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Company name	DIC Corporation
Representative	Kaoru Ino Representative Director President and CEO
	(Securities code: 4631)
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Notice Regarding the Acquisition of the Shares and Assets of a Pigments Business from BASF SE of Germany and Transformation of the Business into a Subsidiary

Tokyo, Japan—DIC Corporation resolved to acquire the shares and assets of the Colors & Effects business (“the target business”) of BASF SE, Europe’s largest chemicals manufacturer.

This transaction is subject to regulatory approval by pertinent U.S., European and other authorities as well as other customary conditions.

1. Reasons for the acquisition of shares and assets

(1) Background

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 automobile manufacturing, electronics and healthcare.

In fiscal year 2019, DIC kicked off a new medium-term management plan, DIC111, which guides DIC’s aspirations to become a unique global company that is trusted by society by providing value (safety and peace of mind, color and comfort) via the promotion of initiatives in line with two key strategies. The first of these strategies is “Value Transformation,” which focuses on strengthening DIC’s corporate structure through qualitative reforms of existing businesses. The second strategy is “New Pillar Creation,” which emphasizes creating new businesses in response to environment, safety and health (ESH)–related issues, as well as to social changes. DIC has budgeted for strategic investments in line with these strategies and is striving to accelerate growth by seeking advantageous mergers and acquisitions (M&As).

(2) Objectives

To hasten the qualitative transformation of its Color & Display business, DIC is working to expand its functional pigments business with the aim of driving growth as a leading global manufacturer of high-growth, high-value specialty pigments, including those for displays, cosmetics, and automobiles.

The annual global pigments market is estimated at approximately ¥2.3 trillion. DIC is a leader in organic pigments and a valued manufacturer of aluminum effect pigments. The target business, which is based in Europe and has sites around the world, has established itself as a prominent global manufacturer of effect pigments (for cosmetics) and for specialty inorganic pigments. Accordingly, the product portfolios of DIC and the target business are highly complementary, with little product overlap.

Through this acquisition, DIC will add a functional pigments product portfolio which is highly regarded by customers. DIC has committed itself to achieving sustainable growth for its color materials business by expanding its functional pigments business, recognizing this as crucial to bolstering its corporate value.

2. Profile of the target business

This acquisition involves obtaining the pigments business-related assets—including technologies, patents and other intellectual property, as well as goodwill not included in the share purchase—and the shares of 18 individual companies. Profiles of the two principal companies are provided below. (The exchange rates used are ¥118.00/€1.00 and ¥105.00/US\$1.00. Figures are rounded.)

(1) BASF Colors & Effects GmbH

1. Name	BASF Colors & Effects GmbH	
2. Location	Ludwigshafen am Rhein, Germany	
3. Representative	Alexander Haunschild	
4. Description of business	Manufacture and sale of pigments and related products	
5. Stated capital	€25,000 (¥3 million)	
6. Date of establishment	April 1, 2016	
7. Major shareholder and percentage of shares held	BASF Handels- und Export GmbH: 100%	
8. Relationship between DIC and the target business	Capital relationships	None
	Personal relationship	None
	Business relationship	The DIC Group and the BASF Group buy and sell pigments from one another.

(2) BASF Colors & Effects USA LLC

1. Name	BASF Colors & Effects USA LLC	
2. Location	Delaware, U.S.A.	
3. Representative	Brian Marsicano, Coleen A. Berardelli	
4. Description of business	Manufacture and sale of pigments and related products	
5. Stated capital	US\$252,939 (¥27 million)	
6. Date of establishment	April 1, 2016	
7. Major shareholder and percentage of shares held	BASF Corporation, USA: 100%	
8. Relationship between DIC and the target business	Capital relationships	None
	Personal relationship	None
	Business relationship	The DIC Group and the BASF Group buy and sell pigments from one another.

