

Acquisition of BASF Colors & Effects Business

August 29, 2019

DIC Corporation

Color & Comfort



- 1. Transaction Overview**
- 2. Pigment Strategy and Strategic Investment in “DIC111”**
- 3. Target Business Overview and Strategic Rationale**
- 4. Pro-forma Financial Highlights / Financial Impacts on DIC**
- 5. Post Merger Management Plan**

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| | |
|-------------------------|--|
| Target Business | BASF Colors & Effects business |
| Purchase Price | <p>985 million Euro (116.2 billion yen)</p> <p>The figure above is derived from adjusting cash and debt as of December 31, 2018 from the enterprise value (€1,150 million) of the target business. The actual cost of acquisition may vary depending on actual net cash/debt and differences in working capital, among others, at closing. (The exchange rates used are ¥118.00/€1.00. Figures are rounded.)</p> |
| Closing Date | Expected to close by the end of 2020 |
| Financing | <ul style="list-style-type: none">▸ Planning to use cash on hand and new bridge loans▸ Considering appropriate financing plan to achieve an optimal financial structure (No equity offering plan) |
| Process Required | <ul style="list-style-type: none">▸ Regulatory filings in each relevant jurisdiction as applicable & clearances from the relevant authorities |

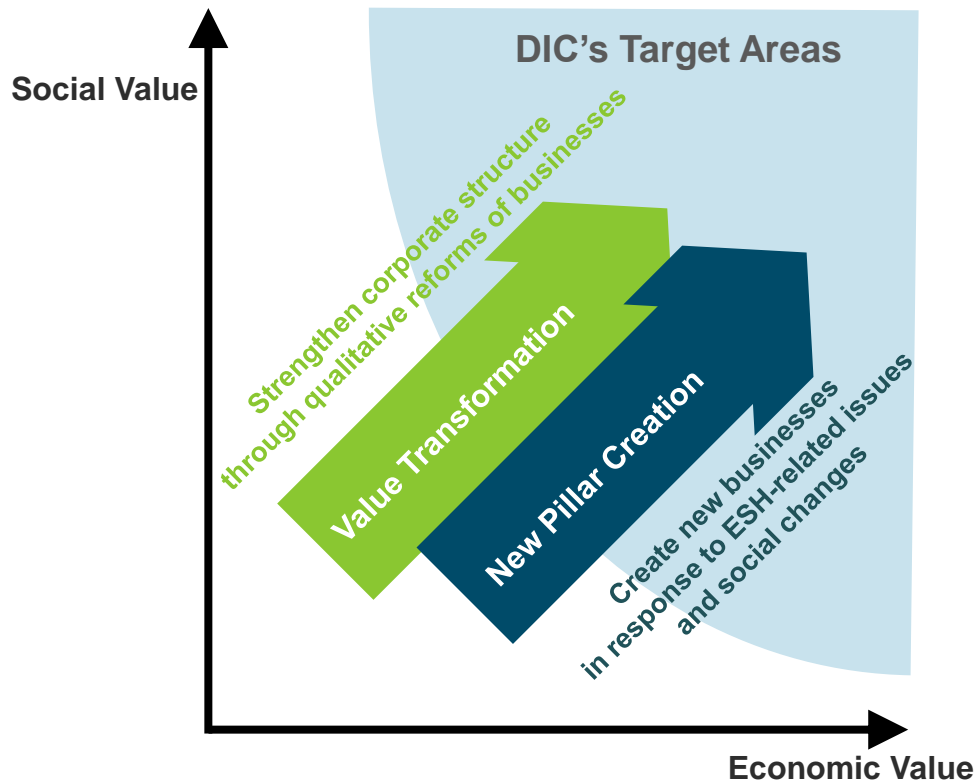
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Strategies of the Pigments Business in “DIC111”

DIC's Future Vision

Become a unique global company that is trusted by society by providing value (safety and peace of mind, color and comfort)

Two strategies for business portfolio transformation



*1 As of 2018/12 Actual

Basic Strategies

“Value Transformation”

Strengthen corporate structure through qualitative reforms of businesses

Packaging & Graphic

Packaging materials that bring safety and peace of mind

Printing materials

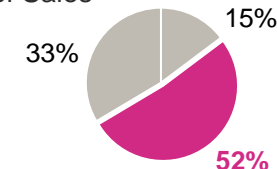
Packaging inks
Jet Inks etc.

