030,” the long-term management plan that the Company formulated in June 2021; in pertinent briefing materials; in its Annual Securities Reports; and in its Integrated Reports.

Regarding its views and policies on sustainability and associated initiatives, the Company has espoused the “reinforcement of initiatives geared towards SDGs (Sustainable Development Goals)” as a basic policy in its long-term management plan. Additionally, having declared its agreement with the recommendations of the TCFD, the Company has established the Sustainability Promotion Committee in November 2022, as well as disclosed its "Governance," "Strategy," "Risk Management," and "Metrics and Targets” based on the TCFD's framework. The Company will continue its efforts to address climate change through its businesses and disclose information by evaluating the impact of the risks and opportunities offered by climate change on its businesses and promoting actions aimed at mitigating those risks and seizing opportunities.

Also, with respect to investments in human capital, etc., the Company has espoused the “development and utilization of human resources that accommodate an increasingly diverse society and organizations” as the first basic policy in “Beyond Imagination 2030,” its long-term management plan. The Company will endeavor to train autonomous human resources who establish goals of their own accord and hold lofty ambitions towards the achievement of those goals, and will proceed to create opportunities that enable its employees to grow and take on challenges in the form of training and personnel rotations.

Furthermore, with respect to investments in intellectual property, the Company will be perpetually mindful of intellectual property and will proceed to acquire and utilize patent rights, trademark rights and other intellectual property rights while emphasizing the conformance of its businesses with social needs or their promise of future value in growing its Electronics Materials Business, Medical and Pharmaceutical Business and other existing business sectors and in creating new businesses, which constitute a basic policy under its “Beyond Imagination 2030” long-term management plan. In particular, in making forays in new business and technological sectors, the Company will position the utilization of patent information as one of its key strategies. Similarly, the Company positions endeavors such as the devising of policies and plans for its research and development themes based on the analysis of publicly-available information as one of key strategies.

(Supplementary Principle 4-1-(1)) Scope of Delegation to Board Directors

The Company made the transition to a company with an Audit & Supervisory Committee in order to help expedite decision-making and business execution by its Board of Directors. To accompany this transition, the Company has set forth in its Articles of Incorporation that the Board of Directors may delegate to Board Directors all or part of the decision of important business execution through a resolution of the Board of Directors. In addition to the matters set forth in laws, ordinances and its Articles of Incorporation, the Company has set forth matters for approval by its Board of Directors and by its Board Directors and matters for examination and reporting at its Board of Directors meetings in its internal regulations, “Board of Directors Regulations” and “Responsibilities and Authorities Table”.

Additionally, the Company makes timely disclosures upon establishing or changing the scope of delegation to Board Directors.

(Principle 4-9) Criteria for Judging the Independence and Qualities of Independent Outside Board Directors

In nominating independent Outside Board Director candidates, for the purpose of facilitating the improvement of the functions of the Board of Directors as a whole, the Board places priority on advanced levels of specialized knowledge and a wealth of external experience with the assumption that candidates satisfy the criteria for independence set forth by financial instrument exchanges and run no risks of conflicts of interests with shareholders occurring.

(Supplementary Principle 4-10-(1)) Independence of Advisory Committees

As an advisory committee of the Board of Directors and the Audit & Supervisory Committee, the Company has established a voluntary Nomination and Compensation Committee for the purpose of ensuring the rationality, objectivity, transparency and fairness of nominations and compensation through examining the nomination of Board Directors and Senior Corporate Executive Officers and the compensation of Board Directors, Senior Corporate Executive Officers and Executive Officers. This committee will report its examination results to the Board of Directors and the Audit & Supervisory Committee.

The Nomination and Compensation Committee have at least half of its members consist of independent Outside Board Directors to bolster its independence.

(Supplementary Principle 4-11-(1)) Views on Composition of Board of Directors

The Company believes that it is ideal for its Board of Directors to consist of Board Directors who possess diverse knowledge and experience and advanced skill that goes beyond Company-related industries and specialized fields in order to supervise the execution of business and make key decisions. Additionally, the Company believes that its Outside Board Directors require advanced specialized knowledge, a wealth of external experience, and independence.

Based on the above view, the Company presently has a balanced composition of Board Directors, with seven individuals, including one independent Outside Board Director (excluding Board Directors who are Audit & Supervisory Committee Members), one non-Executive Board Director and two independent Outside Board Directors who are Audit & Supervisory Committee Members, serving in a Board Director post.

Going forward, the Company intends to continue nominating Board Director candidates based its preexisting scale and views.

A skill matrix that summarizes the specialization and experience expected of each Board Director is contained on the last page of this report.

(Supplementary Principle 4-11-(2)) Status of Important Concurrent Posts as Board Directors

The status of concurrent posts as Board Directors that are judged to be particularly important concurrent posts is disclosed every year under the “Status of Company Officers” in the Business Report attached to “Notices of Convocation of General Shareholders Meeting.”

(Supplementary Principle 4-11-(3)) Securing of Effectiveness of the Board of Directors

A questionnaire on the composition, operation, agenda and systems of the Board of Directors was distributed to Board Directors, the responses to which served as the basis of a discussion conducted at a Board of Directors meeting. As a result, the effectiveness of the Board of Directors was evaluated as being secured. Since the effectiveness evaluation of the Board of

Directors for the fiscal year ended March 31, 2021, improvements in agenda for the Board of Directors meetings and the structure supporting the Board of Directors have been verified. These include the deep cultivation of discussions on strategy related to the allocation of management resources and the Company's business portfolio as well as the arrangement of opportunities exclusively for Outside Board Directors to exchange and share information. In addition, regarding corporate governance, the Company has shifted its organizational design to a company with an Audit & Supervisory Committee in order to further clarify the supervisory and executive structure and, for the Board of Directors, strengthen its role as a monitoring board.

