




January 25, 2017

To Whom it may Concern:

Company name:  **TAIYO HOLDINGS CO., LTD.**
Representative: Eiji Sato, President and CEO
Stock code: 4626, TSE 1st Section
Contact: Shuichi Omi, General Manager, Administration Division
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Notice Concerning a Capital and Business Alliance with DIC Corporation, Issuance of New Shares through a Third-party Allotment, Disposition of Treasury Shares, and Changes in Major Shareholders, the Top Shareholder among Major Shareholders, and Associated Companies.

At the Board of Directors meeting held on January 25, 2017, Taiyo Holdings Co., Ltd. passed a resolution on a capital and business alliance (hereafter, “the capital and business alliance”) with DIC Corporation (Headquarters: Itabashi-ku, Tokyo; President and CEO: Yoshiyuki Nakanishi; hereafter referred to as “DIC”) and the issuance of new shares and disposition of treasury shares through a third-party allotment to the company (hereafter, “the third-party allotment”). A capital and business alliance agreement with DIC (hereafter, “the capital and business alliance agreement”) was concluded the same day. We are therefore providing notice of the details below.

Changes in the company’s major shareholders, top shareholder among major shareholders, and associated companies are anticipated in conjunction with the third-party allotment so we hereby also provide notice of this.

The year-end dividend forecast for fiscal year ending March 31, 2017 was also revised from 55 yen to 65 yen per share in conjunction with the third-party allotment. Please see the Notice Concerning Revision of the Dividend Forecast for Fiscal Year ending March 31, 2017 (Period 71) (available only in Japanese), which was disclosed today, for further details.

Details

I. Overview of the Capital and Business Alliance

1. Purpose and Reasons for the Capital and Business Alliance

The Taiyo Group is engaged in the manufacturing and sale of components and materials for PWB (Printed Wiring Board) as well as electronic components and chemicals for semiconductors. PWB is used in a wide range of electronics, including personal computers, smartphones, tablets and other IT devices, flat-panel televisions, car electronics and other digital consumer products, and electronic devices installed in vehicles. The Taiyo Group boasts a top-class global share in SR (solder resist), an essential component of PWB.

Because there has been little technological evolution in SR, a core product of the Taiyo Group, the market for SR has only grown gradually. This has limited the Taiyo Group to gradual growth as well, due to our already high global share of the market.

The semiconductor market, one of the sectors which use SR from the Taiyo Group, is showing signs of moving to growth on a different order than seen thus far. This is due to rapid growth in demand for data centers stemming from the proliferation of cloud computing and the rapid growth in demand for sensors and communications devices owing to the rapid expansion of IoT.

Many different types of electronic control systems have also been commercialized as vehicles

have become increasingly electronic. Growth in the number of ECUs (engine control units) installed in one vehicle has assisted in the evolution of automatic driving technology, rapidly extending the reach of electronic equipment in vehicles. The potential of the automotive industry has expanded rapidly worldwide as a cornerstone of new markets other than the existing electronic component and semiconductor markets.

New business opportunities are also steadily emerging in technology sectors peripheral to SR. This is occurring due to the advent of technology such as photosensitive insulation materials for next generation PKG (semiconductor packages) required for imaging and insulation reliability at the single-digit micron level, multi-layer wiring board insulation and circuit forming materials for reducing components and making vehicles lighter, and wiring boards that use printable electronics to reduce environmental burden and manufacturing process burden, as well as insulating and conductive materials.

To seize new business opportunities in this business environment, we decided that forming a partnership with a company that could complement the business expansion of the Taiyo Group, with our superior materials development capabilities and concentration in East Asia, would enable us to target dramatic growth than relying solely on our own management resources, and we have been exploring partner companies.

The DIC Group was founded to manufacture and sell printing ink. It then expanded the scope of its business based on the organic pigments and synthetic resins that comprise the basic materials for printing ink. The DIC Group offers a wide range of products from materials to processing, and today provides products that meet the needs of its customers and society through the five segments of printing ink, fine chemicals, polymers, compounds, and application materials in over 60 countries and regions worldwide.

The Taiyo and DIC groups determined that combining the Taiyo Group's strengths in utilizing our PWB and SR supply chains to ascertain market needs and in marketing with the strengths of the DIC Group in materials development, its manufacturing and distribution locations throughout the world, and its financial resources would enable us to seize the major business opportunities before us. We therefore chose one another as business partners and decided to enter into this capital and business alliance as a strategic business partnership with the goal of resolving the short-term management issues of the Taiyo Group and procuring the necessary capital for pursuing our medium to long-term business strategy.

