

**Asahi Kasei Corporation**

Head Office: 1-1-2 Yurakucho, Chiyoda-ku, Tokyo, Japan

Security code: 3407

Contact: Corporate Communications, Phone +81-3-6699-3008, Fax +81-3-6699-3187

May 12, 2020

## Consolidated Results for Fiscal 2019: April 1, 2019 – March 31, 2020

(All figures in millions of yen, rounded to the nearest million, unless otherwise specified)

**I. Summary of Consolidated Results**

## 1. Operating results (percent change from previous year in brackets)

	FY 2019	FY 2018
Net sales	2,151,646 [−0.9%]	2,170,403 [+6.3%]
Operating income	177,264 [−15.4%]	209,587 [+5.6%]
Ordinary income	184,008 [−16.4%]	219,976 [+3.5%]
Net income attributable to owners of the parent	103,931 [−29.5%]	147,512 [−13.4%]
Net income per share*	74.85	105.66
Diluted net income per share*	—	—
Net income/shareholders' equity	7.6%	11.1%
Ordinary income/total assets	6.8%	9.0%
Operating income/net sales	8.2%	9.7%

\* Yen

Notes:

- Comprehensive income was ¥37,167 million during fiscal 2019, and ¥148,696 million during fiscal 2018.
- Equity in earnings of affiliates was ¥7,138 million during fiscal 2019, and ¥12,112 million during fiscal 2018.

## 2. Financial position

At fiscal year end March	2020	2019
Total assets	2,797,975	2,575,203
Net assets	1,383,460	1,402,710
Net worth/total assets	48.6%	53.6%
Net worth per share*	979.69	989.51

\* Yen

Notes:

- Net worth consists of shareholders' equity and accumulated other comprehensive income.
- Net worth as of March 31, 2020, was ¥1,359,314 million; as of March 31, 2019, ¥1,381,485 million.

## 3. Cash flows

	FY 2019	FY 2018
Cash flows from operating activities	124,460	212,062
Cash flows from investing activities	(318,156)	(198,917)
Cash flows from financing activities	221,923	17,388
Cash and cash equivalents at end of period	204,771	180,520

## II. Cash Dividends

Fiscal year	Cash dividends per share*					Total annual dividend amount	Dividends/ consolidated net income	Dividends/ consolidated net worth
	Q1	Q2	Q3	Q4	Total annual			
2018	—	17.00	—	17.00	34.00	47,484	32.2%	3.6%
2019	—	18.00	—	16.00	34.00	47,188	45.4%	3.5%
2020	—	—	—	—	—		—	

\* Yen

Forecast of cash dividends for the year ending March 31, 2021, remains indeterminate due to unavailability of a rational performance forecast at the current time.

## III. Forecast for Fiscal 2020 (April 1, 2020 – March 31, 2021)

Forecast of financial results for the year ending March 31, 2021, remains indeterminate due to the difficulty of making a reasonable assessment at the current time. The forecast will be promptly disclosed when it becomes possible to do so.

## IV. Other Information

1. Changes in significant subsidiaries which affected scope of consolidation during the period:

Addition of three new subsidiaries:

Cardiac Science Corporation

Veloxis Pharmaceuticals A/S

Asahi Kasei Pharma Denmark A/S

2. Changes in accounting policies, changes in accounting estimates, and retroactive restatement: None

3. Number of shares outstanding

	2020	2019
Number of shares outstanding at end of period	1,393,932,032	1,402,616,332
Number of shares of treasury stock at end of period	6,440,327	6,491,383
Average number of shares outstanding during period	1,388,564,157	1,396,129,891

## V. Summary of Non-Consolidated Results

### 1. Results for fiscal 2019 (April 1, 2019 – March 31, 2020)

#### (1) Operating results (percent change from previous year in brackets)

	FY 2019	FY 2018
Net sales	599,972 [−9.9%]	665,839 [+7.1%]
Operating income	20,648 [−59.6%]	51,072 [+15.6%]
Ordinary income	76,768 [−28.0%]	106,679 [+13.3%]
Net income	57,873 [−35.2%]	89,279 [+5.9%]
Net income per share*	41.68	63.95
Diluted net income per share*	—	—

