

Strategic expansion of
the automotive-related business

July 19, 2018

Asahi Kasei Corporation

Today's announcement

- ◆ Asahi Kasei has decided to acquire Sage Automotive Interiors, Inc. (Sage), a US-based manufacturer of automotive interior material.
- ◆ The cash transaction price for the acquisition is approximately US\$700 million, which will be subject to fluctuation of cash and debt balance, working capital, etc., at the time of closing. The total acquisition price including interest-bearing debt is US\$1.06 billion.
- ◆ A leader in the development and manufacture of various automotive interior fabrics, Sage holds the No. 1 global share for vehicle seat fabric.¹ By the acquisition of Sage, which has a strong presence among automakers and Tier-1 suppliers based on its comprehensive proposal capabilities, advanced design capabilities, and processing technologies related to automotive interior material, Asahi Kasei will accelerate its strategic expansion in the automotive field.

¹ Woven and knitted fabric for vehicle seats, not including natural and synthetic leather.

The aim and expected effects of the acquisition

Asahi Kasei aims to strengthen its position in the growing automotive interior market, contributing to the expansion of its automotive-related business.

- ◆ Enhanced access to automakers and Tier-1 suppliers, in order to swiftly and accurately ascertain trends and needs in the automotive industry.
- ◆ Proposal and provision of comprehensive vehicle interior designs and solutions leveraging Sage's design and marketing capabilities in combination with various Asahi Kasei products and technologies, such as fibers, plastics, and sensors.
- ◆ Utilizing Sage's sales, manufacturing, and marketing bases as management infrastructure and resources for the global expansion of Asahi Kasei's operations.