Packaging materials

Polystyrene
Film etc.

Concentrate resources on high-value-added products (packaging solutions, specialty inks)

% of Sales*1



Color & Display

Color and display materials that make life colorful

Color materials

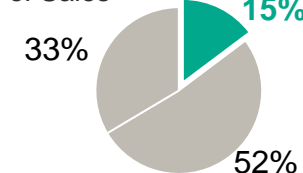
Functional pigments
Natural colorants etc.

Display materials

Liquid crystal materials etc.

Ensure balance between acceleration of growth through shifting of resources to strategic products and maintenance of stability through rationalization of existing products

% of Sales*1



Functional Products

Functional products that add comfort

Performance materials

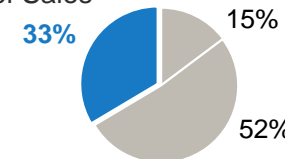
Waterborne / UV-curable resins
Electrical / Electronic materials etc.

Composite materials

Compounds tapes for automotive application
Hollow-fiber membrane modules etc.

Achieve social contribution and growth by strengthening lineup of environment-friendly and functional products

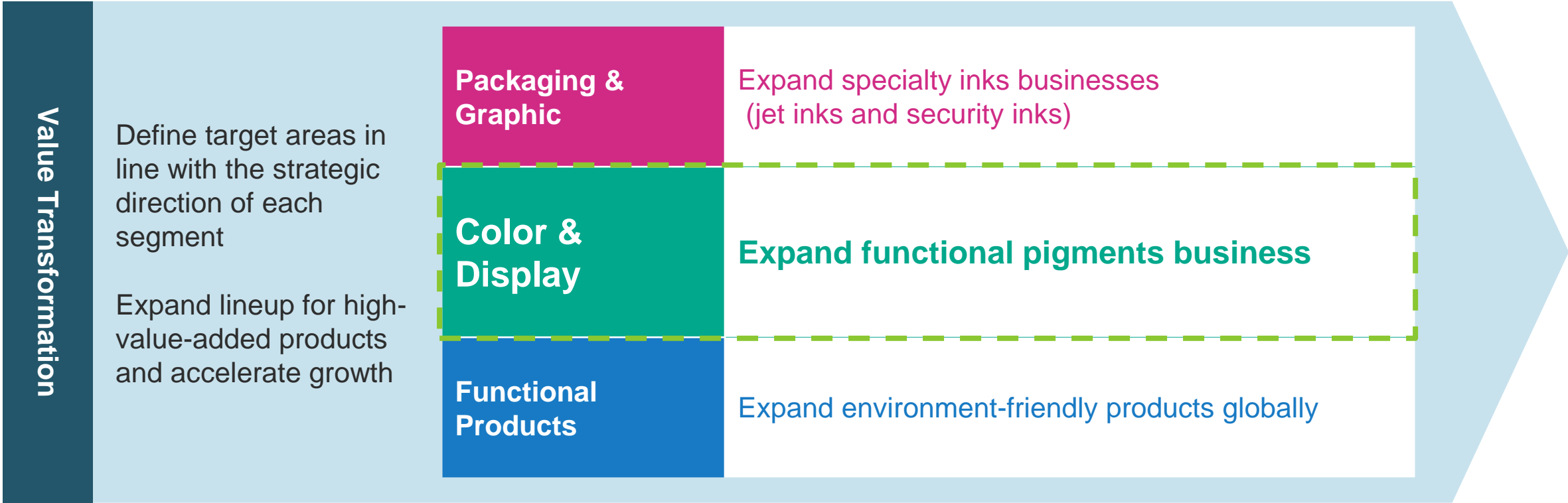
% of Sales*1



Strategic Investment in “DIC111”

Budget 250 billion yen for strategic investments to accelerate business portfolio transformation through complementary acquisitions

Planning to expand lineup for high-value-added products of each business segment, and grow product offering.



The Acquisition of BASF Colors & Effects is the best strategy to achieve “Value Transformation” in “DIC111” and matches the investment strategy for accelerated growth through complementary acquisitions.