\* Yen

#### (2) Financial position

At fiscal year end, March	2020	2019
Total assets	1,919,199	1,759,139
Net assets	744,199	778,223
Net worth/total assets	38.8%	44.2%
Net worth per share*	536.36	557.42

\* Yen

## VI. Overview of Consolidated Results

### 1. Consolidated group results

Operating income increased in the Homes segment with firm performance of real estate operations and in the Health Care segment with steady expansion of critical care operations, while the Material segment was impacted by declining Chinese market growth, slowing automotive markets, lower petrochemical market prices, and, beginning in the fourth quarter, the global economic deterioration caused by the novel coronavirus. Consolidated net sales decreased by ¥18.8 billion from a year ago to ¥2,151.6 billion, operating income decreased by ¥32.3 billion from a year ago to ¥177.3 billion, and ordinary income decreased by ¥36.0 billion from a year ago to ¥184.0 billion. Net income attributable to owners of the parent decreased by ¥43.6 billion to ¥103.9 billion with impairment loss of noncurrent assets and business structure improvement expenses.

### 2. Results by operating segment

The Asahi Kasei Group's operations are described by major business classification: three reportable segments of Material, Homes, and Health Care, together with an "Others" category.

#### MATERIAL

Sales decreased by ¥83.1 billion from a year ago to ¥1,093.1 billion, and operating income decreased by ¥37.2 billion from a year ago to ¥92.4 billion.

**Basic Materials:** Operating income decreased with maintenance shutdown of the naphtha cracker and plants for derivatives, suspension of naphtha cracker operation, lower prices of feedstock such as naphtha resulting in inventory valuation loss by the gross average method, deteriorating terms of trade for various products, and unfavorable currency exchange rates for Korean subsidiary Tongsoh Petrochemical Corp. Ltd.

**Performance Products:** Although consolidation of Sage Automotive Interiors, Inc., made a positive contribution, operating income decreased with lower operation rate, decreased shipments, and deteriorated terms of trade for synthetic rubber, decreased shipments of fiber products and engineering plastics, and increased fixed costs in each business.

**Specialty Solutions:** Although shipments of Hipore™ Li-ion battery separator increased mainly for automotive applications, operating income decreased with lower shipments of

Celgard™ Li-ion battery separator as an effect of energy storage system (ESS) fires in Korea and the appreciation of the yen.

#### HOMES

Sales increased by ¥44.7 billion from a year ago to ¥704.4 billion, and operating income increased by ¥4.5 billion from a year ago to ¥72.7 billion.

Although deliveries of order-built homes decreased and fixed costs such as outsourcing expenses increased in homes operations, operating income increased with higher average unit prices due to increased deliveries of larger homes and with firm performance of the condominiums business in real estate.

#### HEALTH CARE

Sales increased by ¥21.6 billion from a year ago to ¥337.8 billion, and operating income increased by ¥1.7 billion from a year ago to ¥43.5 billion.

Operating income increased with firm performance in critical care operations and lower fixed costs in pharmaceutical operations.

#### OTHERS

Sales decreased by ¥2.0 billion from a year ago to ¥16.3 billion, and operating income increased by ¥0.8 billion from a year ago to ¥3.2 billion.

## VII. Consolidated Financial Statements

### 1. Balance sheets

	At end of March 2019	At end of March 2020
<b>Assets</b>		
Current assets		
Cash and deposits	193,893	207,957
Notes and accounts receivable–trade	350,716	330,999
Merchandise and finished goods	201,699	216,463
Work in process	131,686	160,064
Raw materials and supplies	93,961	101,313
Other	82,900	92,153
Allowance for doubtful accounts	(3,461)	(1,519)
Total current assets	1,051,393	1,107,430
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	547,422	563,110
Accumulated depreciation	(294,536)	(305,259)
Buildings and structures, net	252,886	257,851
Machinery, equipment and vehicles	1,439,166	1,466,958
Accumulated depreciation	(1,222,201)	(1,243,780)
Machinery, equipment and vehicles, net	216,966	223,179
Land	63,889	67,024
Lease assets	10,159	9,645
Accumulated depreciation	(9,423)	(8,964)
Lease assets, net	736	681
Construction in progress	64,188	75,487
Other	160,631	172,674
Accumulated depreciation	(137,930)	(143,210)
Other, net	22,701	29,464
Subtotal	621,366	653,686
Intangible assets		
Goodwill	319,898	469,535
Other	210,080	215,947
Subtotal	529,978	685,482
Investments and other assets		
Investment securities	296,330	244,581
Long-term loans receivable	19,993	7,951
Long-term advance payments–trade	—	20,467
Deferred tax assets	27,508	49,929
Other	29,052	28,883
Allowance for doubtful accounts	(418)	(435)
Subtotal	372,465	351,377
Total noncurrent assets	1,523,810	1,690,545
Total assets	2,575,203	2,797,975