1. Automotive in CT2018

2. Purpose of acquisition

3. Overview of Sage and synergy of acquisition

4. Acquisition overview

Automotive in the strategic management initiative

Automotive is one of the fields of focus in our strategic management initiative

Cs for Tomorrow 2018

Society of clean
environmental energy

×

Society of healthy/comfortable
longevity with peace of mind

Fields of focus

Automotive

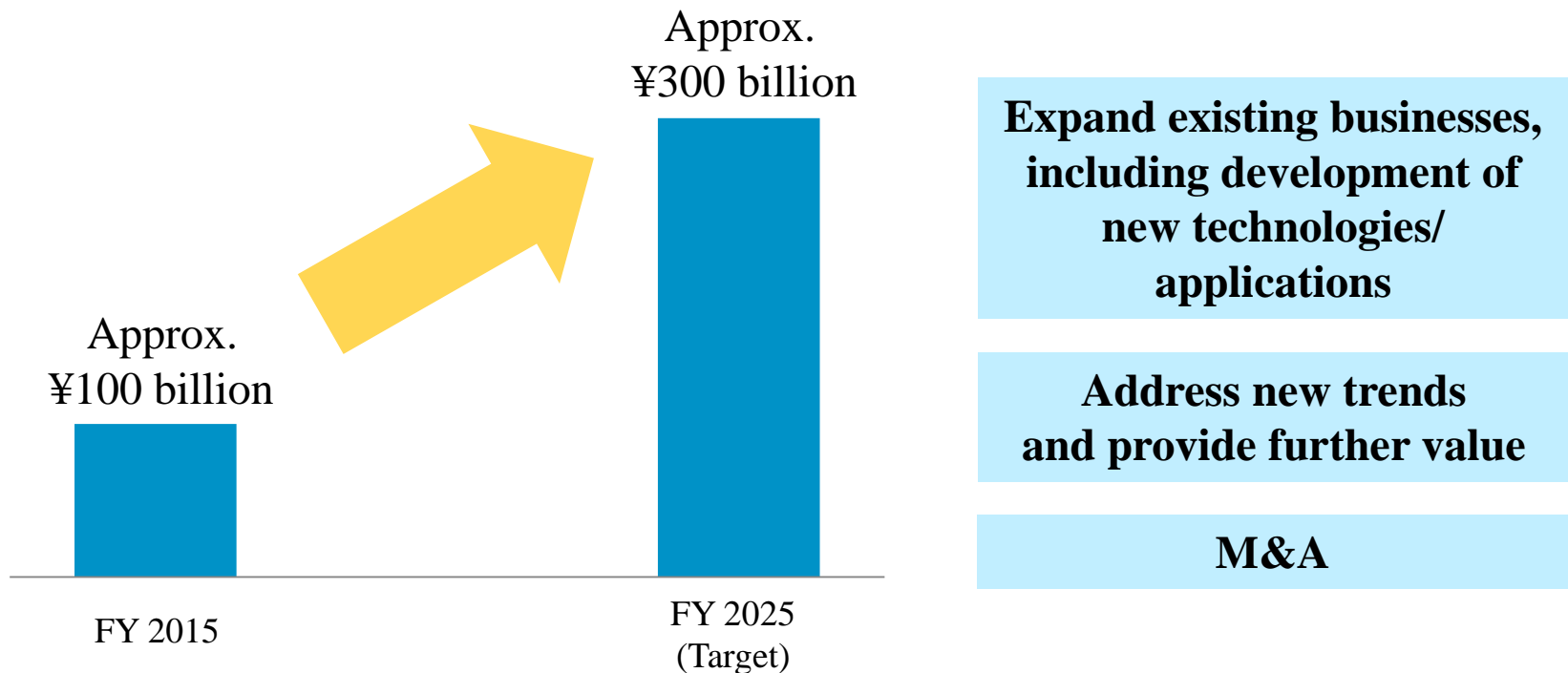
Environment/energy

Healthcare/hygiene

Business target in FY 2025

Triple sales of automotive-related business from FY 2015 to FY 2025

Asahi Kasei's sales of automotive-related business¹



¹ Excluding sales of the separator business

Initiatives in the automotive-related business

Strengthen and expand the business across the group

- Provide new value to automobiles by leveraging a wide range of products and technologies



“AKXY” concept car including 35 of our products and technologies

- Strengthen strategic relationships with automakers and Tier-1 suppliers
- Establish global business bases

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Changes in the business environment of the automotive industry

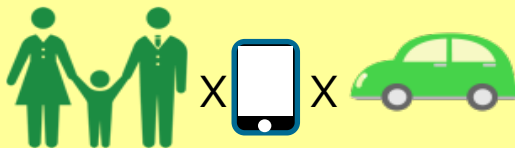
New trends create new needs and growth opportunities



Connected



Autonomous



Shared



Electric





- Changes in the power train
- Diversified sensor technologies
- Weight reduction
- Battery technology
- Social infrastructure development
- Transformation/diversification of vehicle use
- Needs for new systems and applications

etc.

Changing needs for performance and characteristics of materials create opportunities for Asahi Kasei having wide-ranging products and technologies

Impact of CASE on vehicle interiors

Emergence of new needs focusing on safety, comfort, and design for vehicle interiors

	Connected	Autonomous	Shared	Electric
Changes in vehicle interiors	<ul style="list-style-type: none"> ■ Monitoring of in-vehicle environment ■ Recognition and monitoring of passengers 	<ul style="list-style-type: none"> ■ Use as in-vehicle living room or office ■ Diversification of seat design and layout 	<ul style="list-style-type: none"> ■ Public use ■ Availability for various purpose 	<ul style="list-style-type: none"> ■ Noise reduction ■ Thermal management ■ Weight reduction
New needs for interior parts /components	<ul style="list-style-type: none"> ■ Monitoring technology ■ Smart textile 	<ul style="list-style-type: none"> ■ Greater comfort ■ Innovative design 	<ul style="list-style-type: none"> ■ Easy cleaning, antifouling property ■ Odor resistance, antibacterial property ■ Advancement and diversification in performance 	<ul style="list-style-type: none"> ■ Soundproof, vibration proof, thermal insulation ■ Substitution to new materials
				

The market for vehicle interior parts/components is expected to grow in excess of the car market itself, due to various changes in vehicle interiors

Asahi Kasei's business for vehicle interiors

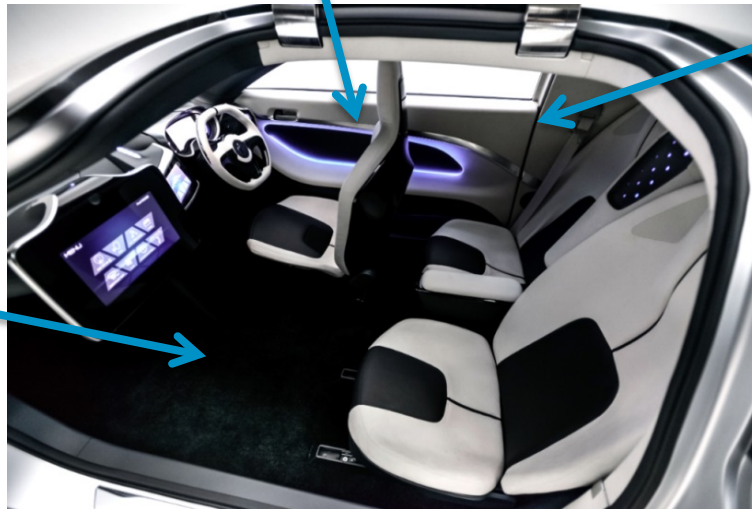
Contribute to enhancing safety and comfort in vehicle interiors with comprehensive solutions using our products and technologies such as fibers, plastics, and sensors