Color & Display Business Overview and Strategies

Color & Display

Business Overview

Color and display materials that make life colorful

Color Material Product Division

- Organic pigments
- Pigments for displays
- Effects pigments for cosmetics

Health foods
Natural colorants



Display Material Product Division

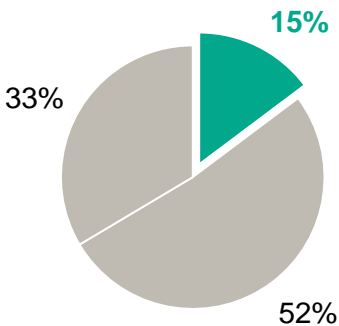
- TFT Liquid crystal materials
- STN Liquid crystal materials



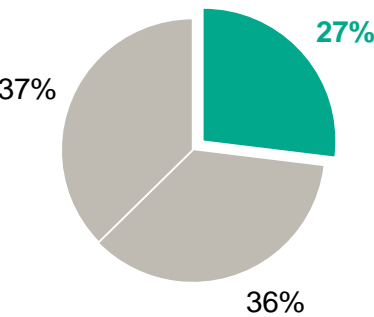
Financial Contributions

2018/12A

Net Sales



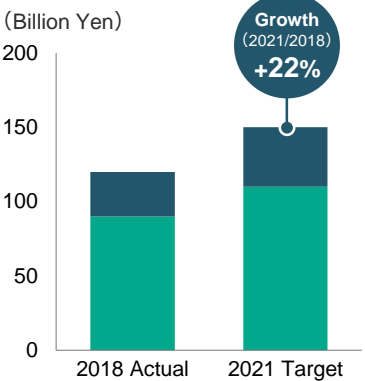
Operating Income



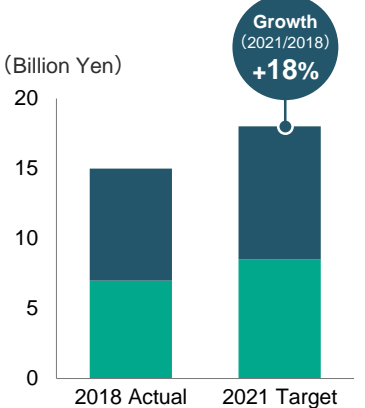
Strategies

Ensure balance between acceleration of growth through shifting of resources to strategic products and maintenance of stability through rationalization of existing products

Net Sales Target



Operating Income Target



■ Functional Pigments (Cosmetics, Non Impact Printing and Displays)
■ General Purpose Pigments, Natural Colorants, LCs, Others

Color Materials

Effect pigments business

- Expand production and supply capacity for special pigments
- Expand lineup of metallic pigments and pearlescent pigments
- Expand lineup by bringing new products into the digital printing market

Accelerate “Value Transformation” through complementary acquisitions

- Expand natural colorants business (Linablue)

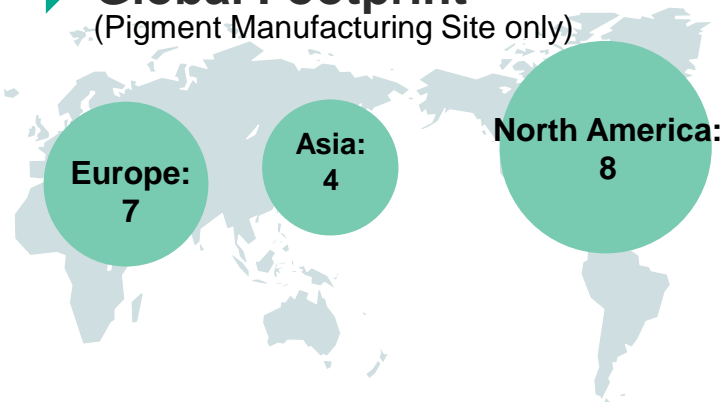
Display Materials

Expand product lineup of pigments (for displays)

- Expand sales of TFT liquid crystal and accelerate market development in China
- Enter into the QD inks business