	At end of March 2019	At end of March 2020
Liabilities		
Current liabilities		
Notes and accounts payable–trade	180,429	131,207
Short-term loans payable	97,579	275,671
Commercial paper	77,000	139,000
Current portion of bonds payable	20,000	—
Lease obligations	164	1,006
Accrued expenses	113,221	121,520
Income taxes payable	24,971	18,145
Advances received	75,836	73,623
Provision for grant of shares	82	78
Provision for periodic repairs	5,342	4,043
Provision for product warranties	3,102	3,738
Provision for removal cost of property, plant and equipment	2,251	2,640
Other	81,877	71,863
Total current liabilities	681,853	842,531
Noncurrent liabilities		
Bonds payable	20,000	60,000
Long-term loans payable	209,878	229,172
Lease obligations	253	3,506
Deferred tax liabilities	48,299	46,298
Provision for grant of shares	289	412
Provision for periodic repairs	2,929	4,560
Provision for removal cost of property, plant and equipment	3,018	5,771
Net defined benefit liability	168,685	174,365
Long-term guarantee deposits	21,143	21,613
Other	16,145	26,287
Total noncurrent liabilities	490,639	571,985
Total liabilities	1,172,493	1,414,515
Net assets		
Shareholders' equity		
Capital stock	103,389	103,389
Capital surplus	79,708	79,641
Retained earnings	1,077,586	1,125,738
Treasury stock	(3,936)	(5,990)
Total shareholders' equity	1,256,747	1,302,777
Accumulated other comprehensive income		
Net unrealized gain on other securities	101,971	67,027
Deferred gains or losses on hedges	(40)	(241)
Foreign currency translation adjustment	42,020	13,027
Remeasurements of defined benefit plans	(19,213)	(23,275)
Total accumulated other comprehensive income	124,738	56,538
Non-controlling interests	21,225	24,145
Total net assets	1,402,710	1,383,460
Total liabilities and net assets	2,575,203	2,797,975

## 2. Statements of income and statements of comprehensive income

### (1) Statements of income

	FY 2018	FY 2019
Net sales	2,170,403	2,151,646
Cost of sales	1,481,855	1,476,606
Gross profit	688,548	675,040
Selling, general and administrative expenses	478,960	497,776
Operating income	209,587	177,264
Non-operating income		
Interest income	3,094	2,769
Dividends income	6,060	5,251
Equity in earnings of affiliates	12,112	7,138
Other	4,238	5,320
Total non-operating income	25,504	20,479
Non-operating expenses		
Interest expense	4,371	4,016
Foreign exchange loss	2,686	2,328
Costs of idle facilities	989	1,642
Other	7,069	5,750
Total non-operating expenses	15,115	13,735
Ordinary income	219,976	184,008
Extraordinary income		
Gain on sales of investment securities	11,580	13,679
Gain on sales of noncurrent assets	655	4,268
Total extraordinary income	12,235	17,948
Extraordinary loss		
Loss on valuation of investment securities	173	1,953
Loss on disposal of noncurrent assets	6,630	9,668
Impairment losses	11,090	21,949
Loss on disaster	—	2,437
Loss on product compensation	—	5,173
Business structure improvement expenses	3,921	4,840
Total extraordinary loss	21,814	46,022
Income before income taxes	210,397	155,934
Income taxes—current	63,730	54,173
Income taxes—deferred	(3,148)	(3,967)
Total income taxes	60,582	50,206
Net income	149,815	105,728
Net income attributable to non-controlling interests	2,303	1,797
Net income attributable to owners of the parent	147,512	103,931