Seat materials with comfort and easy maintenance

- Lamous microfiber suede
- Eltas spunbond nonwoven
- Mef foamed polyethylene

Performance polymers with high designability

- Tenac polyacetal
- Estelloy ABS alloy
- Delpet acrylic resin
- Delaglas acrylic sheet



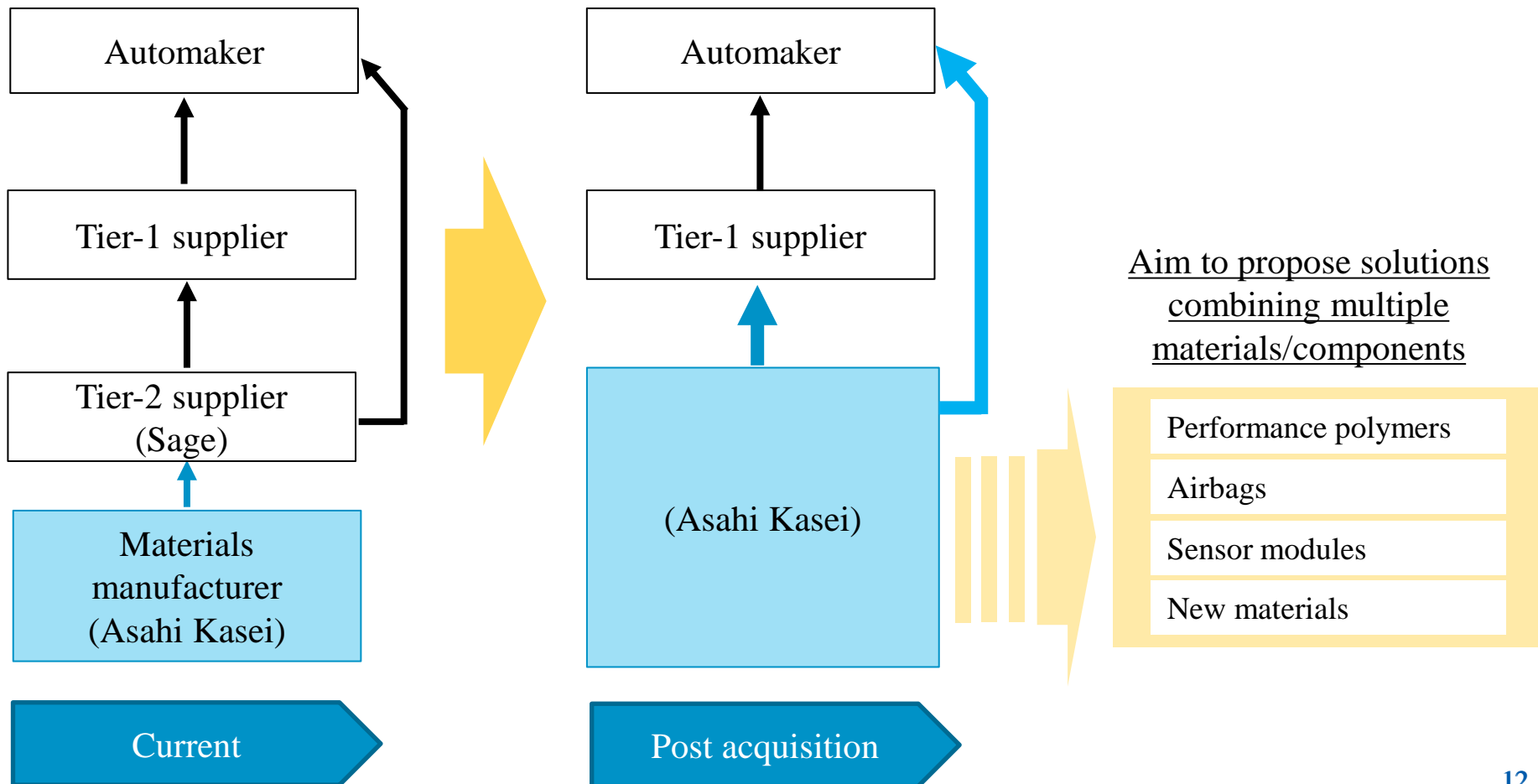
New technologies for safe and comfortable space