2. Nature of the Capital and Business Alliance

1) Nature of the business alliance

An outline of the business alliance between the Taiyo Group and DIC is provided below.

- (1) Joint development of new components and materials for printed wiring boards such as MIDs (molded interconnect devices) using technology possessed by the Taiyo Group and DIC
- (2) Joint development of printable wiring board materials using DIC's advanced resin development technology and pigment dispersion technology
- (3) Improve products to match market needs and swiftly launch them by using the Taiyo Group's thick pipeline to the industry and evaluation technology for new businesses involving products for the electronics market that DIC is considering
- (4) Outsource SR production to DIC's plants overseas to reduce production costs and improve operating rates at the overseas plants

2) Nature of the capital alliance

Taiyo Holdings will allot a total of 5,617,300 ordinary shares via third-party allotment (percentage of voting rights held after the third-party allotment: 19.50%; percentage of the total number of shares outstanding held: 19.47%). This consists of 1,312,600 new ordinary shares issued to DIC and the disposition of 4,304,700 treasury shares by Taiyo Holdings, and will make Taiyo Holdings an equity-method affiliate of DIC. Please refer to Section II, Issuance of New Shares and Disposition of Treasury Shares via Third-party Allotment, for further details on the third-party allotment.

3) Provision of Officer

In the capital and business alliance agreement, Taiyo Holdings and DIC have agreed that DIC will provide an officer to Taiyo Holdings. Taiyo Holdings intends to propose the appointment of directors, including one candidate for director from DIC, at the 71st annual general meeting of shareholders in June 2017, based on this agreement.

3. Profile of Our Partner in the Capital and Business Alliance (as of January 25, 2017, except where otherwise noted)

(1) Name	DIC Corporation		
(2) Address of headquarters	35-58 Sakashita 3-chome, Itabashi-ku, Tokyo		
(3) Name and title of representative	Yoshiyuki Nakanishi, Representative Director, President and CEO		
(4) Nature of business	Manufacture and sale of organic pigments, synthetic resins, etc.		
(5) Capital	96,557 million yen		
(6) Date established	March 15, 1937		
(7) No. of shares issued	95,156,904 shares (as of September 30, 2016)		
(8) Fiscal year end	December		
(9) No. of employees	20,264 (consolidated, as of December 31, 2015)		
(10) Main customers	(Sales) Nippon Paint Holdings Co., Ltd., FP Corporation (Purchasing) Idemitsu Kosan Co., Ltd., NAGASE & CO., LTD., Mitsubishi Corporation		
(11) Main bank	The Bank of Tokyo-Mitsubishi UFJ, Ltd., Mizuho Bank, Ltd., Sumitomo Mitsui Banking Corporation		
(12) Main shareholders and percentage of shares held (as of June 30, 2016)	Japan Trustee Services Bank, Ltd. (Investment trust account)		7.86%
	Nissei Real-Estate Co., Ltd.		5.58%
	The Master Trust Bank of Japan, Ltd. (Investment trust account)		4.95%
	Dainichi Can Co., Ltd.		4.47%
	The Dai-ichi Life Insurance Company, Limited (Standing proxy: Trust & Custody Services Bank, Ltd.)		3.67%
	Nissin Trading Co., Ltd.		3.28%
	Japan Trustee Services Bank, Ltd. (Investment trust account 4)		2.95%
	Aioi Nissay Dowa Insurance Co., Ltd. (Standing proxy: The Master Trust Bank of Japan, Ltd.)		2.72%
	Japan Trustee Services Bank, Ltd. (Investment trust account 9)		1.99%
	Nippon Life Insurance Company		1.99%
(13) Relationship between the company and listed company	Capital ties	No items to report.	
	Personal relationships	No items to report.	
	Transactional relationships	Taiyo Holdings purchases raw materials for SR from DIC Corporation.	
	Status in regard to interested parties	No items to report.	
(14) Business results and financial status for the last 3 years (Millions of yen; excluding where otherwise noted)			
Fiscal year	Fiscal year ended Dec. 31, 2013	Fiscal year ended Dec. 31, 2014	Fiscal year ended Dec. 31, 2015
Consolidated net assets	218,947	276,723	289,857
Consolidated total assets	761,690	803,703	778,857
Consolidated net assets per share (yen)	213.13	259.63	276.84