(2) Statements of comprehensive income

	FY 2018	FY 2019
Net income	149,815	105,728
Other comprehensive income		
Net increase (decrease) in unrealized gain on other securities	(19,058)	(34,895)
Deferred gains or losses on hedges	(132)	(201)
Foreign currency translation adjustment	12,464	(26,115)
Remeasurements of defined benefit plans	4,311	(3,867)
Share of other comprehensive income of affiliates accounted for using equity method	1,297	(3,482)
Total other comprehensive income	(1,119)	(68,561)
Comprehensive income	148,696	37,167
Comprehensive income attributable to:		
Owners of the parent	146,339	35,730
Non-controlling interests	2,357	1,437



### 3. Statements of changes in net assets

	FY 2018	FY 2019
Shareholders' equity		
Capital stock		
Balance at beginning of fiscal year	103,389	103,389
Balance at end of fiscal year	103,389	103,389
Capital surplus		
Balance at beginning of fiscal year	79,440	79,708
Changes during the fiscal year		
Disposal of treasury stock	6	0
Cancellation of treasury stock	—	(7,878)
Transfer from retained earnings to capital surplus	—	7,856
Capital increase of consolidated subsidiaries	262	(46)
Total changes of items during the period	268	(67)
Balance at end of fiscal year	79,708	79,641
Retained earnings		
Balance at beginning of fiscal year	981,934	1,077,586
Changes during the fiscal year		
Dividends from surplus	(51,674)	(48,723)
Net income attributable to owners of the parent	147,512	103,931
Transfer from retained earnings to capital surplus	—	(7,856)
Change of scope of consolidation	(187)	801
Total changes of items during the period	95,652	48,152
Balance at end of fiscal year	1,077,586	1,125,738
Treasury stock		
Balance at beginning of fiscal year	(3,930)	(3,936)
Changes during the fiscal year		
Purchase of treasury stock	(40)	(10,016)
Disposal of treasury stock	34	83
Cancellation of treasury stock	—	7,878
Total changes of items during the period	(6)	(2,055)
Balance at end of fiscal year	(3,936)	(5,990)
Total shareholders' equity		
Balance at beginning of fiscal year	1,160,833	1,256,747
Changes during the fiscal year		
Dividends from surplus	(51,674)	(48,723)
Net income attributable to owners of the parent	147,512	103,931
Purchase of treasury stock	(40)	(10,016)
Disposal of treasury stock	40	84
Change of scope of consolidation	(187)	801
Capital increase of consolidated subsidiaries	262	(46)
Total changes of items during the period	95,914	46,030
Balance at end of fiscal year	1,256,747	1,302,777

	FY 2018	FY 2019
Accumulated other comprehensive income		
Net unrealized gain on other securities		
Balance at beginning of fiscal year	121,128	101,971
Changes during the fiscal year		
Net changes of items other than shareholders' equity	(19,157)	(34,945)
Total changes of items during the period	(19,157)	(34,945)
Balance at end of fiscal year	101,971	67,027
Deferred gains or losses on hedges		
Balance at beginning of fiscal year	92	(40)
Changes during the fiscal year		
Net changes of items other than shareholders' equity	(132)	(201)
Total changes of items during the period	(132)	(201)
Balance at end of fiscal year	(40)	(241)
Foreign currency translation adjustment		
Balance at beginning of fiscal year	28,676	42,020
Changes during the fiscal year		
Net changes of items other than shareholders' equity	13,344	(28,993)
Total changes of items during the period	13,344	(28,993)
Balance at end of fiscal year	42,020	13,027
Remeasurements of defined benefit plans		
Balance at beginning of fiscal year	(23,343)	(19,213)
Changes during the fiscal year		
Net changes of items other than shareholders' equity	4,130	(4,062)
Total changes of items during the period	4,130	(4,062)
Balance at end of fiscal year	(19,213)	(23,275)
Total accumulated other comprehensive income		
Balance at beginning of fiscal year	126,553	124,738
Changes during the fiscal year		
Net changes of items other than shareholders' equity	(1,815)	(68,200)
Total changes of items during the period	(1,815)	(68,200)
Balance at end of fiscal year	124,738	56,538
Non-controlling interests		
Balance at beginning of fiscal year	17,827	21,225
Changes during the fiscal year		
Net changes of items other than shareholders' equity	3,398	2,920
Total changes of items during the period	3,398	2,920
Balance at end of fiscal year	21,225	24,145
Total net assets		
Balance at beginning of fiscal year	1,305,214	1,402,710
Changes during the fiscal year		
Dividends from surplus	(51,674)	(48,723)
Net income attributable to owners of the parent	147,512	103,931
Purchase of treasury stock	(40)	(10,016)
Disposal of treasury stock	40	84
Change of scope of consolidation	(187)	801
Capital increase of consolidated subsidiaries	262	(46)
Net changes of items other than shareholders' equity	1,582	(65,280)
Total changes of items during the period	97,496	(19,250)
Balance at end of fiscal year	1,402,710	1,383,460

