

Asahi Kasei Corp.  
February 8, 2023

## **Asahi Kasei and Mitsui Chemicals agree to combine their spunbond nonwovens businesses in a new joint venture**

Asahi Kasei's Board of Directors today approved a Final Agreement regarding the transfer of business related to the development, manufacture, and sale of spunbond nonwoven products<sup>1</sup> (The Business<sup>2</sup>) to a newly established joint venture company to be established by joint incorporation-type company separation (The Separation) with Mitsui Chemicals, Inc., with an Effective Date scheduled for October 2, 2023.

Mitsui Chemicals is also scheduled to transfer its business related to the development, manufacture, and sale of spunbond and other nonwoven products to the new joint venture company by The Separation.

The Separation is conditional upon receipt of necessary regulatory clearances, approvals, etc., based on competition laws, etc., in Japan and Thailand.

As The Separation is a simplified incorporation-type company separation for Asahi Kasei in accordance with the Article 805 of Japan's Companies Act, certain items and content are omitted from this disclosure.

<sup>1</sup> Spunbond nonwoven products are widely used as materials in various fields for sanitary use such as diapers and masks, for industrial use such as automotive interiors, construction, and filters, and for consumer products such as hand warmers and tea bags. Filter systems using nonwovens are also included.

<sup>2</sup> Including all shares of consolidated subsidiary Asahi Kasei Spunbond (Thailand) Co., Ltd. held by Asahi Kasei; excluding the manufacturing operations of the spunbond plant in Moriyama, Shiga, Japan (Moriyama Spunbond Plant). The Final Agreement with Mitsui Chemicals provides for the manufacturing operations of the Moriyama Spunbond Plant to be transferred to the new joint-venture company by absorption-type separation upon completion of necessary preparations such as IT system deployment.

### 1. Purpose of The Separation

Asahi Kasei began the manufacture and sale of spunbond nonwoven fabric products in 1973, and currently operates the business internationally. By leveraging technology cultivated over many years in its fibers business, Asahi Kasei developed many original products that are used by customers in a wide range of applications in sanitary, industrial, and consumer material fields. Proactive overseas expansion includes the establishment of a manufacturing and sales base in Thailand in 2012.

Mitsui Chemicals also performs the development, manufacture, and sale of spunbond products around the world. Since it began manufacturing and selling spunbond fabrics in 1971, Mitsui Chemicals has leveraged its strength of integrated development and manufacturing from upstream raw materials to develop and sell distinctive spunbond products for sanitary applications, oil absorption in industrial fields, automotive interiors, civil engineering, filters, etc. Proactive overseas expansion includes the establishment of a manufacturing and sales base in Thailand in 2001.

With increasing demand for spunbond nonwoven fabric products around the world, Asahi Kasei and Mitsui Chemicals have each pursued independent business strategies and advanced various measures to expand business by increasing production capacity and developing new products while improving quality and streamlining operations.

In Asia, competition in the spunbond nonwovens market is expected to intensify further due to the continued establishment and expansion of production capacity by competing manufacturers, as well as the effect of elimination of tariffs due to the Regional Comprehensive Economic Partnership (RCEP) for East Asia. Asahi Kasei considers maintaining competitiveness and stable earnings while continuously expanding the businesses to be of critical importance. Furthermore, there is a need to quickly raise sustainability and resilience aspects of the business, as expectations of society regarding the environment and stable supply increase year by year.

Under these circumstances, Asahi Kasei and Mitsui Chemicals held successive discussions on measures and possibilities for strengthening the spunbond business, which led to the conclusion that transforming it into a sustainable growth business by combining the spunbond businesses of both companies would be the best solution.

Moving forward, the combined business will aim to achieve continuous growth and contribute to sustainability as a leading spunbond manufacturer in Asia by strengthening and expanding business foundations in Asia and enhancing competitiveness by integrating the proprietary technologies and expertise of both parent companies from raw materials development to product development.