Consolidated sales	705,647	830,078	819,999
Consolidated operating income	40,181	41,076	51,068
Consolidated ordinary income	37,123	39,925	48,995
Net income attributable to owners of parent	26,771	25,194	37,394
Consolidated net income per share (yen)	29.23	26.78	38.94
Dividends per share (yen)	6.00	6.00	8.00

Note: Taiyo Holdings has determined that the proposed allottee, its officers, and others effectively involved in management of the allottee have no relationship to antisocial forces whatsoever. This was determined by verifying DIC's basic views on the elimination of antisocial forces and the status of establishment of procedures to ensure this noted in the corporate governance report (from March 29, 2016) submitted by DIC to Tokyo Stock Exchange, Inc.

4. Schedule

(1) Date of Board of Directors' resolution	January 25, 2017
(2) Date of capital and business alliance agreement conclusion	January 25, 2017
(3) Pay-in date for the third-party allotment	February 10, 2017

5. Future Forecast

Taiyo Holdings and DIC are working to strengthen our relationship of mutual cooperation through the capital and business alliance and the third-party share allotment, with the goal of manifesting synergies in both companies. We have therefore determined that the capital and business alliance and the third-party allotment will contribute to improving corporate value over the medium to long-term. However, it is presently unclear what specific financial impact this will have on the consolidated financial results for the fiscal year ending March 31, 2017.

We will promptly disclose all matters that should be disclosed, should any arise in the future.

II. Issuance of New Shares and Disposition of Treasury Shares via Third-party Allotment

1. Summary of Offering

(1) Pay-in date	February 10, 2017
(2) No. of shares issued and no. of shares disposed (No. of shares offered)	Taiyo Holdings ordinary shares from the sum of (1) and (2), below: (1) No. of shares issued: Ordinary shares, 1,312,600 shares (2) No. of shares disposed: Ordinary shares, 4,304,700 shares
(3) Pay-in amount	4,428 yen per share
(4) Total proceeds from financing	24,873,404,400 yen
(5) Offering and allotment method (Proposed allottee)	By third-party allotment (DIC Corporation)
(6) Other	Each of the above conditions is conditioned upon effectuation of the securities registration statement, pursuant to the Financial Instruments and Exchange Act.

2. Purpose and Reasons for the Offering

As stated above in I. Overview of the Capital and Business Alliance, 1. Purpose and Reasons for the Capital and Business Alliance, the third-party allotment will be implemented along with a business alliance with DIC. The purpose of this is to build a cooperative structure between Taiyo Holdings and DIC, and establish a strong capital and business alliance.

Although the third-party allotment will dilute company shares to a certain extent, the capital and business alliance with DIC and the third-party allotment will enable us to engage in various types of investment that will contribute to an increase in corporate value over the medium to long-term. We believe that this will ultimately lead to greater profits for existing shareholders.

Please note that while there are other means of financing than a capital increase, such as

financing through liabilities such as corporate bonds and bank borrowing, we have determined that financing through liabilities is not appropriate. This is because the third-party allotment will be used for capital investment, the recovery of which will take a long time, and because benefits from M&A are indeterminate. We also anticipate that boosting equity (net assets excluding non-controlling interests) will enable us to expand bank borrowing and other means of financing in the future. Moreover, while there are other ways than a third-party allotment to increase capital, such as a public offering or a rights offering, we have determined that the third-party allotment is the optimal method for the business alliance with DIC.

3. Proceeds from Financing, Use, and Timing of Expenditure

1) Proceeds from financing

(1)	Total amount paid-in	24,873,404,400 yen
(2)	Estimated cost of issuance and disposition	110,000,000 yen
(3)	Estimated net proceeds	24,763,404,400 yen

Notes: 1) Consumption tax is not included in the estimated cost of issuance and disposition.

2) The main issuance and disposition costs are for the advisory fees and the registration fee.

2) Specific uses of proceeds from financing

Our plan is to use all of the 24,763,404,400 yen in estimated net proceeds mentioned above by March 31, 2021. Proceeds will be used for capital investment in plants and facilities in Japan and overseas, acquisition of additional shares in associated companies, and to fund M&A aimed at securing additional profit sources in addition to the SR business, among other uses. A detailed breakdown is shown below. Taiyo Holdings uses methods such as NPV (net present value) and IRR (internal rate of return) to select, evaluate, and determine the point at which we exit investment projects. A hurdle rate commensurate to the risk involved is set for each project, as a general rule. We intend to manage the proceeds from the financing appropriately in a company banking account until the proceeds are actually disbursed.