#### 4. Statements of cash flows

	FY 2018	FY 2019
Cash flows from operating activities		
Income before income taxes	210,397	155,934
Depreciation and amortization	84,556	96,016
Impairment loss	11,090	21,949
Amortization of goodwill	19,490	22,288
Amortization of negative goodwill	(159)	(79)
Increase in provision for grant of shares	170	119
Increase in provision for periodic repairs	1,823	332
Increase in provision for product warranties	364	640
Increase in provision for removal cost of property, plant and equipment	145	3,141
Decrease in net defined benefit liability	(4,287)	(4,069)
Interest and dividend income	(9,154)	(8,021)
Interest expense	4,371	4,016
Equity in earnings of affiliates	(12,112)	(7,138)
Gain on sales of investment securities	(11,580)	(13,679)
Loss on valuation of investment securities	173	1,953
Gain on sale of property, plant and equipment	(655)	(4,268)
Loss on disposal of noncurrent assets	6,630	9,668
Decrease in notes and accounts receivable–trade	3,942	16,919
Increase in inventories	(57,968)	(51,950)
Decrease in notes and accounts payable–trade	(776)	(45,562)
Increase in accrued expenses	5,859	2,624
Increase (decrease) in advances received	5,266	(1,925)
Other, net	15,328	(20,688)
Subtotal	272,914	178,218
Interest and dividend income, received	11,247	10,834
Interest expense paid	(4,412)	(4,203)
Income taxes paid	(67,687)	(60,388)
Net cash provided by operating activities	212,062	124,460
Cash flows from investing activities		
Payments into time deposits	(13,812)	(4,195)
Proceeds from withdrawal of time deposits	7,880	13,343
Purchase of property, plant and equipment	(114,718)	(138,354)
Proceeds from sales of property, plant and equipment	652	5,693
Purchase of intangible assets	(10,136)	(16,096)
Purchase of investment securities	(2,624)	(10,820)
Proceeds from sales of investment securities	17,030	23,543
Purchase of shares in subsidiaries resulting in change in scope of consolidation	(93,487)	(175,759)
Payments for transfer of business	(2,764)	(1,964)
Payments of loans receivable	(5,092)	(23,170)
Collection of loans receivable	18,813	9,253
Other, net	(659)	369
Net cash used in investing activities	(198,917)	(318,156)

	FY 2018	FY 2019
Cash flows from financing activities		
Net (decrease) increase in short-term loans payable	(36,840)	172,022
Increase in commercial paper	57,000	62,000
Proceeds from long-term loans payable	85,492	45,816
Repayment of long-term loans payable	(53,833)	(17,586)
Proceeds from issuance of bonds payable	20,000	40,000
Redemption of bonds	—	(20,000)
Repayments of lease obligations	(237)	(1,276)
Purchase of treasury stock	(40)	(10,016)
Proceeds from disposal of treasury stock	40	84
Proceeds from share issuance to non-controlling interests	—	849
Cash dividends paid	(51,674)	(48,723)
Cash dividends paid to non-controlling interests	(1,155)	(1,052)
Purchase of shares in subsidiaries not resulting in change in scope of consolidation	(1,148)	—
Other, net	(217)	(194)
Net cash provided by financing activities	17,388	221,923
Effect of exchange rate change on cash and cash equivalents	543	(4,060)
Net increase in cash and cash equivalents	31,077	24,167
Cash and cash equivalents at beginning of period	148,596	180,520
Increase in cash and cash equivalents resulting from changes in scope of consolidation	846	85
Cash and cash equivalents at end of period	180,520	204,771