## 2. Overview of The Separation

### 1) Schedule of The Separation<sup>3</sup>

Authorization by Board of Directors:	February 8, 2023 (today)
Execution of Final Agreement:	February 8, 2023 (today)
Effective Date of The Separation	October 2, 2023 (scheduled)

<sup>3</sup> As The Separation corresponds to a simplified incorporation-type company separation for both Asahi Kasei and Mitsui Chemicals in accordance with the Article 805 of Japan's Companies Act, it does not require approval by a General Meeting of Shareholders of either Asahi Kasei or Mitsui Chemicals.

### 2) Method of The Separation

The Separation will take the form of a joint incorporation-type company separation, with Asahi Kasei and Mitsui Chemicals as the separating companies and Mitsui Chemicals Asahi Life Materials Co., Ltd. as the succeeding company.

### 3) Allocation related to The Separation

Asahi Kasei will own 39,375 shares of the new company while Mitsui Chemicals will own 60,625 shares.

### 4) Share warrants and bonds with share warrants with The Separation

None.

### 5) Reduction of paid-in capital due to The Separation

No reduction of paid-in capital for either Asahi Kasei or Mitsui Chemicals.

### 6) Rights and obligations succeeding to the succeeding company

Through The Separation, Asahi Kasei and Mitsui Chemicals will transfer, among the assets, liabilities, and other rights and obligations of The Business, those which are stipulated in the Final Agreement to be succeeded to the new company.

### 7) Outlook for fulfillment of obligations

It is judged that there is no issue regarding the outlook for fulfillment of obligations by the new company after the Effective Date of The Separation.

## 3. Calculation of share allocation for The Separation

The calculation of allocation of shares for The Separation has been determined through discussion with Mitsui Chemicals by calculating share value in consideration of the business value of the relevant businesses of both companies based on future business growth prospects as well as interest-bearing debt, and cash and cash equivalents.

#### 4. Corporate profile of parties to The Separation

1) Company name	Asahi Kasei Corp.	Mitsui Chemicals, Inc.
2) Location	1-1-2 Yurakucho, Chiyoda-ku, Tokyo, Japan	1-5-2 Higashi-Shimbashi, Minato-ku, Tokyo, Japan
3) Name and position of representative	Koshiro Kudo, President & Representative Director	Osamu Hashimoto, President & CEO
4) Business field	Diversified chemicals	Diversified chemicals
5) Paid-in capital	¥103,389 million (as of September 30, 2022)	¥125,572 million (as of December 31, 2022)
6) Date of establishment	May 21, 1931	July 1, 1955
7) Outstanding shares	1,393,932,032 (as of September 30, 2022)	200,763,815 (as of December 31, 2022)
8) Fiscal year end	March 31	March 31
9) Largest shareholders and percentage of equity	<p>The Master Trust Bank of Japan, Ltd. (trust account): 17.25%</p> <p>Custody Bank of Japan, Ltd. (trust account): 6.21%</p> <p>JP Morgan Chase Bank 385632: 3.06%</p> <p>Nippon Life Insurance Company: 2.95%</p> <p>Asahi Kasei Group Employee Stockholding Association: 2.63%</p> <p>Sumitomo Mitsui Banking Corp.: 1.83%</p> <p>State Street Bank West Client — Treaty 505234: 1.61%</p> <p>Mizuho Trust &amp; Banking Co., Ltd. retirement benefit trust (Mizuho Bank account) Trustee of sub-trust: Custody Bank of Japan, Ltd.: 1.43%</p> <p>Sumitomo Life Insurance Company: 1.43%</p> <p>Custody Bank of Japan, Ltd. (trust account 4): 1.33%</p> <p>(as of September 30, 2022) Note: percentage of equity ownership after exclusion of</p>	<p>The Master Trust Bank of Japan, Ltd. (trust account): 17.96%</p> <p>Custody Bank of Japan, Ltd. (trust account): 10.21%</p> <p>J.P. Morgan Japan 2.04%</p> <p>Mitsui &amp; Co., Ltd. 1.79%</p> <p>Custody Bank of Japan, Ltd. (Mitsui &amp; Co., Ltd. Retirement Benefit Trust Account re-entrusted by Sumitomo Mitsui Trust Bank, Limited.): 1.79%</p> <p>State Street Bank West Client — Treaty 505234: 1.59%</p> <p>Custody Bank of Japan, Ltd. (trust account 4): 1.49%</p> <p>Mitsui Chemicals client stock ownership: 1.34%</p> <p>Sumitomo Mitsui Banking Corp.: 1.34%</p> <p>Norinchukin Bank 1.31%</p> <p>(as of September 30, 2022) Note: percentage of equity ownership after exclusion of treasury stock.</p>

