

Conference call regarding “Asahi Kasei to acquire Sage Automotive Interiors – Strategic expansion of automotive-related business,” held on July 19, 2018

**Participants**

Yutaka Shibata, CFO

Hiroshi Yoshida, Primary Executive Officer

Koushirou Kudou, Lead Executive Officer

**Main Substance of Questions and Answers**

Q: Tell us about your valuation of the acquisition price.

A: As a privately held company, Sage Automotive Interiors, Inc. (Sage) does not disclose its financial results. However, we can say that the acquisition price of \$1.06 billion represents an EBITDA multiple of about 10 times. We consider this to be an industry standard level.

Q: Are there any particular concerns about contingent liabilities and pension liabilities? About how much difference is there between the transaction price and Sage’s net assets?

A: Based on the due diligence, we do not foresee any significant problems regarding such liabilities. We decline to disclose the difference between the transaction price and net assets.

Q: What impact will the acquisition have on the overall financial performance of the Asahi Kasei Group?

A: The impact on performance will be examined after closing, but at present we expect the business to be profitable including amortization of goodwill, etc.

Q: You say you expect the market for automotive interior materials will grow in excess of the growth in the number of vehicles, but what rate of growth do you forecast?

A: According to surveys conducted by ourselves and several research companies, the number of vehicles is forecasted to grow by about 2–3% per annum, while the automotive interior materials market is forecasted to grow by about 5–6% per annum.

Q: What is the growth rate of the vehicle seat market? What is Sage’s share?

A: The growth rate of the vehicle seat market is expected to slightly exceed the growth rate of 2–3% per annum in the number of vehicles. We decline to disclose the share.

Q: What is the background for Sage’s sales growth of around 15% per annum between 2015 and 2017?

A: Two acquisitions during that period contributed significantly to the earnings growth. In 2015, Sage acquired an Italian company Miko, which processes and dyes Lamous microfiber suede purchased from Asahi Kasei, and the following year acquired another Italian company, Apollo, which processes and sews fabric.

Q: What is Sage’s organic sales growth rate?

A: We estimate it to be about 4–5% per annum over the past few years. North America is the largest growth area, driven by the introduction of new brands, increased sales of luxury products, and a focus on not only seats but

also headliners. Moving forward, headliners will continue to be an important area of growth, expansion in Europe will leverage the bases of Miko and Apollo, and further acquisitions will be pursued.

Q: What is behind Sage's profitability?

A: 1) Producing high-value-added products while having outstanding production technologies and purchasing power, 2) providing highly competitive products in the US, and 3) highly profitable microfiber suede obtained through the acquisition of Miko.

Q: What is Sage's policy for adding new bases in the future?

A: We will consider adding more bases in Europe, where many automakers are spread across a wide area. We also see potential in Asia and expect good synergies in relationships with Japanese automakers as Sage joins the Asahi Kasei Group.

Q: What is the breakdown of Sage's sales by region?

A: We decline to disclose detailed figures such as the breakdown of sales.

Q: Who are Sage's main competitors?

A: Overseas competitors include Aunde, Adient, and Lear. Japanese competitors include Seiren, TB Kawashima, and Suminoe Textile.

Q: Won't this vertical integration into the midstream result in Asahi Kasei competing with its own customers for Lamous?

A: Sales to Sage represent a large portion of Lamous for vehicle seat applications. We have long-standing relationships with other customers as well, and intend to continue selling Lamous to such customers.