The Company will continue to implement initiatives geared at the below challenges for the sake of further improving the effectiveness of the Board of Directors.

- (1) In addition to ensuring the diversity of members of the Board of Directors, the Company will keep the number and ratio of Outside Board Directors in an appropriate state.
- (2) The Company will continue discussions related to management plans and allocation of management resources from a long-term perspective and succession and training plans for Representative Director.

(Supplementary Principle 4-14-(2)) Board Director Training Policy

The Company provides its Board Directors with opportunities to acquire and refresh the knowledge that they require to fulfill their individual roles and duties.

Executive Board Directors are given newly appointed Officer lectures as well as business coaching on management conducted one-on-one with outside specialists.

Additionally, internal seminars featuring outside specialists as guests are held for all the Board Directors as necessary.

(Principle 5-1) Policy on Constructive Dialogue with Shareholders

At the Company, the Corporate Planning Department, which is headed by the Board Director in charge of corporate planning and is the Company's dedicated IR department, promotes constructive dialogue with shareholders and investors and endeavors to positively serve the Company's sustained growth and the enhancement of its long-term corporate value.

(Supplementary Principle 5-1-(2)) Measures for Promoting Constructive Dialogue with Shareholders

The Company has established the following policies to promote constructive dialogue with shareholders.

- (i) The Company designates the Board Director and the Executive Officer in charge of corporate planning as the management team responsible for overseeing dialogue with shareholders and institutional investors.
- (ii) The Company has established a Corporate Planning Office to oversee the collection, management and disclosure of information and, in cooperation with related departments, discloses information in a timely, fair, and appropriate manner.
- (iii) The Company strives to promote investment opportunities and enhance information disclosure by holding the likes of financial results briefings and company briefings for institutional investors and individual shareholders and through other efforts such as issuing integrated reports. In financial results briefings and investor briefings, the Board Director and the Executive Officer in charge of corporate planning conduct explanations and question-and-answer sessions to achieve a dialogue. Materials are made publicly available on the Company's corporate website, and the content of the explanations and question-and-answer sessions at the briefings are described to provide fair information to investors who were unable to attend.
- (iv) In order to reflect the opinions and concerns of shareholders and institutional investors opinions in management, the Company regularly and objectively reports important feedback items to the Board of Directors as they arise.
- (v) In order to prevent leaks of financial information and ensure fairness, the Company establishes the two-week period leading up to the end of each quarter as a silent period during which it refrains from responding to or commenting on inquiries related to financial results. In addition, the Company has established "Information Security Management Regulations" to comply with laws and regulations and to handle information assets appropriately. In accordance with these rules, the Company conducts appropriate education, audits, monitoring and other activities related to information security.

(Actions aimed at realizing management mindful of capital cost and stock price)

Under its "Beyond Imagination 2030" long-term management plan, the Company has adopted maintaining an ROE of 18% or higher and a DOE of 5% or higher as its management goals, aiming for sustainable growth by elevating its capital efficiency while maintaining financial soundness and proactively returning profits to shareholders. The ROE of the Group in the fiscal year ended March 31, 2024 was 9.0%, which is above the cost of shareholders' equity of 6% to 8% (as estimated by the Company).

For details on ROIC and ROE results and the cost of shareholders' equity, please see the financial results briefing materials.

(Consolidated Financial Result Digest FY2024/3 4Q)

(Japanese text) https://www.taiyo-hd.co.jp/_cms/wp-content/uploads/2024/05/20240501_04.pdf

(English text) https://www.taiyo-hd.co.jp/_cms/wp-content/uploads/2024/05/en20240501_04.pdf

(Promotion of dialogue with shareholders and disclosures)

For details on the status of implementation of dialogue with shareholders and other information, please see "2. Status of IR-related Activities" under "III. Implementation of Measures for Shareholders and Other Stakeholders" in this report and the Integrated Report.

(Japanese text) https://www.taiyo-hd.co.jp/_cms/wp-content/uploads/2023/12/20231222_01_3-1.pdf

(English text) https://www.taiyo-hd.co.jp/_cms/wp-content/uploads/2024/03/20240329_01.pdf

2. Capital Structure

Foreign Shareholding Ratio	10% or more and less than 20%
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[Status of Major Shareholders] [Update](#)

Name or Company Name	Number of Shares Owned	Percentage (%)
DIC Corporation	11,234,600	20.07
Kowa CO., LTD.	5,533,600	9.88
The Master Trust Bank of Japan, Ltd. (manages the Company's trust account)	5,036,200	9.00
Custody Bank of Japan, Ltd. (manages the Company's trust account)	3,176,300	5.67
MISAKI ENGAGEMENT MASTER FUND	2,477,200	4.42
SMBC Trust Bank Ltd. (Sumitomo Mitsui Banking Corporation retirement benefit trust account)	2,232,000	3.99
SHIKOKU KASEI HOLDINGS CORPORATION	1,490,000	2.66
The Bank of New York Mellon 140042	1,166,467	2.08
Toshin Yushi Co., Ltd.	1,077,120	1.92
JAPAN POST INSURANCE Co., Ltd.	1,004,000	1.79

Name of Controlling Shareholder, if applicable (excluding Parent Company)	_____
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Name of Parent Company, if applicable	None
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Supplementary Explanation

3. Corporate Attributes

Listed Stock Exchange and Market Segment	Prime Market
Fiscal Year-End	March
Business Sector	Chemicals
Number of Employees (Consolidated) as of the End of the Previous Fiscal Year	1,000 or more
Net Sales (Consolidated) as of the End of the Previous Fiscal Year Update	100 billion yen or more and less than 1 trillion yen
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	10 or more and fewer than 50

4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

5. Other Special Circumstances Which May Have Material Impact on Corporate Governance

II. Business Management Organization and Other Corporate Governance Systems Regarding Decision-making

Execution of Business and Oversight in Management

1. Organizational Composition and Operation

Corporate Governance System	Company with an Audit & Supervisory Committee
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[Board Directors]

Number of Board Directors Stipulated in Articles of Incorporation Update	14
Board Directors' Term of Office Stipulated in Articles of Incorporation Update	1 year
Chairperson of the Board Update	Outside Board Director
Number of Board Directors Update	7
Election of Outside Board Directors	Elected
Number of Outside Board Directors Update	3
Number of Independent Board Directors Update	3

Outside Board Directors' Relationship with the Company (1)

Name	Attributes	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Keiko Tsuchiya	From another company											
Hidenori Sugiura	From another company											
Ikumi Sato	Attorney-at-law											

*Categories for "Relationship with the Company."