## VIII. Business combinations

### Business combinations by purchase

#### 1) Cardiac Science Corporation

##### 1. Outline of business combination

##### (1) Name and nature of business of counterparty

Name of acquired company: Cardiac Science Corporation

Nature of business: Development, manufacture, and sale of AEDs

##### (2) Main reasons for the acquisition

To expand the AED product lineup and to obtain the sales network of Cardiac Science Corporation with strength in commercial facilities, etc.

##### (3) Acquisition date

August 26, 2019

##### (4) Statutory form of business combination

Stock purchase for cash as consideration

##### (5) Name of company after transaction

Cardiac Science Corporation

##### (6) Acquired voting right

Voting right before the acquisition: 0%

Voting right after the acquisition: 100%

- (7) Grounds for determining acquiring company  
Stock purchase for cash as consideration by a consolidated subsidiary
2. The period of acquiree's results included in the consolidated financial statements  
From August 26, 2019, to March 31, 2020
3. Cost of acquisition and details  
Stock purchase price: ¥29,063 million  
Purchase price: ¥29,063 million
4. Major acquisition related costs  
Advisory fees and others: ¥253 million
5. Amount of goodwill, measurement principle, amortization method, and useful life  
a) Amount of goodwill: ¥17,635 million  
b) Measurement principle:  
Goodwill is measured as the excess of the purchase price over the fair value of identifiable assets acquired and liabilities assumed  
c) Amortization method and useful life:  
Straight-line method over 10 years
6. Details of assets acquired and liabilities assumed as of the acquisition date
- |                               |                        |
|-------------------------------|------------------------|
| Current assets                | ¥2,870 million         |
| <u>Noncurrent assets</u>      | <u>¥13,860 million</u> |
| <u>Total assets</u>           | <u>¥16,730 million</u> |
| Current liabilities           | ¥2,848 million         |
| <u>Noncurrent liabilities</u> | <u>¥2,455 million</u>  |
| <u>Total liabilities</u>      | <u>¥5,302 million</u>  |
7. Amount of identifiable intangible assets other than goodwill, its details and major weighted average useful life
- a) Purchased price allocated to intangible assets and its major items
- |                           |                 |
|---------------------------|-----------------|
| Customer-related assets   | ¥10,636 million |
| Trademark rights          | ¥2,028 million  |
| Technology-related assets | ¥494 million    |
- b) Major weighted average useful life
- |                                  |                 |
|----------------------------------|-----------------|
| Customer-related assets          | 14 years        |
| Trademark rights                 | 10 years        |
| <u>Technology-related assets</u> | <u>10 years</u> |
| Total                            | 13 years        |
8. Pro forma effects on the consolidated statements of income assuming the business combination had been completed at the beginning of fiscal year, and method of calculation thereof  
Information is omitted due to immateriality. This note is not subject to audit.

## 2) Veloxis Pharmaceuticals A/S

### 1. Outline of business combination

#### (1) Name and nature of business of counterparty

Name of acquired company: Veloxis Pharmaceuticals A/S

Nature of business: R&D, manufacture, and sale of pharmaceuticals and medical care related products, and ancillary operations

#### (2) Main reasons for the acquisition

The acquisition of Veloxis provides Asahi Kasei with a U.S. pharmaceutical business platform. By maximizing the value of both the existing and acquired pharmaceutical businesses, Asahi Kasei transforms into a Global Health Care Company in both pharmaceutical and medical device businesses, which will remain committed to accelerating its growth in Health Care and contributing to a sustainable increase in its corporate value. Asahi Kasei aims to achieve the following synergies through the acquisition.

- a) Enhance licensing activity to obtain new pharmaceuticals as growth drivers by leveraging Asahi Kasei's business platform in Japan and Asia together with Veloxis' business platform in the U.S.
- b) Discover and develop new pipeline opportunities that will meet high unmet medical need by combining Asahi Kasei's drug discovery capabilities and Veloxis' ability to identify medical needs in the U.S.
- c) Accelerate the creation of new health care business by leveraging access to innovation and clinical practices in the U.S.