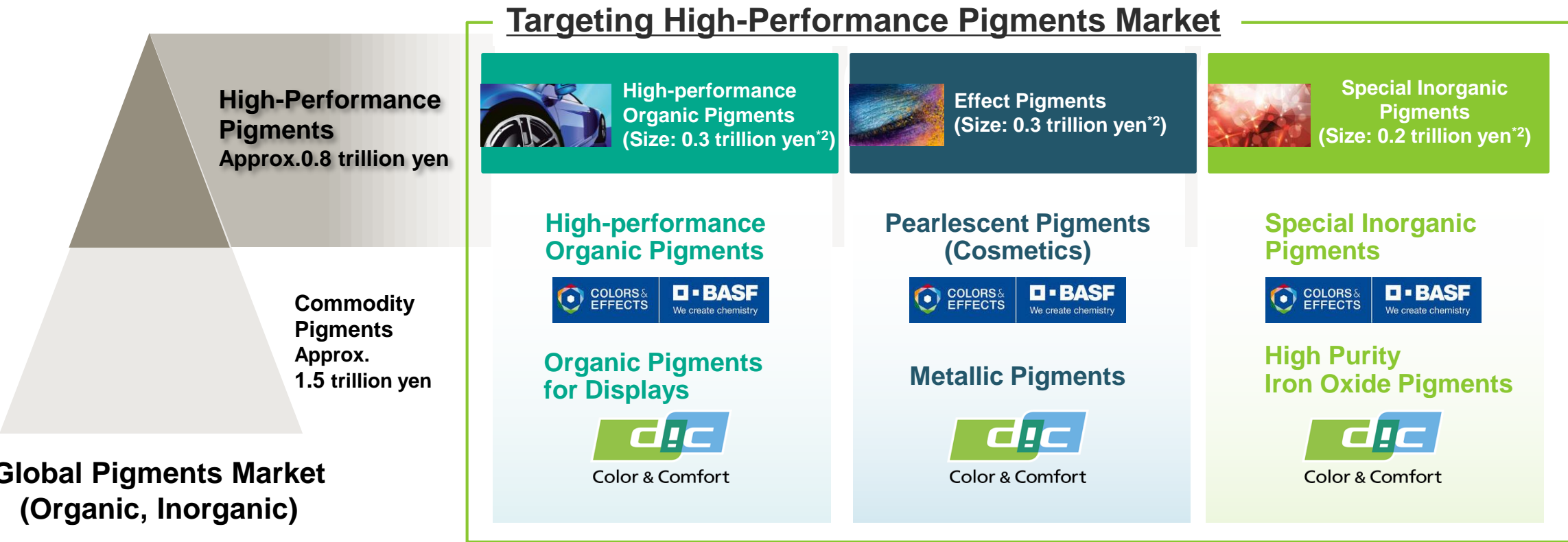
Global Footprint

(Pigment Manufacturing Site only)



Global Pigments Market Overview and DIC and BASF Colors & Effects' Position

- The value of the global pigments market is estimated at approx. **2.3 trillion yen**^{*1}
- Estimated global sales of high-performance pigments is approx. 0.8 trillion yen^{*2} and growing at 3.4%^{*2} annually by 2023



^{*1} DIC estimates based on Frost & Sullivan, Allied Market Research, Technavio
^{*2} Smithers Rapra "The Future of High-Performance Pigments to 2023"

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Target Overview

Companies Overview



- Company / Brand : BASF Colors & Effects
- Foundation : 2016 as carved out (18 companies)
- Headquarters : Ludwigshafen, Germany
- Representative : Alexander Haunschild
- Consolidated Sales : c.1Bn euro (2018/12A)
- Consolidated EBITDA : c.120M euro (2018/12A)
- Employee : c.2,600
- Facilities : 11
- R&D Lab : 4
- Business: Manufacturing and sales of organic/inorganic/effect pigments
- End Market: cosmetic/plastic/construction/automotive/printing/agriculture etc.