Specific Uses	Amount	Anticipated Timing of Expenditures
(1) To fund rebuilding of the plant in Taiwan	7.5 billion yen	April 2017 to July 2020
(2) To fund expansion of the number of lines at the Kitakyushu plant	2.5 billion yen	April 2018 to March 2020
(3) To fund the purchase of shares in Onstatic Technology Co., Ltd., making it a wholly owned subsidiary	2.5 billion yen	February 2017 to September 2017
(4) To fund reconfiguration of the IT platform	3.0 billion yen	April 2017 to March 2021
(5) To promote streamlining of production facilities	1.0 billion yen	April 2018 to March 2020
(6) To fund R&D and M&A related to the materials and component businesses in PWB-related areas	Approx. 8.2 billion yen	February 2017 to March 2019
Total	Approx. 24.7 billion yen	—

Notes:

(1) Two subsidiaries in Taiwan (Taiwan Taiyo Ink Co., Ltd. and Onstatic Technology Co., Ltd.) are currently manufacturing at their own respective plants, however, both plants are aging and we looked at rebuilding them to bring them into conformance with the latest earthquake-proofing standards. Taiwan, where the world's leading semiconductor manufacturers and dedicated semiconductor foundries (companies that manufacture semiconductors on consignment) is also a region that is important to our company. Although the current plants are capable of manufacturing alternative high-performance products for semiconductors in times of emergency, they are not suitable for long-term, stable production. After considering all of these factors collectively, we decided

to consolidate these two factories. We are considering construction of a new plant and will use the proceeds for this purpose. In addition to enabling mass production of high-performance products, we anticipate that this will improve the operating rate of plant equipment, reduce fixed costs, reduce raw material costs through joint purchasing, and provide other benefits.

- (2) Taiyo Holdings has two types of SR: liquid type and a dry film type. Demand for dry film type, which is used in high-performance semiconductors, has grown more in recent years. Growth of the high-performance semiconductor market is projected to accelerate in the future, and we will use the proceeds to increase production line capacity of the dry film type to meet that demand.
- (3) Taiyo Holdings acquired 70% of the issued shares of Onstatic Technology Co., Ltd., in August 2013, making it a consolidated subsidiary. In order to achieve a seamless consolidation of the plants mentioned above in Note (1) and to clearly separate the strategic roles of the companies in the future, we think it necessary to make Onstatic Technology Co., Ltd. a wholly owned subsidiary. We will therefore use the proceeds to acquire the remaining shares, which constitute approximately 30% of total issued shares.
- (4) Roughly 20 years have passed since Taiyo Holdings made its last large-scale investment in the company's IT system. The cost of maintenance and operation and the risk of malfunctions are expected to increase in the future, so we will use the proceeds to upgrade the internal IT system and build a new system.
- (5) Operations at the plant in South Korea, which was brought online in 1989, and the plant in Japan, which was brought online in 2001, were optimized to meet the demand at the time, and are structured for mass production of a few products. However, the Taiyo Group subsequently transferred management of production to China and Taiwan, and we are therefore considering upgrading to the latest plant equipment that will enable high productivity in high-mix, low-volume production in order to address the change in core products and meet diversified customer demand. The proceeds will be used for that purpose.
- (6) The Taiyo Group is reliant on PWB components and especially on SR manufacturing and sale for over half of its revenues, and we recognize that securing revenue sources other than the SR business is an urgent issue for the group. We think that utilizing the knowledge and experience we have cultivated to break into new areas related to PWB is an effective way to mount a swift and sure response to this issue. However, in order to further accelerate R&D on proprietary products and expand business to successfully break in, we believe it necessary to acquire material and component businesses that we anticipate will produce synergies with our SR business, and to acquire a controlling interest in those companies. Part of the approximately 8.2 billion yen in proceeds mentioned above will therefore be used to fund R&D and M&A. Should the proceeds turn out to be insufficient for M&A, we intend to consider all avenues of financing, including loans from financial institutions and capital policy, to achieve sufficient financing. The anticipated timing of expenditures noted above gives our current projections. If no projects that satisfy our conditions emerge by the anticipated expenditure timeframes mentioned above, we might use part of the proceeds to redeem loans, however, the general principle is to continue to search for new projects, explore these, and use the proceeds for M&A-related expenses, even after the anticipated timeframes mentioned above. We will disclose this appropriately and in a timely manner in such an event.