#### (3) Acquisition date

January 23, 2020

#### (4) Statutory form of business combination

Stock purchase for cash as consideration

#### (5) Name of company after transaction

Veloxis Pharmaceuticals A/S

#### (6) Acquired voting right

Voting right before the acquisition: 2.2%

Voting right after the acquisition: 100.0%

#### (7) Grounds for determining acquiring company

Stock purchase for cash as consideration by a special purpose subsidiary

### 2. The period of acquiree's results included in the consolidated financial statements

As the deemed acquisition is the end of the consolidated fiscal year, earnings of the acquired company are not included.

### 3. Cost of acquisition and details

Stock purchase price: ¥147,220 million

Purchase price: ¥147,220 million

### 4. Major acquisition related costs

Advisory fees and others: ¥2,105 million

### 5. Amount of goodwill, measurement principle, amortization method, and useful life

#### a) Amount of goodwill: ¥149,100 million

Note that the above figure is based on provisional calculation, as purchase price allocation has not been completed due to the short period between the acquisition date and the financial closing date precluding the completion of the process to determine and estimate the price of identifiable assets and liabilities as of the acquisition date.

b) Measurement principle:

Goodwill is measured as the excess of the purchase price over the fair value of identifiable assets acquired and liabilities assumed

c) Amortization method and useful life:

Not determined at this time.

6. Details of assets acquired and liabilities assumed as of the acquisition date

Current assets	¥11,012 million
<u>Noncurrent assets</u>	<u>¥5,630 million</u>
<u>Total assets</u>	<u>¥16,641 million</u>
Current liabilities	¥20,100 million
<u>Noncurrent liabilities</u>	<u>¥30 million</u>
<u>Total liabilities</u>	<u>¥20,130 million</u>

7. Pro forma effects on the consolidated statements of income assuming the business combination had been completed at the beginning of fiscal year, and method of calculation thereof

Information is omitted due to immateriality. This note is not subject to audit.

## IX. Segment Information

### 1. Reporting segments

#### (1) Fiscal 2018

	Reporting segments				Others <sup>1</sup>	Total
	Material	Homes	Health Care	Subtotal		
<i>Sales</i>						
Customers	1,176,217	659,754	316,166	2,152,138	18,265	2,170,403
Intersegment	5,066	207	34	5,307	31,359	36,666
Total	1,181,283	659,961	316,201	2,157,445	49,624	2,207,069
Operating income	129,565	68,161	41,825	239,551	2,411	241,962
Assets	1,492,277	523,692	472,846	2,488,815	84,873	2,573,688
<i>Other items</i>						
Depreciation and amortization <sup>2</sup>	50,471	9,069	18,042	77,582	1,375	78,957
Amortization of goodwill	10,700	15	8,774	19,490	—	19,490
Investments in associates accounted for using equity method	55,424	11,671	226	67,321	19,424	86,745
Increase in property, plant and equipment, and intangible assets	86,640	17,613	17,306	121,558	1,624	123,182

<sup>1</sup> Plant and environmental engineering, research and analysis, employment agency/staffing operations, etc.

<sup>2</sup> Excluding amortization of goodwill.

#### (2) Fiscal 2019

	Reporting segments				Others <sup>1</sup>	Total
	Material	Homes	Health Care	Subtotal		
<i>Sales</i>						
Customers	1,093,145	704,423	337,788	2,135,356	16,290	2,151,646
Intersegment	5,105	123	11	5,240	36,645	41,884
Total	1,098,249	704,546	337,799	2,140,595	52,935	2,193,530
Operating income	92,365	72,711	43,506	208,582	3,177	211,758
Assets	1,481,133	551,515	679,472	2,712,120	84,093	2,796,213
<i>Other items</i>						
Depreciation and amortization <sup>2</sup>	58,561	10,545	19,268	88,374	1,472	89,845
Amortization of goodwill	12,072	60	10,156	22,288	—	22,288
Investments in associates accounted for using equity method	56,902	9,543	1,500	67,945	18,388	86,333
Increase in property, plant and equipment, and intangible assets	104,466	18,208	15,943	138,616	2,175	140,792

<sup>1</sup> Plant and environmental engineering, research and analysis, employment agency/staffing operations, etc.