Strong Performer in High Growth / Value-added Niche / Specialty Pigments Field

High-performance Organic Pigments



Effect Pigments (Cosmetics)

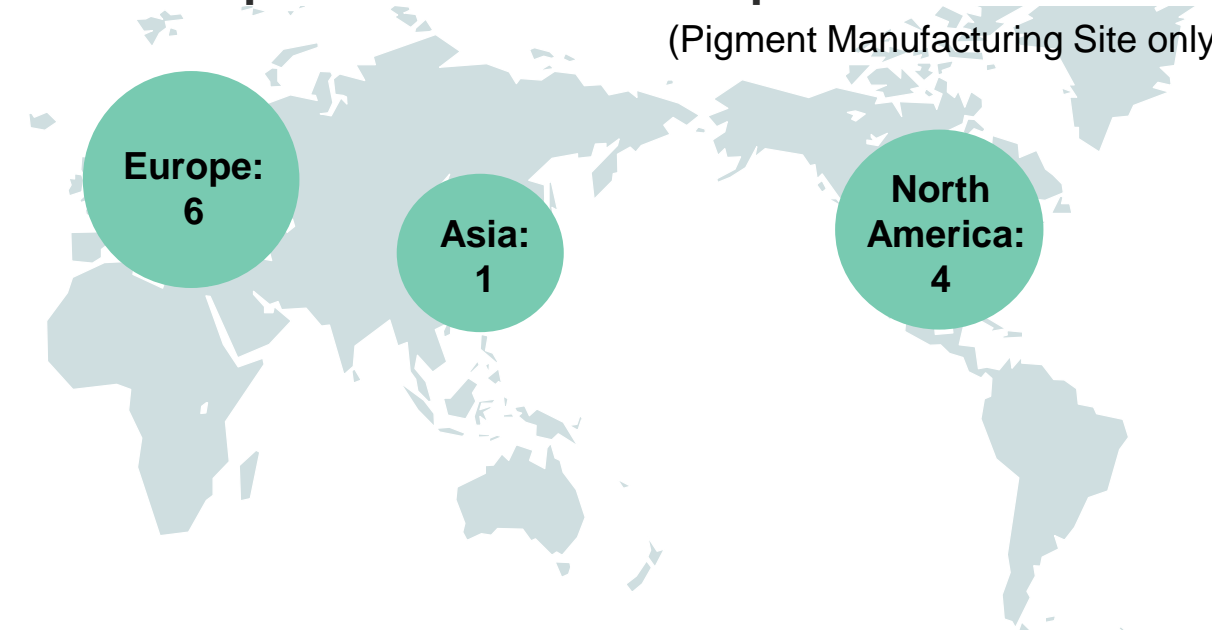


Special Inorganic Pigments



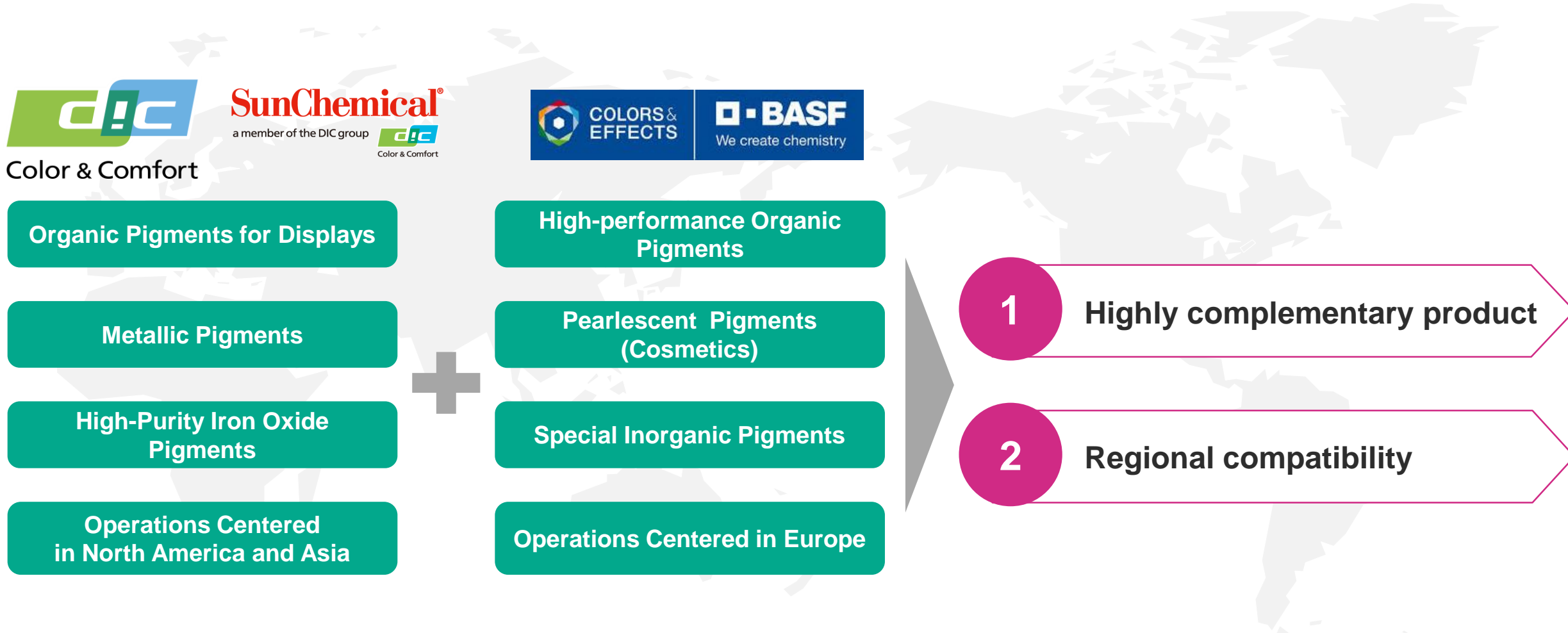
Global Footprint Centered in Europe and North America