3. Operating results and financial position of the target business for the three most recent fiscal years (Note 1)

Fiscal year ended	December 31, 2016	December 31, 2017	December 31, 2018
Consolidated net assets	–	€844 million (¥99,592 million)	€884 million (¥104,312 million)
Consolidated total assets	–	€1,365 million (¥161,070 million)	€1,424 million (¥168,032 million)
Consolidated net sales	–	€1,014 million (¥119,652 million)	€992 million (¥117,056 million)
EBIT before special items (Note 2)	–	€73 million (¥8,614 million)	€71 million (¥8,378 million)
EBITDA before special items (Note 2)	–	€126 million (¥14,868 million)	€120 million (¥14,160 million)

Notes:

1. These consolidated operating results and financial position figures are for all companies related to the target business. Operating income, ordinary income, net income and consolidated operating results for the fiscal year ended December 31, 2016, have not been disclosed by BASF due to carve out into legal entities in 2016 and are thus excluded.
2. These are the business performance indicators used by BASF.

4. Profile of the seller of the target business (as of December 31, 2018)

1. Name	BASF SE	
2. Location	Ludwigshafen am Rhein, Germany	
3. Representative	Dr. Martin Brudermüller, Chairman of the Board	
4. Description of business	Manufacture and sale of chemicals	
5. Stated capital	€1,176 million (¥138,768 million)	
6. Date of establishment	1865	
7. Net assets	€36,109 million (¥4,260,862 million)	
8. Total assets	€86,556 million (¥10,213,608 million)	
9. Major shareholders and percentage of shares held	See note	
10. Relationship with DIC	Capital relationship	None
	Personal relationship	None
	Business relationship	The DIC Group and the BASF Group buy and sell pigments from one another.
	Related party status	None

Note:

Under the German Securities Trading Act (Wertpapierhandelsgesetz, WpHG) shareholders and individuals having access to voting rights are obliged to notify the issuer and the Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht, BaFin) immediately when reaching, exceeding or falling below the thresholds of 3 %, 5 %, 10 %, 15 %, 20 %, 25 %, 30 %, 50 % or 75 % of the voting rights in a publicly listed company either through the acquisition or disposal of shares or other financial instruments or by any other means (§§ 33, 38 and 39, formerly §§ 21, 25 and 25 a WpHG). The issuer is obliged to release any notification of voting rights without delay.

Overview major shareholders

- Due to voting rights attached to shares pursuant to §§ 33, 34 WpHG (>3%): BlackRock Inc. (6.61%, March 22, 2018)
- Due to instruments pursuant to § 38 WpHG (>5%): none

5. Cost of acquisition (Reference)

€ 985 million (¥116.2 billion)

Notes:

1. 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.
2. Advisory and other fees will depend on fees related to procedures to determine compliance with the antitrust laws of the United States and Europe, as well as of other relevant countries. Accordingly, such expenses are not included.

6. Schedule

1. Conclusion of agreement	August 29, 2019
2. Execution of acquisition	By the end of 2020

Notes:

1. This transaction is subject to regulatory approval by pertinent U.S., European and other authorities—including under the antitrust laws of the relevant countries—as well as other customary conditions.
2. Owing to regulatory review timing and other closing conditions, the effective date of the transfer of shares and assets may change.

7. Plans for raising funds

DIC intends to raise funds in a manner that avoids a decline in capital efficiency due to stock dilution and which maintains financial soundness. Specifically, after using cash on hand and procuring funds through bridge loans, DIC plans to refinance using an approach that will ensure an optimal financial structure. DIC has no plans to raise funds using equity financing.

In its DIC111 medium-term management plan, DIC has declared its plan to maintain its debt-to-capital (D/C) ratio*, a key indicator of financial health, at around 50%. DIC's D/C ratio after the execution of this acquisition is expected to remain at or below this level.

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

8. Outlook

The impact on DIC's consolidated operating results in fiscal year 2019, ending December 31, 2019, will be negligible. Should any matters requiring disclosure arise, DIC will promptly issue notification.

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