*Use "○" when the Board Director presently falls or has recently fallen under the category and "△" when the Board Director fell under the category in the past.

*Use "●" when a close relative of the Board Director presently falls or has recently fallen under the category and "▲" when a close relative of the Board Director fell under the category in the past.

- a. Person who executes business of the Company or a subsidiary
- b. Person who executes business or a Non-Executive Board Director of the parent company of the Company
- c. Person who executes business of a fellow subsidiary of the Company
- d. Person/entity for which the Company is a major client or a person who executes business for such person/entity
- e. Major client of the Company or a person who executes business for such client
- f. Consultant, accounting expert or legal expert who receives large amounts of cash or other assets in addition to Board Director/Audit & Supervisory Committee Member compensation from the Company
- g. Major shareholder of the Company (in cases where the shareholder is a corporation, a person who executes business of the corporation)
- h. Person who executes business for a client of the Company (excluding persons categorized as any of d, e, or f above) (applies to self only)
- i. Person who executes business for another company holding cross-directorships with the Company (applies to self only)
- j. Person who executes business for an entity receiving contributions from the Company (applies to self only)
- k. Other

Outside Board Directors' Relationship with the Company (2)

Name	Audit & Supervisory Committee Member	Designation as Independent Board Director	Supplementary Explanation of the Applicable Relationship	Reasons for Appointment
Keiko Tsuchiya		✓	There is no applicable relationship that should be stated in the table under "Outside Board Directors' Relationship with the Company (1)" above.	Keiko Tsuchiya possesses a wealth of experience and expertise in the field of human resources, such as her experience as a Board Director under a general staffing service business and her management experience in healthcare and in materials and other manufacturing sectors. She was elected as an Outside Board Director with the Company's expectation that she will use her experience and expertise to provide beneficial advice and observations regarding Group management, including its human resource division and the strengthening of its human resources, and fulfill a management supervisory function from an impartial position. Additionally, as there are no items in conflict with criteria for independence and no risk that a conflict of interest between Keiko Tsuchiya and general shareholders will arise, she has been designated as an independent Officer.
Hidenori Sugiura	✓	✓	There is no applicable relationship that should be stated in the table under "Outside Board Directors' Relationship with the Company (1)" above.	Hidenori Sugiura possesses a wealth of experience and expertise regarding finance from his business experience in the securities and finance industries as well as his tenure as a university professor and instructor specializing in finance. He was elected as an Outside Board Director who is an Audit & Supervisory Committee Member because the Company has determined that he would be able to appropriately carry out his duties in that capacity. Additionally, as there are no items in conflict with criteria for independence and no risk that a conflict of interest between Hidenori Sugiura and general shareholders will arise, he has been designated as an independent Officer.
Ikumi Sato	✓	✓	There is no applicable relationship that should be stated in the table under "Outside Board Directors' Relationship with the Company (1)" above.	Ikumi Sato possesses a wealth of specialized knowledge and experience regarding areas such as corporate legal affairs, IT, intellectual property rights and overseas legal affairs from serving as an attorney-at-law. She was selected as an Outside Board Director who is an Audit & Supervisory Committee Member because the Company has determined that she would be able to appropriately carry out her duties in that capacity. Additionally, as there are no items in conflict with criteria for independence and no risk that a conflict of interest between Ikumi Sato and general shareholders will arise, she has been designated as an independent Officer.

[Audit & Supervisory Committee]

Attributes of Members Constituting the Committee and the Committee Chair (Chairperson) [Update](#)

	All Members	Full-time Members	Inside Board Directors	Outside Board Directors	Committee Chair (Chairperson)
Audit & Supervisory Committee	3	2	1	2	Inside Board Director
Board Directors and Employees Who Should Assist with the Duties of the Audit & Supervisory Committee Update	Yes				

Independence of Such Board Directors and Employees from Executive Board Directors [Update](#)

The Company has a structure to enhance the effectiveness of audits and to ensure the smooth performance of the duties of the Audit & Supervisory Committee by assigning full-time staff who assist the Audit & Supervisory Committee with the duties. Audit & Supervisory Committee staff do not receive directions and orders from Board Directors (excluding Board Directors who are Audit & Supervisory Committee Members) and other employees, etc. with respect to the duties of the Audit & Supervisory Committee.

Status of Cooperation among Audit & Supervisory Committee, Accounting Auditors and Internal Audit Departments [Update](#)

In addition to receiving audit results and information on audits provided by the accounting auditors, the Audit & Supervisory Committee holds meetings to proactively exchange opinions and information as necessary. Regarding cooperation with the internal audit department, the Audit & Supervisory Committee regularly receives audit reports as well as exchanges information as necessary.