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10) Financial position and earnings in previous fiscal year

Asahi Kasei Corp. (consolidated, JGAAP, fiscal year ended March 31, 2022)	
Net assets	¥1,718,815 million
Total assets	¥3,349,075 million
Net worth per share	¥1,216.33
Net sales	¥2,461,317 million
Operating income	¥202,647 million
Ordinary income	¥212,052 million
Net income attributable to owners of the parent	¥161,880 million
Net income per share	¥116.68

Mitsui Chemicals, Inc. (consolidated, IFRS, fiscal year ended March 31, 2022)	
Total equity	¥807,122 million
Total assets	¥1,934,965 million
Equity attributable to owners of the parent per share	¥3,688
Sales revenue	¥1,612,688 million
Segment income (Operating income before special items)	¥161,815 million
Operating income	¥147,310 million
Net income attributable to owners of the parent	¥109,990 million
Basic net income per share	¥565.45

5. Outline of separating business

1) Content of business separating from Asahi Kasei

- i) Operations related to R&D, manufacture, marketing, sale, and technical service of nonwoven fabric made by the spunbond process
- ii) Operations related to marketing and sale of nonwoven fabric made by the meltblown process
- iii) Operations related to R&D, manufacture, marketing, sale, and technical service of nonwoven filter systems  
(excluding manufacturing operations at the Moriyama Spunbond Plant)

2) Content of business separating from Mitsui Chemicals

- i) Operations related to R&D, manufacture, marketing, sale, and technical service of nonwoven fabric made by the spunbond process
- ii) Operations related to R&D, manufacture, marketing, sale, and technical service of nonwoven fabric made by the meltblown process
- iii) Operations related to R&D, manufacture, marketing, sale, and technical service of breathable film and shape holding fiber

3) Operating results of separating business\*

	Asahi Kasei	Mitsui Chemicals
Net sales (year ended March 31, 2022)	¥17.5 billion	¥30.8 billion

\* Including net sales of The Business.

4) Book value of separating assets and liabilities

Assets		Liabilities	
Current assets	¥7,859 million	Current liabilities	¥6,440 million
Noncurrent assets	¥16,908 million	Noncurrent liabilities	¥1,697 million
Total	¥24,767 million	Total	¥8,137 million

Note: As the above values are current as of March 31, 2022, the value of actual

separating assets and liabilities will be adjusted to reflect changes up to the Effective Date.  
The above values include assets and liabilities of The Business.

## 6. Situation after The Separation

No changes are currently scheduled to the company name, location, name and position of representative, business field, paid-in capital, or fiscal year end of either Asahi Kasei or Mitsui Chemicals after The Separation.

### Profile of the new company to succeed operations through The Separation

1) Company name	Mitsui Chemicals Asahi Life Materials Co., Ltd.
2) Location	2-2-1 Yaesu, Chuo-ku, Tokyo, Japan
3) Name and position of representative	Undetermined
4) Business field	Manufacture, development, and sale of nonwoven fabric
5) Paid-in capital	¥500 million
6) Date of establishment	October 2, 2023 (scheduled)
7) Fiscal year end	March 31
8) Largest shareholders and percentage of equity	Mitsui Chemicals: 60.62% Asahi Kasei: 39.38%

## 7. Future outlook

The new company to succeed operations through The Separation will become an equity-method affiliate of Asahi Kasei. The effect of The Separation on consolidated earnings is immaterial.

For reference:

Forecast for current fiscal year (announced February 8, 2023) and results of previous fiscal year (consolidated)

(¥ million)

	Net sales	Operating income	Ordinary income	Net income attributable to owners of the parent
Forecast for current fiscal year (ending March 31, 2023)	2,737,000	125,000	118,000	70,000
Results of previous fiscal year (ended March 31, 2022)	2,461,317	202,647	212,052	161,880

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