(Pigment Manufacturing Site only)



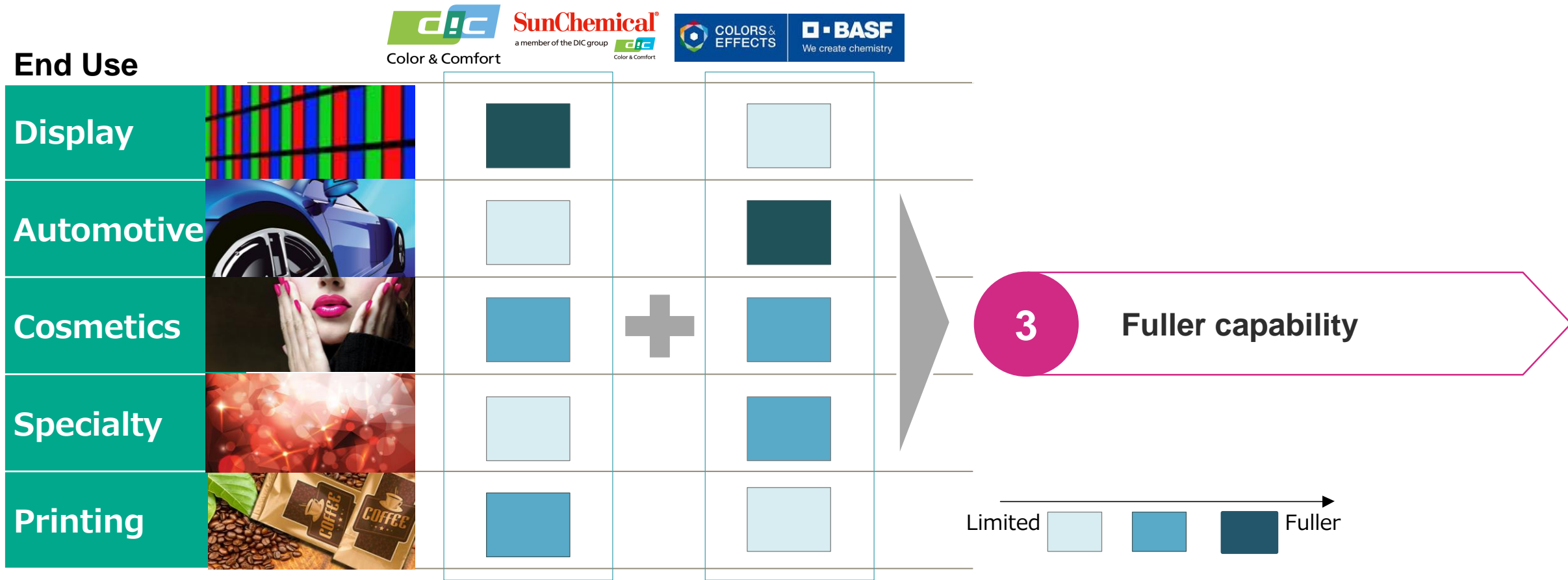
Strategic Rationale

Enhancement of Enterprise Value through Realization of Color Business Growth Strategies