[Voluntary Committees]

Establishment of Voluntary Committee(s) equivalent to Nomination Committee or Compensation Committee Update	Yes
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Status of Voluntarily Established Committee(s), Attributes of Members Constituting the Committee and the Committee Chair (Chairperson) [Update](#)

	Committee's Name	All Members	Full-time Members	Inside Board Directors	Outside Board Director	Outside Experts	Other	Committee Chair (Chairperson)
Voluntarily Established Committee Equivalent to Nomination Committee	Nomination and Compensation Committee	3	0	1	2	0	0	Other
Voluntarily Established Committee Equivalent to Compensation Committee	Nomination and Compensation Committee	3	0	1	2	0	0	Other

Supplementary Explanation [Update](#)

The Company has established a Nomination and Compensation Committee as an advisory body to the Board of Directors and Audit & Supervisory Committee for the purpose of ensuring the rationality, objectivity, transparency and fairness of nominations and compensation of Board Directors, etc. The chair of this committee is undecided as of June 17, 2024 and is

scheduled to be selected from among Outside Board Directors through a resolution of the first meeting of the Nomination and Compensation Committee.

[Matters Concerning Independent Board Directors and Independent Audit & Supervisory Committee Members]

Number of Independent Board Directors and Independent Audit & Supervisory Committee Members Update	3
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Other Matters Concerning Independent Board Directors and Independent Audit & Supervisory Committee Members

The Company elects independent Outside Board Directors based on its criteria for judging independence in addition to the criteria for independence set forth by the Tokyo Stock Exchange.

[Incentives]

Implementation Status of Measures related to Incentives Granted to Board Directors	Introduction of Performance-linked Compensation Scheme / Other
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Supplementary Explanation for Applicable Items [Update](#)

To accompany the transition to a company with an Audit & Supervisory Committee, at its 78th General Shareholders Meeting held on June 15, 2024, the Company was granted approval for Board Directors' compensation consisting of paying performance-linked cash compensation as well as restricted stock compensation and performance-linked stock compensation as stock compensation systems to Board Directors (limited to Executive Board Directors (mentioned in each provision of Article 363, Paragraph 1 of the Companies Act; same applies hereafter)) in addition to aggregate base salaries paid to Board Directors (excluding Board Directors who are Audit & Supervisory Committee Members).

- (1) Restricted stock compensation (Long-term incentive)
Payment of monetary claims according to position as consideration for execution of duties for 1 year and granting of restricted stock compensation for 10 years (no more than 300 million yen per year).
- (2) Performance-linked stock compensation (Medium-term incentive)
Profit before income taxes \times (1 - most recent three fiscal years' average effective tax rate) - most recent three fiscal years' average profit margin attributable to non-controlling shareholders) \times 3.4%
The aggregate amount of performance-linked stock compensation is calculated within the amount calculated using the above method (maximum amount) and distributed and paid in cash to serve as paid-in funds for restricted stock for a three-year period according to position within the range of the amount calculated.
- (3) Performance-linked cash compensation (Short-term incentive)
Profit before income taxes \times (1 - most recent three fiscal years' average effective tax rate - most recent three fiscal years' average profit margin attributable to non-controlling shareholders) \times 1.6%
The aggregate amount of performance-linked cash compensation is calculated within the amount calculated using the above method (maximum amount) and distributed and paid in cash according to position within the range of the amount calculated.

Persons Eligible for Stock Options

Supplementary Explanation for Applicable Items

[Board Directors' Compensation]

Status of Disclosure (of Individual Board Directors' Compensation)	Disclosure for Selected Board Directors
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Supplementary Explanation for Applicable Items [Update](#)

The Company discloses the name, Officer category and amount of compensation of Officers whose aggregate compensation, etc. is 100 million yen or more. Officers who fall under the above in the fiscal year ended March 31, 2024 are provided below.

Name: Eiji Sato
Officer Category: President and CEO
Basic Compensation: 41 million yen
Performance-Linked Cash Compensation: 27 million yen
Performance-Linked Stock Compensation: 169 million yen
Restricted Stock Compensation: 44 million yen
Total of 282 million yen

Name: Hitoshi Saito
Officer Category: Vice President
Basic Compensation: 35 million yen
Performance-Linked Cash Compensation: 21 million yen
Performance-Linked Stock Compensation: 91 million yen
Restricted Stock Compensation: 36 million yen
Total of 186 million yen

Policy on Determining Compensation Amounts and the Calculation Methods Thereof Update	Yes
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Disclosure of Policy on Determining Compensation Amounts and the Calculation Methods Thereof

The calculation methods for aggregate base salaries paid to Board Directors and those for performance-linked cash compensation, restricted stock compensation and performance-linked stock compensation paid to Executive Board Directors, as well as the timing of payment, distribution, etc. thereof, are determined by the Board of Directors within the scope approved at the General Shareholders Meeting. Upon said determination, the Nomination and Compensation Committee (Compensation Advisory Committee prior to the transition to a company with an Audit & Supervisory Committee), whose majority is comprised of independent Outside Board Directors, performs an objective comparative verification of compensation levels using Officer compensation survey data by external research agencies, examines compensation policies and levels and, after doing so, reports them to the Board of Directors, which renders a decision while respecting that report. Note that the only compensation for Board Directors other than Executive Board Directors is aggregate base salaries.

In line with the transition to a company with an Audit & Supervisory Committee, the Company determined the policy regarding the determination of the details of compensation etc. for each individual Board Director anew at the Board of Directors meeting held on June 15, 2024 following a report by the Nomination and Compensation Committee. Additionally, the Company has also introduced and applied the same system of performance-linked cash compensation, restricted stock compensation and performance-linked stock compensation paid to Executive Board Directors to Senior Corporate Executive Officers. A summary of the foregoing is provided below.