4. View on Reasonable Use of Proceeds

It is our view that using the proceeds for the uses stated above in 3. Proceeds from Financing, Use, and Timing of Expenditure, 2) Specific uses of proceeds from financing, will contribute to an increase in the corporate value of Taiyo Holdings over the medium to long-term, and will ultimately lead to greater profit for existing shareholders. We have therefore determined the uses of proceeds from the third-party allotment to be reasonable.

5. Reasonableness of Issue Conditions, etc.

- 1) Basis for calculation of the pay-in amount and specific details

The issue price was set at 4,428 yen (fractional amount rounded to the nearest yen), representing a 10.00% discount on 4,920 yen, the closing price for the common shares of Taiyo Holdings on Tokyo Stock Exchange, Inc. on the business day (January 24, 2017) immediately prior to the date of the resolution concerning the third-party allotment by the Board of Directors (hereafter, "BoD resolution date"). This was done to eliminate arbitrariness in setting the price.

The issue price represents a 10.00% discount on 4,920 yen, the closing price on the business day (January 24, 2017) immediately prior to the BoD resolution date, and represents a 5.18% discount on 4,670 yen (rounded to the nearest yen), the average of the closing prices for the month immediately preceding the BoD resolution date (December 26, 2016 to January 24, 2017). This represents a 1.63% premium to 4,357 yen (rounded to the nearest yen), the average closing price for the past three months (October 25, 2016 to January 24, 2017), and a 12.87% premium to 3,923 yen (rounded to the nearest yen), the average closing price for the past six months (July 25, 2016 to January 24, 2017).

The reason why the issue price was based on the closing price for the business day immediately preceding the BoD resolution date was because it was the market price closest in time when calculated and is the price that should be the basis for calculating a fair price for the company's shares at this point. We believe this to be reasonable. Furthermore, we decided to set the issue price at a 10.00% discount to this after discussing it with DIC and considering all factors, including the fact that the share price of the company has recently been fluctuating widely, the dilution from the third-party allotment, and the corporate value over the medium to long-term as the business alliance with DIC progresses.

We also determined that the issue price mentioned above clearly does not constitute the issuance of shares in the third-party allotment at a particularly advantageous price. This was also determined based on the fact that the issue price is at or above the closing prices on the business day, the past month, the past three months, and the past six months immediately preceding the BoD resolution date, multiplied by 90%. This view also conforms to the Rules Concerning Handling of Allotment of New Shares to Third Party, Etc. of the Japan Securities Dealers Association (JSDA).

- 2) Basis for determination that the number of shares issued, number of treasury shares disposed of, and the degree of dilution is reasonable

The third-party allotment will allocate 5,617,300 shares to the proposed allottee. This constitutes 20.40% of 27,528,500, the total number of issued shares as of December 31, 2016 (24.22% of the 231,894 total individual voting rights), causing a certain degree of dilution. Despite this, we believe the implementation of various types of investment as a result of the capital and business alliance with DIC and the third-party allotment will contribute to an increase in the corporate value of the Taiyo Group over the medium to long-term, and will ultimately lead to an increase in profit for existing shareholders, and have therefore determined the degree of dilution from both the new shares issued and the disposition of shares in the third-party allotment to be reasonable.

6. Reasons for Selecting the Proposed Allottee, etc.

- 1) Profile of proposed allottee

As stated in I. Overview of the Capital and Business Alliance, 3. Profile of Our Partner in the Capital and Business Alliance, above.

2) Reasons for selecting the proposed allottee

As stated in I. Overview of the Capital and Business Alliance, 1. Purpose and Reasons for the Capital and Business Alliance, above.

3) Proposed allottee's policy for holding the shares

The allottee has informed Taiyo Holdings of its intention to hold the shares to be acquired through the third-party allotment for a medium to long period

Taiyo Holdings plans to acquire a letter of commitment from the proposed allottee by the payment date to the effect that, in the event that the proposed allottee transfers all or a portion of the common shares acquired from Taiyo Holdings through the third-party allotment within two (2) years of the payment date, the proposed allottee shall without delay issue a written notice to Taiyo Holdings detailing such information as the recipient of the transfer, the recipient's address, the number of shares transferred, the date of transfer, the transfer price, and the reason for and method of transfer, and shall consent to Taiyo Holdings reporting in writing the said information to the Tokyo Stock Exchange and thus making it available for public inspection.