- CO₂ sensor
- Alcohol sensor
- Non-contact pulse wave detection technology
- Hall elements

New Businesses: Solutions using new materials (CNF, etc.)
Open Innovation: Enhancing investment by CVC

Expansion of supply chain from upstream to midstream

Strengthen relationships with automakers and Tier-1 suppliers, swiftly and accurately ascertaining market trends and needs



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Overview of Sage

Name	Sage Automotive Interiors, Inc.
Establishment	2009 (spinoff from fiber and chemical manufacturer Milliken & Company)
Locations	Headquarters: Greenville, South Carolina, USA Production Bases: USA, Italy, Poland, Romania, Brazil, China
CEO	Dirk R. Pieper
Business Description	Development, manufacture, and sales of various fabrics as automotive interior material (No. 1 global share for vehicle seat fabric ¹)
Net Sales	FY 2015: \$359.3 million FY 2016: \$415.6 million FY 2017: \$474.9 million
Employees	Approx. 2,200 (consolidated, as of March 31, 2018)
Business relationship	Sage purchases Lamous from Asahi Kasei and sells it to automakers and Tier-1 suppliers after processing (dyeing, etc.)

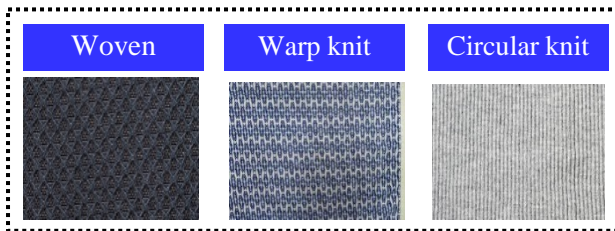
¹ Woven and knitted fabric for vehicle seats (not including natural and synthetic leather)

Sage's business overview

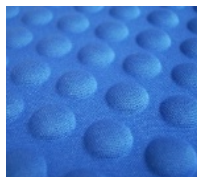
With advanced technology for production and processing, Sage develops, manufactures, and sells various fabrics used as automotive interior material

Advanced technology of production and processing

- Technology and system for production and processing to enable functionality and design customized for each vehicle manufacturer



- Various technology of surface finishing



Premium fabrics (Sage Echelon brand)



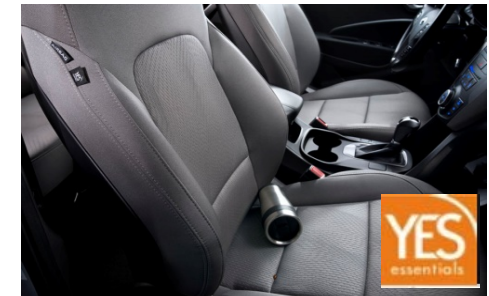
Dinamica

Luxury microfiber suede with elegance and high color-development
Eco-friendly and human-friendly (using recycled polyester fiber and water-based polyurethane)