- The purpose of the Board Director's compensation systems of the Company is to grant incentives that facilitate the sustained enhancement of the Group's corporate value to Executive Board Directors as well as to pursue a further sharing of value between Executive Board Directors and shareholders.
- By establishing short-, medium- and long-term incentive plans, the Company is able to provide motivation to Executive Board Directors to enhance its medium- to long-term corporate value as well as facilitate the acquisition and retention of capable top management talent. Issuing shares to Executive Board Directors through its stock compensation system helps the Company foster those Board Directors' awareness as shareholders.
- Regarding percentages of the amount of individual-specific compensation, etc. under each category of compensation, etc., the Company's policy on determining payment percentages is to keep aggregate base salaries, which are paid in fixed amounts and do not fluctuate in value, at relatively low levels and boost the ratio of compensation linked to performance and stock price, and to design payment percentages so that the majority is comprised of stock-based compensation, whose value (stock) price fluctuates in conjunction with performance, particularly over the long term.
- Regarding stock-based compensation, the Company's policy is to pay restricted stock compensation on a steady basis as a long-term incentive. It does so by granting a number of shares based on a fixed amount according to position. While performance-linked stock compensation are occasionally zero due to performance, they are designed to be granted in greater number than the number of shares granted as restricted stock compensation as performance grows. Additionally, the Company's policy on determining payment percentages dictates that as position rises, so does the ratio of stock-based compensation.

(Type and Summary of Each Compensation)

- (1) Aggregate base salaries
Fixed monthly compensation paid in cash
- (2) Performance-linked cash compensation (Short-term incentive)
Aggregate compensation calculated with an amount obtained after factoring the average "effective tax rate" and average "rate of net income attributable to non-controlling interests" over the most recent three fiscal years into "profit before income taxes" for each fiscal year (substantially, an amount equivalent to net income attributable to owners of parent) as a metric is allocated according to position and paid in cash
- (3) Performance-linked stock compensation (Medium-term incentive)

2. Matters Concerning Functions of Business Execution, Auditing and Supervision, Nomination, and Compensation Decisions (Overview of Current Corporate Governance System) Update

Over time, in order to enhance corporate governance and realize swift decision-making, the Company has pursued the improvement of its organizational framework by introducing an in-house company system and a delegation-type Executive Officer system and has adopted a “Company with an Audit and Supervisory Committee” system since June 2024.

<Board of Directors> The Board of Directors of the Company consists of four Board Directors who are not Audit & Supervisory Committee Members (including one Outside Board Director and one Non-Executive Board Director) and three Board Directors who are Audit & 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 Directors. In addition, 43% of the Board of Directors (three out of seven Board Directors) are women.

<Audit & Supervisory Committee> The current Audit & Supervisory Committee is made up of three Board Directors who are Audit & Supervisory Committee Members (including two Outside Board Directors). It is intended to audit and supervise decision-making by the Board of Directors and business execution by Board Directors in accordance with audit plans.

<Nomination and Compensation Committee> In addition to the above statutory organs, the Company has established a voluntary Nomination and Compensation Committee as an advisory organ for the Board of Directors and the Audit & 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.

<Board of Executive Officers> The Company has established a Board of Executive Officers 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 fourteen Executive Officers (twelve males; two females) are granted the authority to make decisions to a reasonable extent for business execution purposes, the Company believes that it enables to make swift decisions in response to changes in the environment.

3. Reasons for Adoption of Current Corporate Governance System Update

To help further expedite decision-making and realize stronger oversight functions, the Company has adopted a “company with an Audit & Supervisory Committee” system through which it delegates a part of decisions of important business execution by the Board of Directors to Executive Board Directors. Additionally, the Company delegates individual decisions of business execution to Senior Corporate Executive Officers and Executive Officers.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize the General Shareholders’ Meetings and Facilitate Exercise of Voting Rights

	Supplementary Explanation
Early Posting of Notice of the General Shareholders’ Meeting	Notices of the Convocation of the General Shareholders’ Meeting are sent out no later than approx. three weeks prior to the meeting date.
Scheduling of the General Shareholders’ Meeting During Non-Peak Days	The Company holds General Shareholders’ Meetings on non-peak days.
Electronic Exercise of Voting Rights	The Company enables the exercise of voting rights over the Internet.
Participation in a Platform for the Electronic Exercise of Voting Rights and Other Initiatives to Enhance Environment for Institutional Investors to Exercise Voting Rights	The Company participates in a platform for institutional investors to exercise voting rights electronically that is operated by ICJ, Inc.
Provision of Notice (or Summary of Notice) of the General Shareholders’ Meeting in English	The Company publishes English translations of its Notices of Convocation of General Shareholders’ Meeting and accompanying reference materials in a narrow sense on its website. https://www.taiyo-hd.co.jp/en/news/

Other details	The Company holds briefings for individual investors.
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2. Status of IR-related Activities Update

	Supplementary Explanation	Explanation by a President and CEO or a representative Executive Officer
Regular Investor Briefings held for Individual Investors	The Company holds one financial result briefing for individual investors per year (for the full fiscal year).	Yes
Regular Investor Briefings held for Analysts and Institutional Investors	The Company holds two financial results briefing for analysts and institutional investors per year (for the full fiscal year and for the second quarter) during which the President/CEO and CFO conduct explanations and question-and-answer sessions on business results, etc. In addition, the Company holds business briefings attended by the President/CEO and management executives in the first quarter.	Yes
Online Disclosure of IR Information	The Company publishes financial results summaries, financial results briefing materials, integrated reports and various other reports as well as materials, etc. used at the financial results briefings. This information is published on the “Investor Relations” page of the Company’s website (https://www.taiyo-hd.co.jp/en/investor/).	
Establishment of Department (Placement of a Manager in Charge) of IR	The Corporate Planning Department is in charge of IR.	