4) Details confirmed with regard to funds required for the payment by the proposed allottee

Taiyo Holdings has received notice from the proposed allottee confirming that it has secured the resources necessary for the total amount to be paid (issue price). Further, the proposed allottee's financial statements as stated in their quarterly report (third quarter of 119th fiscal year) confirm that the proposed allottee's cash, cash equivalents, and other current assets are sufficient for the payment. Therefore, Taiyo Holdings has determined that the proposed allottee would have no difficulty in making the payment.

7. Major Shareholders and Percentage Interest after the Third-Party Allotment

Before Allotment (as of December 31, 2016)		After Allotment	
Kowa Co., Ltd.	19.01%	DIC Corporation	19.47%
Taiyo Holdings Co., Ltd.	15.63%	Kowa Co., Ltd.	18.14%
Japan Trustee Services Bank, Ltd. (trust account)	4.18%	Japan Trustee Services Bank, Ltd. (trust account)	3.99%
Japan Trustee Services Bank, Ltd. (portion entrusted at Sumitomo Mitsui Trust Bank, Ltd. under a re-trust arrangement, retirement benefit trust at Sumitomo Mitsui Banking Corporation).	4.05%	Japan Trustee Services Bank, Ltd. (portion entrusted at Sumitomo Mitsui Trust Bank, Ltd. under a re-trust arrangement, retirement benefit trust at Sumitomo Mitsui Banking Corporation).	3.86%
The Master Trust Bank of Japan, Ltd. (trust account)	3.03%	The Master Trust Bank of Japan, Ltd. (trust account)	2.90%
JP MORGAN CHASE BANK 385632 (Standing proxy: Mizuho Bank, Ltd.)	2.41%	JP MORGAN CHASE BANK 385632 (Standing proxy: Mizuho Bank, Ltd.)	2.30%
SHIKOKU CHEMICALS CORPORATION	2.29%	SHIKOKU CHEMICALS CORPORATION	2.18%
MISAKI ENGAGEMENT MASTER FUND (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited)	2.21%	MISAKI ENGAGEMENT MASTER FUND (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited)	2.11%
SMBC Nikko Securities Inc.	2.19%	SMBC Nikko Securities Inc.	2.09%
Toshin Yushi Co., Ltd.	1.95%	Toshin Yushi Co., Ltd.	1.86%

Notes:

- The above is based on the register of shareholders as of September 30, 2016, and reflects changes in shareholding based on the Substantial Shareholding Report as of December 31, 2016.
- As of December 31, 2016, Taiyo Holdings holds 4,304,707 treasury shares, and has entrusted 58,670 shares to the Master Trust Bank of Japan, Ltd. (trust account for the Employee Stock Ownership Plan [ESOP] grant stock). The 4,304,707 treasury shares will be reduced to 7 after the disposal of the 4,304,700 treasury shares by means of the third-party allotment.
- Ownership percentage is rounded to two decimal places.

8. Future Outlook

Please refer to I. Overview of the Capital and Business Alliance, 5. Future Forecast, above.

9. Matters related to Procedures under the Corporate Code of Conduct

The third-party allotment does not require the receipt of opinions from independent third parties under Article 432 of the Securities Listing Regulations set forth by the Tokyo Stock Exchange or the procedures for confirmation of the intent of shareholders, since (i) the dilution rate is below 25%, and (ii) it does not involve the change of a controlling shareholder.

10. Business Results for and Status of Equity Financing Executed in the Last Three Years

1) Business results for the last three years (consolidated basis)

	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Net sales	44,224 million yen	48,260 million yen	49,843 million yen
Operating income	7,568 million yen	9,254 million yen	10,964 million yen
Ordinary income	7,827 million yen	9,529 million yen	11,129 million yen
Net income attributable to owners of parent	4,930 million yen	6,667 million yen	7,796 million yen
Net income per share	193.83 yen	264.05 yen	337.99 yen
Annual cash dividend per share (interim dividend per share)	120 yen (75 yen)	90 yen (45 yen)	110 yen (55 yen)
Net assets per share	1,596.45 yen	1,703.14 yen	1,865.94 yen

Note: Breakdown of Fiscal year ended March 31, 2014, interim dividend: Ordinary dividend: 45 yen + commemorative dividend: 30 yen

