

January 25, 2017

DIC Corporation

Notice Concerning a Capital and Business Alliance with TAIYO HOLDINGS CO., LTD., which would Become an Equity-Method Affiliate

Tokyo, Japan—At a meeting of its Board of Directors on January 25, 2017, DIC Corporation resolved to enter into a capital and business alliance with Tokyo-based TAIYO HOLDINGS CO., LTD., as a result of which TAIYO HOLDINGS would become an equity-method affiliate of DIC. A capital and business alliance agreement between the companies was concluded the same day, as outlined below.

1. Purpose of and reasons for the capital and business alliance

Established as a manufacturer of printing inks, DIC has built on its basic organic pigments and synthetic resins technologies to expand the scope of its business endeavors. Today, DIC provides an extensive range of products that respond to the needs of customers in diverse industries, including printing, automobile manufacturing and electronics.

In fiscal year 2016, DIC kicked off a new medium-term management plan, DIC108. Having made a certain degree of progress in recent years toward improving its financial health, a key management challenge, the Company once again adopted an active stance toward driving growth under the plan, budgeting ¥150.0 billion for strategic investments, including in mergers and acquisitions, between fiscal year 2016 and fiscal year 2018. Accordingly, the Company has been on the lookout for investment opportunities that align with its fundamental DIC108 goals, which are to stabilize the earnings of its core businesses, expand businesses that will drive growth and create next-generation businesses.

DIC sees the electronics market, in which TAIYO HOLDINGS operates, as particularly encouraging, primarily because it offers potential for stable growth into the future and a considerable scope for leveraging DIC's proprietary technologies. In addition to providing synthetic resins, pigments and liquid crystals, among others, to electronics manufacturers, DIC is actively promoting the development of next-generation products, including printed electronics, thermal materials and other high-value-added offerings that capitalize on its core technologies. With the aim of expanding sales of existing products and facilitating the efficient development of products sought by customers in this market, DIC has sought to establish an alliance with a promising company with capabilities further downstream to reinforce its grasp of market needs and enhance its marketing prowess.

TAIYO HOLDINGS is involved in the manufacture and sale of chemical products for use in printed wiring boards (PWBs) and other electronics components and in semiconductors. Of note, TAIYO HOLDINGS commands a top-class share of the global market for solder resist, which is critical to the production of PWBs. Nonetheless, the company continues to chart further growth by promoting the development and commercialization of innovative products with the potential to become as a second pillar of its operations.

Given these circumstances, DIC and TAIYO HOLDINGS recognized the benefits to be gained by bringing together the former's materials development capabilities, which draw on core technologies cultivated over many years, and the latter's firm understanding of market needs, which reflect an extensive supply chain from solder resist to PWBs. As a consequence, the two companies resolved to enter into a capital and business alliance.

2. Details of capital and business alliance

1. Details of business alliance

The terms of the business alliance between DIC and TAIYO HOLDINGS are as follows:

- (1) Technologies owned by DIC and TAIYO HOLDINGS will be leveraged to develop products for molded interconnect devices (MIDs) and other new types of PWB.
- (2) The two companies will capitalize on DIC's superior polymer development and pigment dispersion technologies to collaborate in the development of printable materials for PWBs.
- (3) In new businesses under consideration that center on products for the electronics industry, DIC will make use of TAIYO HOLDINGS' strong industry connections, as well as its evaluation technologies, to facilitate the development and swift commercialization of products suited to market needs.
- (4) DIC will produce solder resist under contract at certain overseas production facilities, which will increase the operating rates of these facilities and reducing production costs for TAIYO HOLDINGS.

2. Details of capital alliance

TAIYO HOLDINGS will allocate 5,617,000 shares of its common stock (1,312,600 shares of common stock + 4,304,700 treasury shares disposed of by TAIYO HOLDINGS), representing 19.50% of voting rights and 19.47% of shares issued, to DIC through a third-party allotment. As a consequence, DIC will become TAIYO HOLDINGS' principal shareholder and TAIYO HOLDINGS will become an equity-method affiliate of DIC.

3. Dispatch of directors

The capital and business alliance provides for DIC to dispatch directors to TAIYO HOLDINGS. Accordingly, the nominees for position of director proposed at TAIYO HOLDINGS' 71st general meeting of shareholders, scheduled for June 2017, is slated to include one individual nominated by DIC.