3. Status of Measures to Ensure Due Respect for Stakeholders Update

	Supplementary Explanation
Establishment of Internal Rules, etc. Stipulating Respect for the Position of Stakeholders	The Company has formulated a CSR philosophy and a code of conduct for realizing that philosophy.
Implementation of Environmental Preservation Activities and CSR Activities, etc.	With a view to realizing its “Beyond Imagination 2030” long-term management plan, in order to facilitate the group-wide promotion of sustainability, the Company established a Sustainability Promotion Committee chaired by the President and CEO in November 2022 through which it formulates policies and targets pertaining to human capital and climate change and monitors their progress. For these initiatives, every year, an Integrated Report is prepared that is distributed to stakeholders who requests as well as made publicly available on the Company’s website.
Formulation of Policies, Etc. Concerning the Provision of Information to Stakeholders	The Company establishes childcare leave periods, work periods with shortened work hours for childcare purposes, numbers of nursing care leave days, etc. that exceed legally-stipulated numbers of days from the standpoints of the promotion of female empowerment and a work-life balance. Information on the status of initiatives for sustainability is publicly available on the “Sustainability” page of the Company’s website (https://www.taiyo-hd.co.jp/en/sustainability/).

IV. Matters Concerning the Internal Control System, Etc. Update

1. Basic Views on Internal Control System and Status of Development

The Company’s basic policy on the establishment of internal control systems is provided below.

1. System for ensuring that the performance of duties by Board Directors and employees conforms with laws, ordinances, and the Company’s Articles of Incorporation
 - (1) A “CSR Philosophy” and “Code of Conduct” will be established and Board Director and employee awareness thereof will be enforced.

- (2) The scope of duties and powers of Board Directors (excluding Board Directors who are Audit & Supervisory Committee Members) and employees as well as procedures for final approval will be clarified in the “Board of Directors Regulations,” “Regulations of Segregation of Duties,” “Responsibilities and Authorities Table” and “Regulations on Internal Memos for Approval,” and a structure in which mutual controls function will be promoted.
 - (3) An internal audit department independent from the execution department will be established to report the results of audits by the former at meetings of the Board of Directors and Audit & Supervisory Committee and make reports to the accounting auditor as well if necessary.
 - (4) A whistleblowing system will be operated with internal personnel and outside attorneys as the points of contact for receiving information.
 - (5) Qualified candidates at the general manager level or above with knowledge of legal affairs and ethics will be elected as “Compliance Officers.” An Ethics Committee made up of Board Directors and employees will be established to examine significant issues from an ethical and legal compliance standpoint. Employees will be elected to serve as personnel in charge of ethics and promote associated activities.
 - (6) The Compliance Officer will make regular reports on the status of ethics and legal compliance to the Board of Directors.
2. Matters on the storage and management of information pertaining to execution of duties by Board Directors (excluding Board Directors who are Audit & Supervisory Committee Members)
- Information pertaining to the execution of duties by Board Directors (excluding Board Directors who are Audit & Supervisory Committee Members) will be recorded in documents or electromagnetic media and stored in accordance with the “Document Management Regulations.” Board Directors may view these documents at any time.
3. Regulations on management of loss risk and other systems
- (1) One Board Director (excluding Board Directors who are Audit & Supervisory Committee Members) will be elected as the Board Director in Charge of Risk Management.
 - (2) Risk in standard business will be evaluated and responded to by the department in charge of that business in accordance with the “Risk Management Regulations.” Additionally, a Risk Management Committee will be formed as necessary to laterally managed risk across the entire Group and help reduce and prevent risk.
 - (3) When emergency situations occur, prompt reporting, information-sharing and countermeasures will be examined, formulated and implemented in accordance with “the Risk Management Regulations” and “Escalation Flow.” Additionally, an Emergency Response Headquarters will be established as necessary to help minimize damage (losses) under the command of said headquarters.
4. System for ensuring that the duties of Board Directors (excluding Board Directors who are Audit & Supervisory Committee Members) are being performed efficiently
- (1) Meetings of the Board of Directors will be held once a month in principle (with meetings to be integrated with that for the prior or following month in some cases). If necessary, extraordinary meetings of the Board of Directors will be held to flexibly make decisions on important matters.
 - (2) Responsibilities and execution procedures pertaining to business execution will be prescribed in the “Organization Regulations,” “Regulations on Segregation of Duties” and “Responsibilities and Authorities Table.”
 - (3) Single-year management plans and medium- to long-term management plans will be formulated, and missions and short-, medium- and long-term challenges to address for each organization will be established.
5. System for ensuring appropriateness of duties in corporate group made up of Company and its subsidiaries
- (1) Persons to be in charge of each main subsidiary will be selected from Board Directors (excluding Board Directors who are Audit & Supervisory Committee Members) to administer management guidance.
 - (2) Meetings of a Board of Executive Directors consisting of Executive Officers of the Company and subsidiary representatives will be held at least four times a year as a general rule to examine cross-company issues of the corporate group.
 - (3) Regarding the management of subsidiaries, the Company shall render final approval and a report shall be made to the Company in accordance with the “Subsidiary Management Regulations” and “Subsidiary Authority Table” while respecting subsidiary autonomy. Subsidiary management shall be administered based on this.
 - (4) The internal audit department, accounting and finance department, Board Directors who are Audit & Supervisory Committee Members and accounting auditors will perform visiting audits of subsidiaries if necessary.
 - (5) In order to ensure that the execution of duties by Board Directors, etc. and employees of subsidiaries conforms with laws, ordinances and the Company’s Articles of Incorporation, a “CSR Philosophy” that applies to all Group companies will be set forth, and a code of conduct based on that “CSR Philosophy” will be set forth at each Group company.
6. Matters on employees who should assist Audit & Supervisory Committee in cases where the Committee requests assignment of said employees and matters on independence of said employees from Board Directors (excluding Board Directors who are Audit & Supervisory Committee Members)
- (1) When the Audit & Supervisory Committee requests the assignment of employees to assist with the duties of Board Directors who are Audit & Supervisory Committee Members, the employees of the Company will be assigned as staffs of Board Directors who are Audit & Supervisory Committee Members. The staffs will provide dedicated assistance under the command and control of Board Directors who are Audit & Supervisory Committee Members.
 - (2) Personnel evaluations for full-time staff of Board Directors who are Audit & Supervisory Committee Members shall require the agreement of Board Directors who are Audit & Supervisory Committee Members.
7. System for Board Directors (excluding Board Directors who are Audit & Supervisory Committee Members) and employees to make reports to Audit & Supervisory Committee and other systems for making reports to the Committee