Asahi Kasei supplies Lamous

Innovation in product technology



Yes Essentials fabrics

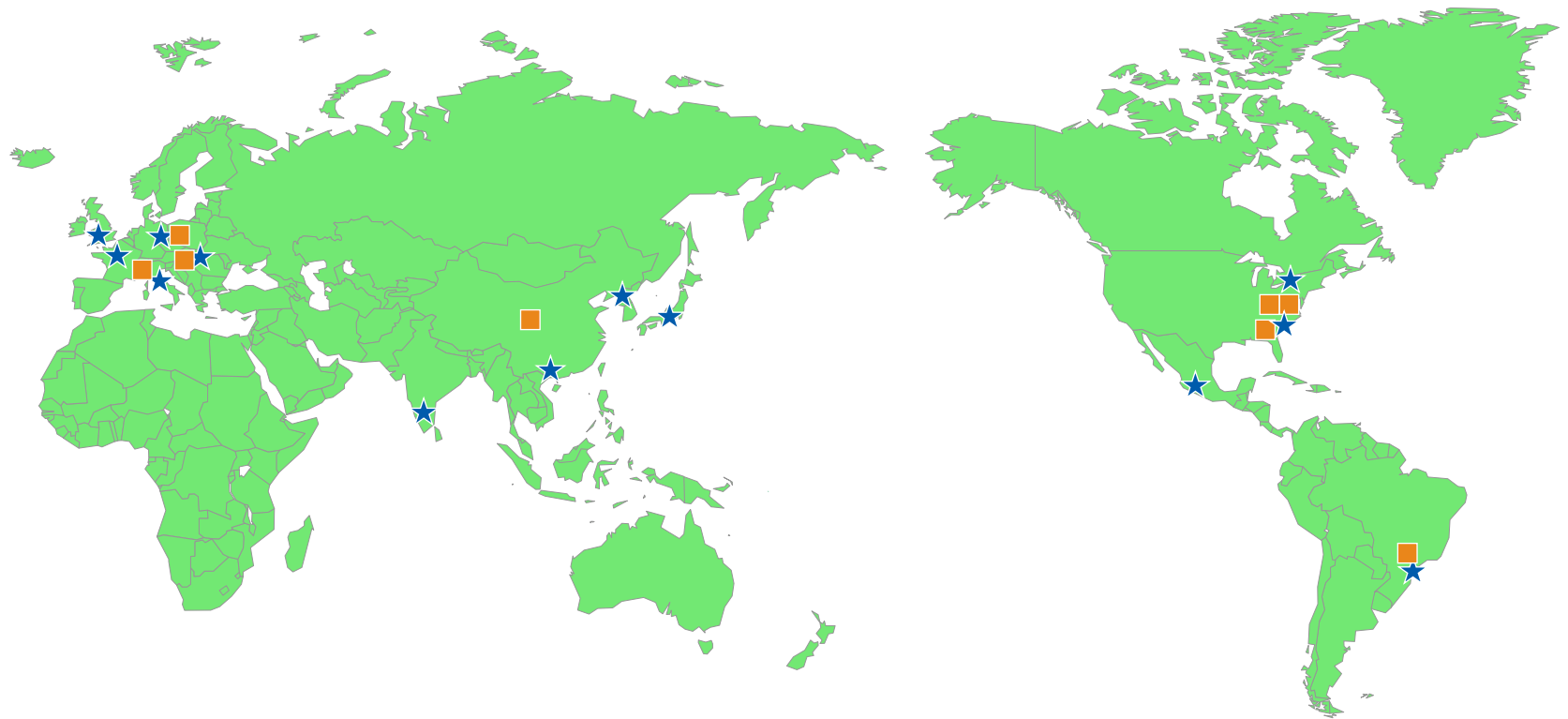
High-performance and sustainable fabrics for proofing against stain, water, smells, static, and bacteria

FXC fabrics

High-performance fabrics for durability, fast-drying, anti-bacteria, waterproof, and stain-resistance