Strategic Rationale (Cont'd)

Enhancement of Enterprise Value through Realization of Color Business Growth Strategies



Realize “Value Transformation” of product portfolio in “DIC111”

Synergies Expected through Integration of DIC / SUN Chemical and BASF Colors & Effects

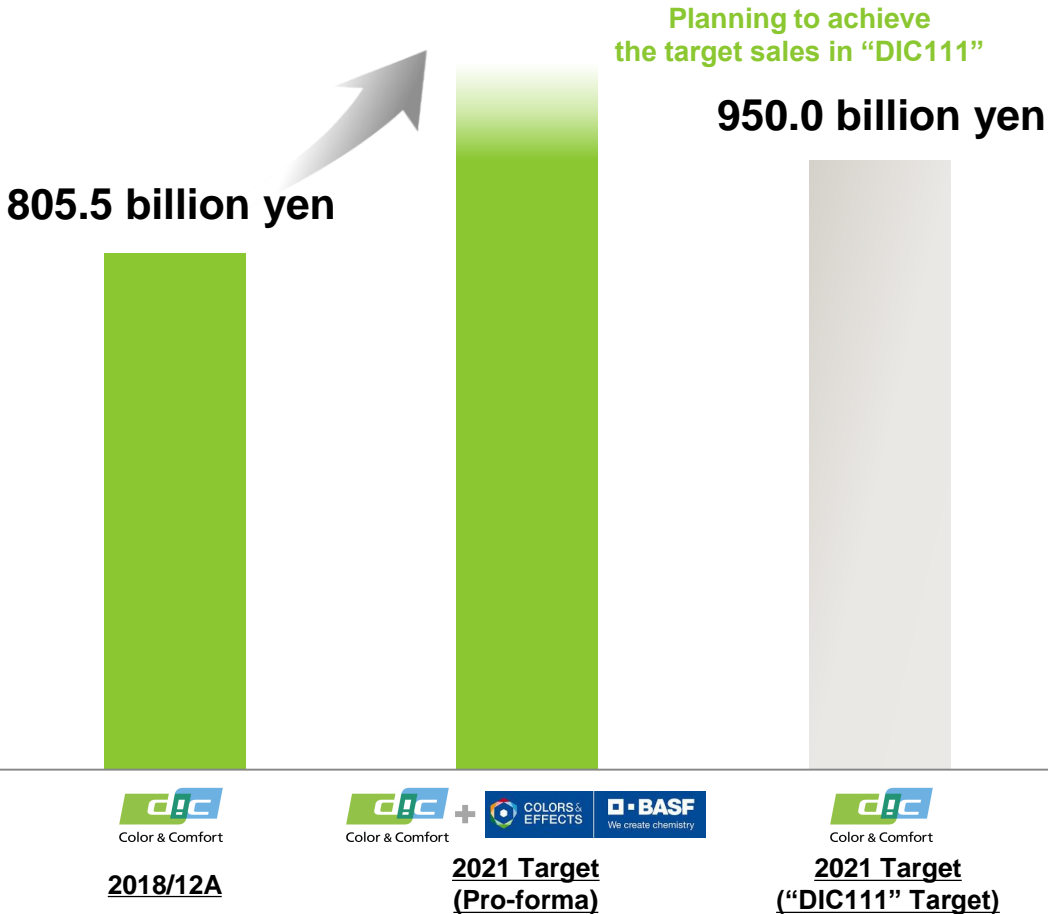
- 1** Complement of product / raw material lineup
 - Expanding functional pigments (high performance / effect / special inorganic pigments etc.)
 - Lower costs through integrated value chain manufacturing from raw materials
- 2** Expansion of markets and applications
 - Better solutions for global customers
 - Deepening and expanding areas related to cosmetic / specialty applications
 - Expanding applications for automotive related coatings and plastics
- 3** Improving R&D / product development capabilities through the integrated technologies and IPs
 - Enhancing our functional pigments business
 - Improving display / cosmetic pigments
- 4** Optimization of business operations
 - Improving efficiency of sales channel / supply chain / product line
 - Internalizing raw materials and reducing raw materials cost by joint purchase