- (1) In addition to legally-stipulated matters, when they discover that violations of laws, ordinances or the Company's Articles of Incorporation are present or that matters that affect the business results of the Company and/or its subsidiaries are present, Board Directors (excluding Board Directors who are Audit & Supervisory Committee Members) will report them to Board Directors who are Audit & Supervisory Committee Members in each case.
 - (2) When they discover that facts that run the risk of significantly damaging the Company and/or its subsidiaries or that violations of laws, ordinances or the Company's Articles of Incorporation are present, employees may directly report them to Board Directors who are Audit & Supervisory Committee Members. Note that the secrecy of the name, etc. of reporters will be strictly guarded and that the disadvantageous treatment of reporters attributed to their reporting of the foregoing is prohibited.
8. Other systems for ensuring that audits by Audit & Supervisory Committee are effectively conducted
- (1) In addition to attending meetings of the Board of Directors, meetings of the Board of Executive Officers and other key meetings, Board Directors who are Audit & Supervisory Committee Members will review important documents pertaining to business execution and, if necessary, ask Board Directors (excluding Board Directors who are Audit & Supervisory Committee Members) and/or employees to explain them.
 - (2) Board Directors who are Audit & Supervisory Committee Members will perform audits while mutually cooperating with the accounting auditor. This includes exchanging opinions on audit plans and results.
 - (3) An internal audit department independent from execution departments has been established. This department maintains close cooperation with Board Directors who are Audit & Supervisory Committee Members, including reporting the results of internal audits to Board Directors who are Audit & Supervisory Committee Members and discussing the results with them.
 - (4) The Company will post a budget every year for expenses that arise in the execution of duties by Board Directors who are Audit & Supervisory Committee Members and will also disburse a reasonable amount for audit expenses that suddenly arise.
9. System for ensuring reliability of financial reporting
- To ensure the reliability of financial reporting, an internal controls system pertaining to financial reporting will be established and operated. Ongoing evaluations of whether that system is properly functioning as well as necessary corrections will be conducted. Through this, the effective and appropriate submission of internal controls reports based on the Financial Instruments Exchange Act will be conducted.

2. Basic Views on Elimination of Anti-social Forces and Status of Development Update

The Company does not respond whatsoever to illegal or unjust demands of anti-social forces that run the risk of obstructing social order or sound corporate activities. Should the Company be issued unjust demands from such a group or individual, it will respond firmly as an organization while cooperating with the police and other related institutions.

V. Others

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	None
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Supplementary Explanation for Applicable Items