2) Current Number of Issued Shares and Number of Dilutive Shares (as of December 31, 2016)

	Number of Shares		Ratio to number of shares issued
	Common shares		
Number of issued shares	27,464,000 shares		100%
	First Series Class A Shares	21,600 shares	
	Second Series Class A Shares	42,900 shares	
Number of dilutive shares at the current conversion price (exercise price)		—	—
Number of dilutive shares at the minimum conversion price (exercise price)		—	—
Number of dilutive shares at the maximum conversion price (exercise price)		—	—

3) Recent Stock Prices

(1) Last Three Years

	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Opening price	2,710 yen	3,095 yen	4,185 yen
High price	3,770 yen	4,445 yen	5,360 yen
Low price	2,478 yen	2,870 yen	3,380 yen
Closing price	3,055 yen	4,225 yen	3,810 yen

(2) Last Six Months

	August 2016	September 2016	October 2016	November 2016	December 2016	January 2017
Opening price	3,570 yen	3,565 yen	3,880 yen	4,000 yen	4,500 yen	4,615 yen
High price	3,590 yen	3,595 yen	4,020 yen	4,485 yen	4,760 yen	4,930 yen
Low price	3,205 yen	3,365 yen	3,575 yen	3,630 yen	4,305 yen	4,465 yen
Closing price	3,585 yen	3,460 yen	3,945 yen	4,430 yen	4,545 yen	4,920 yen

Note: The figures for January 2017 represent the stock prices up to the 24th day of the month.

(3) Stock prices on the business day immediately preceding the BoD resolution date authorising issuance and disposition

	January 24, 2017
Opening price	4,755 yen
High price	4,930 yen
Low price	4,755 yen
Closing price	4,920 yen

4) Equity financing in the last three years

(1) Issuance of First Series Class A Shares by means of third-party allotment

Pay-in date	June 26, 2015
Proceeds from financing	106,596,000 yen
Issue price	4,935 yen per share
Number of shares issued at the time of offering	Common shares: 27,464,000 shares
Number of shares issued in offering	First Series Class A shares: 21,600 shares
Total number of shares issued after offering	Common shares: 27,464,000 shares First Series Class A shares: 21,600 shares Total: 27,485,600 shares
Allottees	Eiji Sato (President and CEO of Taiyo Holdings) 12,400 shares Seiki Kashima* 4,400 shares Masahisa Kakinuma* 1,300 shares Takayuki Morita (Director of Taiyo Holdings) 2,200 shares Eiji Takehara (Director of Taiyo Holdings) 1,300 shares
Initial use of proceeds at the time of issuance	Proceeds appropriated for part of the working capital funds
Proposed date for expenditure at the time of issuance	From June 26, 2015
Current appropriation of the proceeds	The proceeds have been entirely appropriated as per the use.

*Resigned from Taiyo Holdings on June 21, 2016

(2) Issuance of Second Series Class A Shares by means of third-party allotment

Pay-in date	June 27, 2016
Proceeds from financing	153,796,500 yen
Issue price	3,585 yen per share
Number of shares issued at the time of offering	Common shares: 27,464,000 shares First Series Class A shares: 21,600 shares
Number of shares issued in offering	Second Series Class A shares: 42,900 shares
Total number of shares issued after offering	Common shares: 27,464,000 shares First Series Class A shares: 21,600 shares Second Series Class A shares: 42,900 shares Total: 27,528,500 shares
Allottees	Eiji Sato (President and CEO of TAIYO HOLDINGS) 27,700 shares Seiki Kashima* 7,000 shares Takayuki Morita (Director of TAIYO HOLDINGS) 4,900 shares Eiji Takehara (Director of TAIYO HOLDINGS) 3,000 shares Masahisa Kakinuma* 300 shares

Initial use of proceeds at the time of issuance	Proceeds appropriated for part of the working capital funds
Proposed date for expenditure at the time of issuance	From June 27, 2016
Current status of expenditures	The proceeds have been entirely appropriated as per the use.

* Resigned from Taiyo Holdings on June 21, 2016

11. Summary of Issuance/Disposition

1) Type/number of shares	New shares issued	Common shares	1,312,600 shares
	Shares to be disposed	Common shares	4,304,700 shares
	Total		5,617,300 shares
2) Issuance/Disposition price	4,428 yen per share		
3) Total proceeds	24,873,404,400 yen		
4) Amount of capital increase	2,906,096,400 yen		
5) Amount of capital surplus increase	2,906,096,400 yen		
6) Application date	February 10, 2017		
7) Pay-in date	February 10, 2017		
8) Type of offering/allotment	By means of third-party allotment		
9) Proposed allottee	DIC Corporation		
10) Other	Each of the above items is conditional upon effectuation of the securities registration statement, pursuant to the Financial Instrument and Exchange Act.		