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Contribution of the Acquisition to the Consolidated Financials

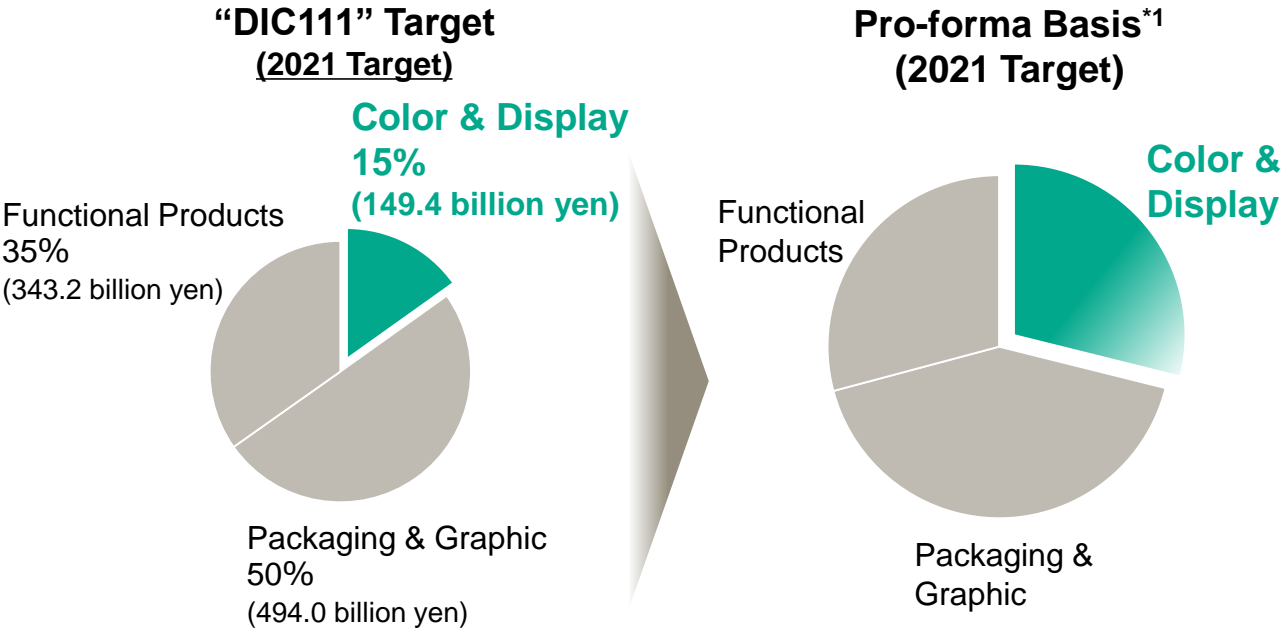
Sales Estimates and Target of “DIC111”

Consolidated Net Sales Estimates (Pro-forma Basis)*1



Strengthening Color & Display as the Pillar support the company

Net Sales Forecasts by Segment



Total Sales Estimates
950.0 billion yen*2

*1 Including synergy effects
*2 Excluding intersegments transaction

Financial Impacts

■ Financing

- ✓ Planning to use cash on hands and bridge loans
- ✓ Planning to refinance using an approach that will ensure an optimal financial structure (No equity offering plan)

■ Balance-sheet Management

- ✓ DIC has declared its plan to maintain its 'D/C ratio*¹ at around 50%' in "DIC111" and it is expected to remain at or below this level after the acquisition
- ✓ Planning to improve financial health by using operating cash flow as debt repayment

■ Credit Rating

- ✓ Managing finance policy to maintain "A rating zone " from JCR*²

■ Shareholder Returns

- ✓ Planning to maintain 30% of dividend payout ratio announced in "DIC111"

*1 D/C ratio: the indicator of measuring financial soundness

D/C (Debt-to-capital) ratio = Interest-bearing debt / (Interest-bearing debt + Net assets)

*2 JCR = 'Japan Credit Rating Agency, Ltd'

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Post-Merger Management Structure of Global Pigments Business

Step by step integration, aiming to realize synergies early through “Global One Operation”





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