2. Other Matters Concerning the Corporate Governance System, Etc. Update

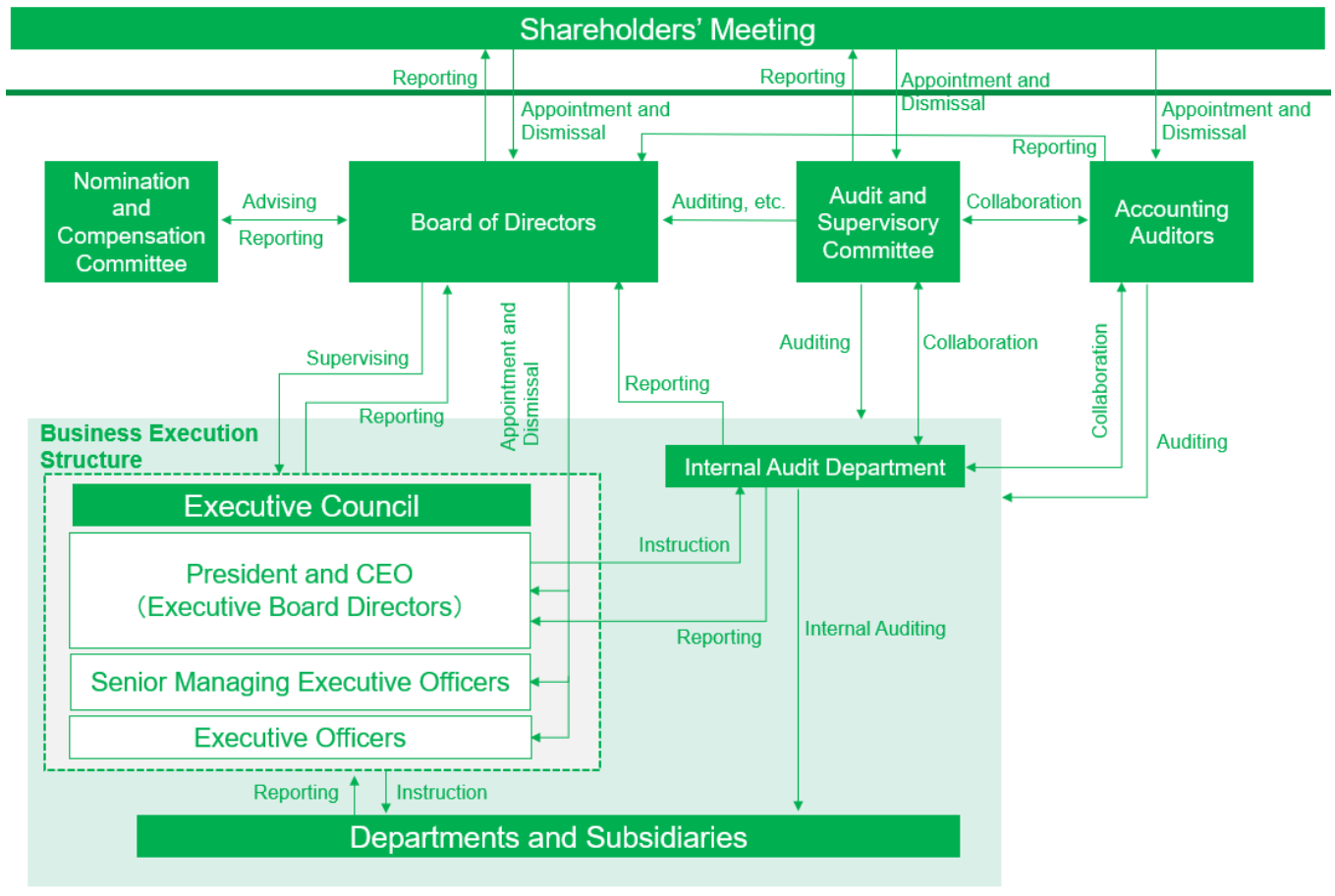
Summary of timely disclosure system

The state of the Company's internal system pertaining to the timely disclosure of corporate information is provided below.

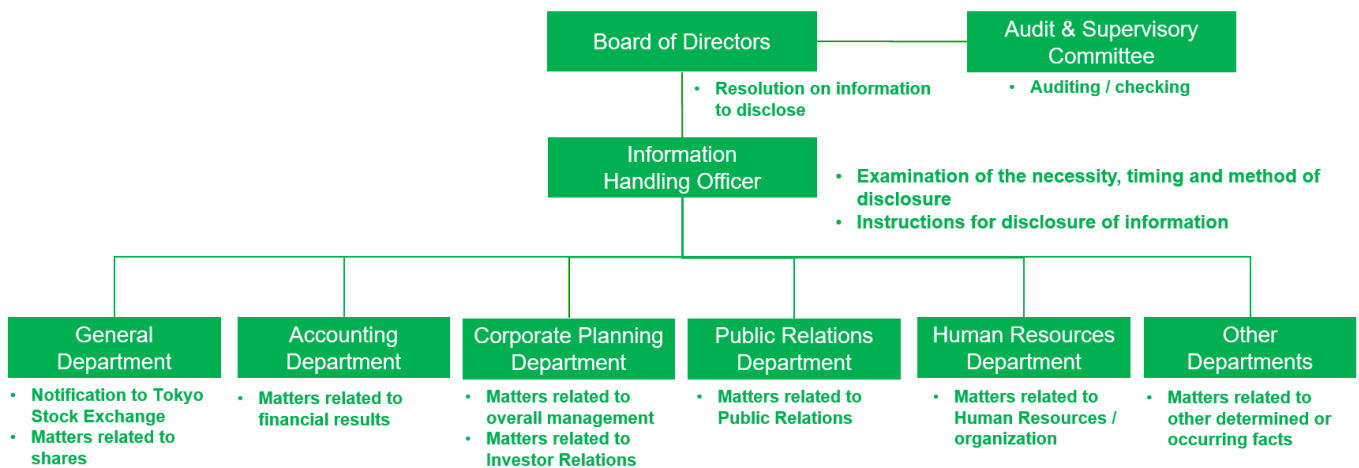
1. While the Company has not established a specialized department for the disclosure of information, its general affairs department liaises with the Tokyo Stock Exchange under the supervision of the information handling supervisor. Also, in addition to fielding inquiries on disclosed information from investors, etc., the information handling supervisor, Corporate Planning Department and general affairs department publish materials for disclosure on the Company's website.
Note that the general affairs department sufficiently manages such information so that it is not in a viewable state on the Company's website prior to the official schedule time of public release and so important facts that have yet to be publicly released to parties other than those related to the disclosure duties in question do not leak.
2. The policy of the Company upon the determination of important facts that concern it is to examine whether or not disclosure is necessary in accordance with timely disclosure systems set forth under the law as well as by the Tokyo Stock Exchange, the timing and method of public release, and so forth with respect to the matters in question, after which it promptly discloses those matters following an associated resolution by the Board of Directors.

3. The Company, in accordance with its “Internal Information Management Regulations,” regulates the management of information regarding important facts that concern itself, its subsidiaries or other companies that its Officers, employees or Company-related persons obtained with respect to their duties as well as the sale, purchase or other transactions of shares, etc. by its Officers and employees, and endeavors to prevent insider trading, etc. before it occurs through internal notifications that call attention to the sale and purchase of Company shares in a timely manner.

Corporate Governance Framework (Flow Diagram)



Timely Disclosure System (Flow Diagram)



Skills Matrix

			Current position and post of responsibility in the Company *2						
Name	Current positions, responsibilities and titles at the Company *1		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 & Supervisory Committee Member)	Newly appointed					✓	✓	✓
Hidenori Sugiura	Outside Board Director (Audit & Supervisory Committee Member)	Independent Newly appointed				✓		✓	✓
Ikumi Sato	Outside Board Director (Audit & Supervisory Committee Member)	Independent Newly appointed				✓	✓		✓

*1 Independent	: The Company has submitted notification to Tokyo Stock Exchange, Inc. that the below independent Officers are designated as such as provided for by the exchange.
*2 Corporate Management / Business Strategy	: Assumes management experience, Board Director's experience, business strategy, etc.
Global	: Assumes success and experience in developing business with a global mindset.
Production Quality / Research and Development	: Assumes knowledge and experience in related industries and/or businesses.
ESG / Sustainability	: Also means the environment, social contribution activities, regional revitalization activities and sustainable business activities.
Human Resource Management / Diversity	: Assumes initiatives, etc. pertaining to the development, training and utilization of self-sufficient human resources to accommodate an increasingly diverse society and organizations as well as management and diversity (women's empowerment activities, etc.)
Finance and Accounting / M&A	: Assumes experience and expertise in finance & accounting and strategic M&A.
Legal Affairs / Risk Management	: Assumes experience and expertise in corporate legal affairs and legal risk management.