<sup>2</sup> Excluding amortization of goodwill.



2. Differences between total amounts of reporting segments and recorded amounts on consolidated financial statements

Sales	Fiscal 2018	Fiscal 2019
Total of reporting segments	2,157,445	2,140,595
Net sales in “Others” category	49,624	52,935
Elimination of intersegment transactions	(36,666)	(41,884)
Net sales on consolidated statements of income	2,170,403	2,151,646

Operating income	Fiscal 2018	Fiscal 2019
Total of reporting segments	239,551	208,582
Operating income in “Others” category	2,411	3,177
Elimination of intersegment transactions	(133)	303
Corporate expenses, etc.*	(32,241)	(34,797)
Operating income on consolidated statements of income	209,587	177,264

\* Corporate expenses, etc. include corporate revenue, basic research expense, and group management expense, etc. which are not allocated to reporting segments.

Assets	Fiscal 2018	Fiscal 2019
Total of reporting segments	2,488,815	2,712,120
Assets in “Others” category	84,873	84,093
Elimination of intersegment transactions	(425,141)	(589,354)
Corporate assets*	426,656	591,115
Total assets on consolidated balance sheets	2,575,203	2,797,975

\* Corporate assets include assets of Asahi Kasei Corp.—surplus operating funds (cash and deposits), long-term investment capital (investment securities, etc.), and land, etc.

## X. Geographic information

### 1. Fiscal 2018

#### (1) Net sales

Japan	United States	China	Other regions	Total
1,311,136	227,993	211,504	419,770	2,170,403

#### (2) Property, plant and equipment

Japan	United States	Other regions	Total
428,900	104,413	88,053	621,366

### 2. Fiscal 2019

#### (1) Net sales

Japan	United States	China	Other regions	Total
1,290,077	269,481	188,553	403,535	2,151,646

#### (2) Property, plant and equipment

Japan	United States	Other regions	Total
477,359	105,925	70,403	653,686

## **XI. Additional information**

Acquisition of stocks and assets of automotive fabrics business of Adient, plc

Sage Automotive Interiors, Inc., an Asahi Kasei subsidiary, concluded an agreement with Adient, plc on March 5, 2020, to acquire Adient's automotive fabrics business for \$175 million. Completion of the acquisition is subject to obtaining regulatory clearance and other customary closing conditions.

(1) Objective of the acquisition of stocks and assets

Centered in the US, Sage develops, manufactures, and sells various fabric materials for automotive interiors, and is one of the world's leading suppliers of vehicle seat fabric with a firm established presence among automotive OEMs and Tier-1 suppliers. To facilitate further growth, Sage had sought to expand its footprint in Europe, the largest market for automotive interior fabric and the source of innovative automotive trends.

By acquiring Adient's automotive fabrics business, Sage will gain several operating sites around the world centered in Europe. The business to be acquired has a strong reputation for design and quality among Europe's major vehicle manufacturers, and is one of the leading suppliers in the European market for automotive seat fabric.

The agreement for the acquisition was reached based on a recognition that Adient's automotive fabrics business with its strengths in marketing, manufacturing, and development centered in Europe would complement Sage's strengths and enable the combined business to create positive synergies while further expanding in Europe.

By advancing its regional strategy and product strategy around the world to reinforce its position as one of the leading suppliers of vehicle seat fabric and strengthen its relationships with automotive OEMs in each region, Sage is expected to make a growing contribution to the Asahi Kasei Group's overall expansion of business in the automotive field.

(2) Name of counterparty to acquisition of stocks and assets

Adient, plc

(3) Profile of the targeted business

With this acquisition, assets related to the automotive fabric business and stocks comprising the business will be purchased.

(4) Purchase price (reference value)

\$175 million

Note: The actual purchase price is subject to change due to the balance of cash and cash equivalents, borrowings, etc., as well as increase/decrease of working capital at the time of closing.

(5) Method of raising funds

Cash on hand and borrowing