III. Change in Major Shareholders, Top Shareholder among Major Shareholders, and Associated Companies

1. Background behind Changes

Through the third-party allotment, DIC Corporation (the allottee) will likely become Taiyo Holdings' major shareholder, top shareholder among major shareholders, and associated company. Therefore, Taiyo Holdings anticipates a change in its top shareholder among major shareholders, and associated company.

2. Profile of Shareholders Experiencing Changes

1) Shareholder to become a new major shareholder, top shareholder among major shareholders, and associated company

For an outline of DIC Corporation, which is expected to become a new major shareholder, top shareholder among major shareholders, and associated company, please refer to I. Overview of the Capital and Business Alliance, 3. Profile of Our Partner in the Capital and Business Alliance, above.

2) Outline of major shareholder to cease being a top shareholder among major shareholders, and an associated company

The following is an outline of Kowa Co., Ltd., which is expected to cease being top shareholder among major shareholders, and an associated company.

(1) Name	Kowa Co., Ltd.
(2) Address	3-4-8 Nakamurakita, Nerima-ku, Tokyo
(3) Name and position of representative	President and CEO: Mitsuo Kawahara
(4) Business description	Real-estate, securities investment, real-estate lease management
(5) Capital	26 million yen (as of April 30, 2016)

(6)	Date of establishment	November 14, 1988		
(7)	Net assets	11,623 million yen (as of April 30, 2016)		
(8)	Total assets	17,503 million yen (as of April 30, 2016)		
(9)	Major shareholders and percentage interest (as of April 30, 2016)	Kazuto Kawahara		21.59%
		Takato Kawahara		21.59%
		Naoto Kawahara		21.59%
		Tokuko Kawahara		16.62%
		Mitsuo Kawahara		11.50%
(10)	Relationships between listed company and the company (as of December 31, 2016)	Capital relationship	Kowa Co., Ltd. owns 5,233,800 of Taiyo Holdings' common shares (percentage interest prior to third-party allotment: 19.01%).	
		Personnel relationship	No items to report.	
		Business relationship	No items to report.	

3. Number of Shares and Percentage of Voting Rights Held by the Relevant Shareholder Before and After the Change

1) DIC

	Category	Number of shares held (percentage of voting rights)			Rank as major shareholder
		Directly owned	Aggregate	Total	
Before the change (as of December 31, 2016)	—	0 rights (0%)	0 rights (0%)	0 rights (0%)	—
After the change	Major shareholder, top shareholder among major shareholders, and associated company	56,173 rights (19.50%)	0 rights (0%)	56,173 rights (19.50%)	No. 1

Notes:

- Number of issued shares as of December 31, 2016: 27,528,500 shares.
Number of issued shares after deducting shares without voting rights from the total number of issued shares: 23,189,400
The ratio to the number of voting rights of all shareholders after the change is calculated based on the figure of 288,067 rights, which is obtained by adding the increase of 56,173 rights resulting from the new issuance of shares and disposition of treasury shares under the third-party allotment.
- The percentage of voting rights is rounded to two decimal places.
- Rank as major shareholder indicates the currently anticipated rank based on the register of shareholders as of September 30, 2016.
- The above three notes also apply to the Table (2) below.

2) Kowa Co., Ltd.

	Category	Number of shares held (percentage of voting rights)			Rank as major shareholder
		Directly owned	Aggregate	Total	
Before the change (as of December 31, 2016)	Major shareholder, largest shareholder of the major shareholders, and associated company	52,338 rights (22.57%)	5,468 rights (2.36%)	57,806 rights (24.93%)	No. 1
After the change	Major shareholder	52,338 rights (18.17%)	5,468 rights (1.90%)	57,806 rights (20.07%)	No. 2

4. Change in Unlisted Parent Companies, etc. that are Subject to Disclosure

As a result of the change in associated company, KOWA CORPORATION will not be an unlisted parent company, etc. that is subject to disclosure.

5. Scheduled Date of Change

February 10, 2017

6. Future Outlook

As stated in I. Overview of the Capital and Business Alliance, 5. Future Forecast, above.