3. Profile of TAIYO HOLDINGS (As of January 25, 2017 unless specified)

1. Company name	TAIYO HOLDINGS CO., LTD.
2. Address of head office	7-1, Hazawa 2-chome, Nerima-ku, Tokyo
3. Name and title of representative	Eiji Sato, President and CEO
4. Principal businesses	Manufacture and sale, as well as purchase and sale, of chemical products for use in electronics components
5. Stated capital	¥6,265 million (as of September 30, 2016)
6. Date of establishment	September 29, 1953
7. Number of shares issued	Total number of common shares 27,464,000 First Series Class A shares 21,600 Second Series Class A shares 42,900 (As of December 31, 2016)

8. Fiscal year-end	March 31		
9. Number of employees	1,202 (consolidated) (as of March 31, 2016)		
10. Principal clients	Customers (none)		
	Suppliers (none)		
11. Main banks	Sumitomo Mitsui Banking Corporation, Mizuho Bank, Ltd., The Bank of Tokyo-Mitsubishi UFJ. Ltd.		
12. Major shareholders and percentages of shares held (As of September 30, 2016)	Kowa CO., LTD.	19.01%	
	TAIYO HOLDINGS CO., LTD.	15.63%	
	Japan Trustee Services Bank, Ltd. (Trust account)	4.18%	
	Japan Trustee Services Bank, Ltd. (Shares re-trusted to Sumitomo Mitsui Trust Bank, Limited, and shares entrusted to Sumitomo Mitsui Banking Corporation retirement benefit trust account)	4.05%	
	The Master Trust Bank of Japan, Ltd. (Trust account)	3.03%	
	JP MORGAN CHASE BANK 385632 (Standing proxy: Mizuho Bank, Ltd.)	2.41%	
	SHIKOKU CHEMICALS CORPORATION	2.29%	
	MISAKI ENGAGEMENT MASTER FUND (Standing proxy: The Hong Kong and Shanghai Banking Corporation Limited)	2.21%	
	Toshin Yushi Co., Ltd.	1.95%	
	Mitsuo Kawahara	1.81%	
13. Relationships with DIC	Capital relationships	None	
	Personal relationships	None	
	Business relationships	DIC supplies raw materials for solder resist to TAIYO HOLDINGS	
	Related party status	None	
14. Business results and financial position for the three most recent fiscal years (Millions of yen/yen)			
Fiscal year ended	March 31, 2014	March 31, 2015	March 31, 2016
Consolidated net assets	¥42,655	¥41,312	¥45,250
Consolidated total assets	¥58,369	¥61,241	¥65,464
Consolidated net assets per share (yen)	¥1,596.45	¥1,703.14	¥1,865.94
Consolidated net sales	¥44,224	¥48,260	¥49,843
Consolidated operating income	¥7,568	¥9,254	¥10,964
Consolidated ordinary income	¥7,827	¥9,529	¥11,129
Profit attributable to owners of the parent	¥4,930	¥6,667	¥7,796
Basic earnings income per share (yen)	¥193.83	¥264.05	¥337.99
Cash dividends per share (yen)	¥120.00	¥90.00	¥110.00

4. Number of shares acquired by the Company, cost of acquisition and number of shares held by the Company prior to acquisition

1. Number of shares held before acquisition	0
2. Number of shares acquired	5,617,300
3. Cost of acquisition *	¥24,873 million
4. Number of shares held after acquisition	5,617,300 (19.50% of voting rights)

* The cost of acquisition is based on an issue price of ¥4,428, calculated by multiplying the closing price of TAIYO HOLDINGS' shares on the Tokyo Stock Exchange on January 24, 2017, the business day immediately preceding the date on which the Board of Directors' resolved to implement the third-party allotment (¥4,920) by 0.9.

5. Schedule

1. Resolution by Board of Directors	January 25, 2017
2. Conclusion of capital alliance agreement	January 25, 2017
3. Third-party allotment payment date	February 10, 2017

6. Outlook

DIC and TAIYO HOLDINGS are confident that this capital and business alliance will enable them to maximize synergies and build a robust collaborative relationship that will contribute to improved corporate value for both companies.

DIC looks forward to capitalizing on synergies resulting from this alliance to achieve the targets of its DIC108 medium-term management plan, which it views as an important milestone, to help it build new businesses that will drive growth and to support the evolution in the years ahead.

DIC will incorporate the impact of this alliance on its operating results—which is expected to be negligible—in the forecasts for its consolidated operating results in fiscal year 2017, which will be announced on February 14, 2017. Under DIC108, DIC aims to keep its D/C ratio* at around 50% while investing in growth and ensuring an ideal balance between financial health and shareholder returns. DIC expects its D/C ratio after the capital and business alliance to be within the targeted range.

*D/C ratio: Interest-bearing debt / (Interest-bearing debt + Net assets)

—Ends—