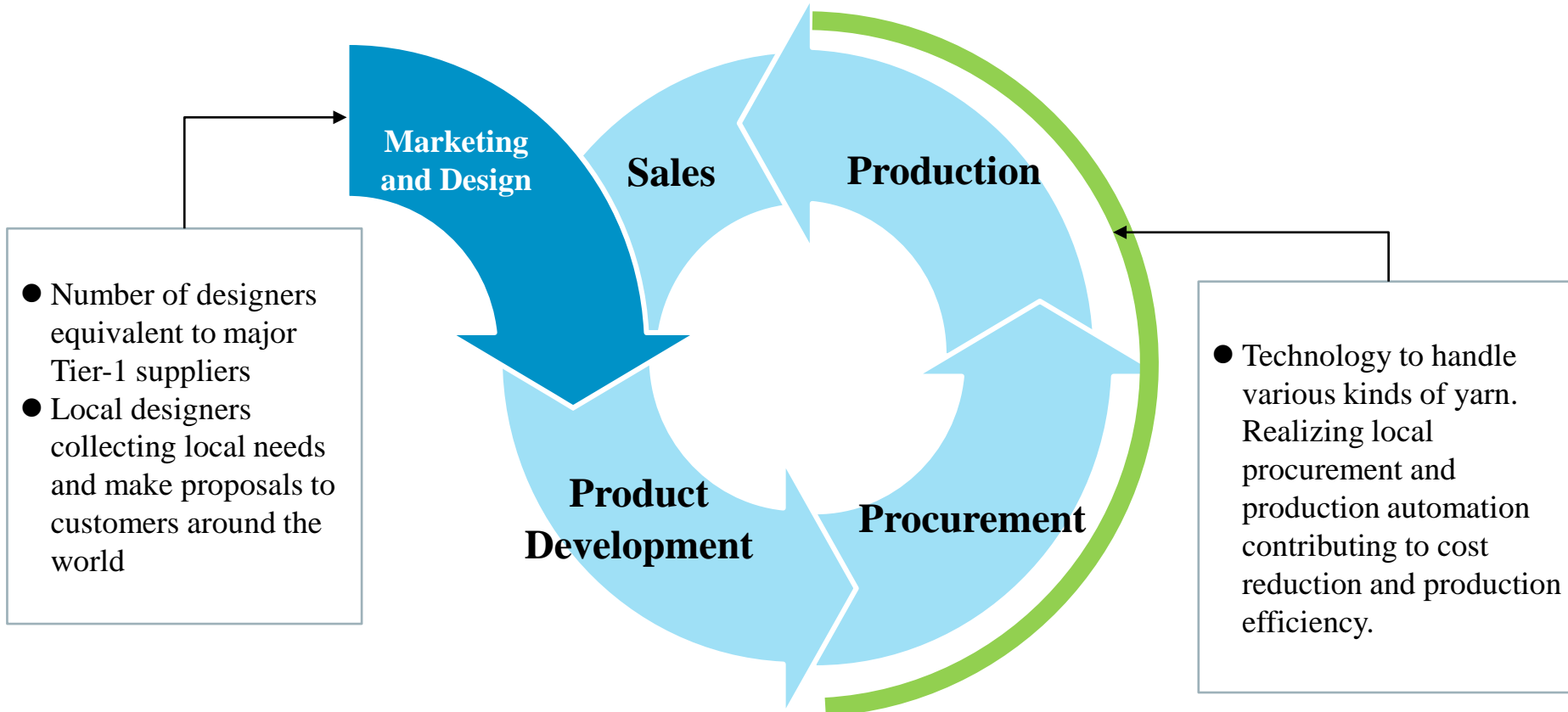
Global business bases of Sage

Sales, manufacturing, and marketing bases in major locations of the automotive industry



Strengths of Sage

Strong presence among automakers and Tier-1 suppliers based on its comprehensive proposal capabilities, advanced design capabilities, and processing technology related to automotive interior material



Synergistic effects of the acquisition

In the short term, reinforcing existing business of both Asahi Kasei and Sage. In the longer term, building new connections throughout the Asahi Kasei Group for expansion of its automotive-related business.

AsahiKASEI

SAGE
Automotive Interiors

Short term

Marketing channels to Japanese automakers

Design proposal capabilities

Business infrastructure in Japan and Asia

Production sites in the US and Europe

Longer term

Wide range of automotive-related products and technology

Access to automakers

Advanced R&D

Advanced marketing/design capabilities

Advanced production technology

Global platform

- ✓ Utilizing Sage's operating bases to expand sales of Asahi Kasei products such as Lamous
- ✓ Utilizing Asahi Kasei's infrastructure and channels to expand Sage's business

- ✓ Proposal of comprehensive vehicle interior solutions
- ✓ Development of next-generation automotive interiors

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Acquisition overview

Transaction price	<ul style="list-style-type: none"> ● Approximately US\$700 million (approx. ¥79.1 billion¹) The acquisition price is US\$1.06 billion including Sage's net interest-bearing debt (The transaction price of approximately \$700 million will change depending on fluctuation of cash and debt balance, working capital, etc., at the time of closing)
Financing	<ul style="list-style-type: none"> ● A combination of cash and new bridge loans to finance the transaction ● Appropriate financing for the optimal financial position to be considered subsequently
Financial impacts	<ul style="list-style-type: none"> ● B/S including details of goodwill and intangible fixed assets, etc. is to be announced after closing ● The D/E ratio would be around 0.3, which is based on B/S at the end of FY 2017, when the D/E ratio was 0.23
Process required to complete the acquisition	<ul style="list-style-type: none"> ● Antitrust filings in each relevant country ● Obtaining approval from the relevant authorities

¹US\$ = ¥113 (as of July 18)

Creating for Tomorrow

The commitment of the Asahi Kasei Group:

To do all that we can in every era to help the people of the world make the most of life and attain fulfillment in living.

Since our founding, we have always been deeply committed to contributing to the development of society, boldly anticipating the emergence of new needs.

This is what we mean by “Creating for Tomorrow.”

AsahiKASEI

Disclaimer

The forecasts and estimates shown in this document are dependent on a variety of assumptions and economic conditions. Plans and figures depicting the future do not imply a guarantee of actual outcomes.