

Project to acquire Clarion

Accelerating strategy
to become a global leader
in cockpit electronic systems

October 26, 2018



A value-creating acquisition fully in line with Faurecia strategy

■ Clarion is a strong match with Faurecia strategy:

- Aligned with megatrends of connectivity and autonomous driving
- High technology, electronics and software expertise
- Complementary geographic, customer and industrial footprints

■ Faurecia will accelerate value creation through:

- Critical size for cockpit electronic systems and software integration
- Business alliance with Hitachi Automotive Systems for combined offer for autonomous driving
- Significant commercial and industrial synergies

Clarion is a leading supplier of In-Vehicle-Infotainment and audio systems, HMI and Advanced Driver Assistance

IN-VEHICLE-INFOTAINMENT (IVI) & AUDIO SYSTEMS

- In-vehicle infotainment systems integrating navigation, audio, video, connectivity
- Audio systems
 - Intelligent tuning
 - Full digital sound

CONNECTED SERVICE PLATFORM

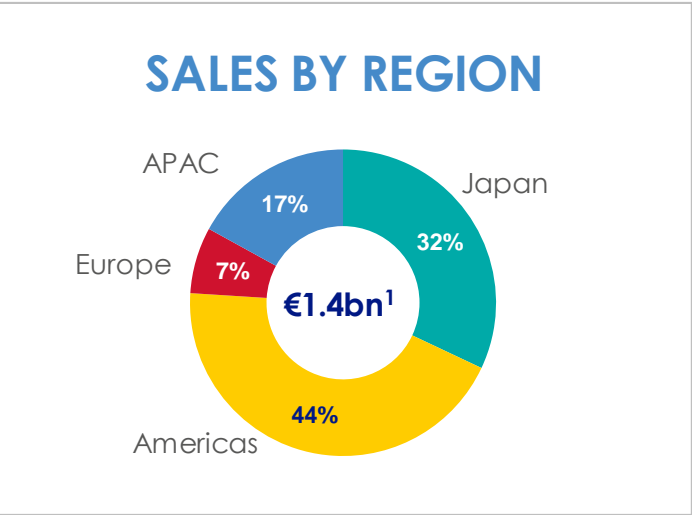
- Telematics Control Unit
- Cloud platform
- Over-The-Air/Cybersecurity
- In-vehicle cloud services

HMI AND ADVANCED DRIVER ASSISTANCE

- Automated parking systems using cameras, sensors, image processing
 - SurroundEye
 - Partial and full automated parking
 - Park by memory
 - Self valet autoparking
- Integrated HMI systems
 - Driver monitoring
 - Driver and occupant safety

Transformation from traditional audio/infotainment systems to rapidly growing HMI and advanced driver assistance

Clarion profile



CUSTOMERS

KEY CUSTOMERS > 50% of sales

SELECTED OEM CUSTOMERS

+ Chinese OEMs



- ### KEY FACTS
- **Headquarter:** Saitama, Japan
 - **> 7,500 employees** worldwide
 - **> 2,000 engineers** including **1,150 software engineers**
 - **7 manufacturing sites**, of which 6 in low cost countries
 - **9 R&D centers** in 8 countries
 - **26 local and regional sales offices** across 16 countries

¹As reported for fiscal year ending Mar-18
1 euro = 128 yen

Through this acquisition, Faurecia is uniquely positioned to become a leader in cockpit systems integration

- **Core competences of Clarion in electronics and software integration will give critical size**
 - Faurecia already entered cockpit electronics through acquisitions of Parrot Automotive and Coagent Electronics
 - Accelerate growth in all regions through complementary commercial relationships
- **Expertise in digital sound design, sensing and image processing combined with Faurecia competences will give unique market position for new user experiences**
 - Advanced safety, intuitive HMI, driver assistance, IVI and immersive digital sound, comfort, wellness and thermal management
 - Connectivity/cloud data management and application integration of Clarion will enable new services and functions

Expanded innovative technology offer through business alliance with Hitachi Automotive Systems

- **Clarion allows Faurecia to enter into Advanced Driver Assistance market**
 - Innovative solutions for driver monitoring and autonomous parking
- **Offer unique full autonomous driving solutions through business alliance with Hitachi Automotive Systems**
 - The understanding and competences of the two different electronic architectures: ADAS and Cockpit Intelligence will allow the development of optimized interfaces
 - The combination of the two companies' product offers will allow disruptive innovations for autonomous driving and the Cockpit of the Future

Complementary know-how and competences for innovative and disruptive solutions

	Faurecia	Parrot & Coagent	Clarion
Cabin	<ul style="list-style-type: none"> Adaptive cabin HMI/sensor integration Decoration & HMI fusion Optical bonding 		
Sensors & HMI	<ul style="list-style-type: none"> Immersive sound systems / Surface activation 	<ul style="list-style-type: none"> Displays 	<ul style="list-style-type: none"> Displays Digital Sound System Camera/Human & gesture sensor
Infotainment & Connectivity		<ul style="list-style-type: none"> Digital Instrument Cluster IVI Hardware & Software Android-based development Telematics Control Unit 	<ul style="list-style-type: none"> IVI Hardware & Software Telematics Control Unit Cloud Platform / Cyber Security
Safety & Information	<ul style="list-style-type: none"> Advanced occupant safety 		<ul style="list-style-type: none"> Driver and passenger monitoring Car and environment monitoring
System Integration	<ul style="list-style-type: none"> Cockpit of Future (safety, comfort, wellness) 		<ul style="list-style-type: none"> Driver assistance and automated parking Cloud-based services
Other			<ul style="list-style-type: none"> Electronics manufacturing services

Creation of a new Business Group headquartered in Japan: Faurecia Clarion Electronics Systems

Clarion



HQ in **Saitama, Japan**
7 manufacturing sites



7,500 employees



Japanese & US OEMs



€1.4bn sales (FY 03/2018)



100% owned by Faurecia



HQ & R&D center in **Paris, France**
Fabless



300 employees



European OEMs



€ **60M** sales in 2017



50.1% owned by Faurecia



HQ & R&D center in **Foshan, China**
2 production sites in **China**



1,400 employees



Chinese OEMs



€130m sales in 2017

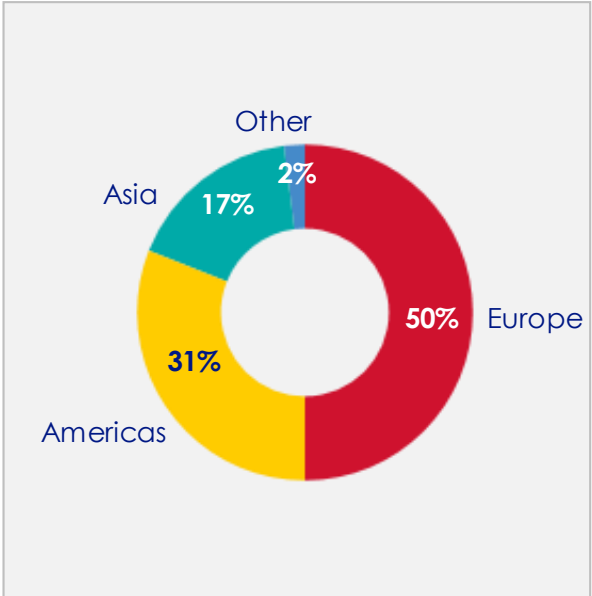
The new Business Group would employ 1,650 software engineers
and should exceed €2 billion of sales by 2022

Acquisition to strengthen Faurecia presence in Asia and allow a breakthrough with Japanese OEMs

Revenue breakdown by geography

Sales

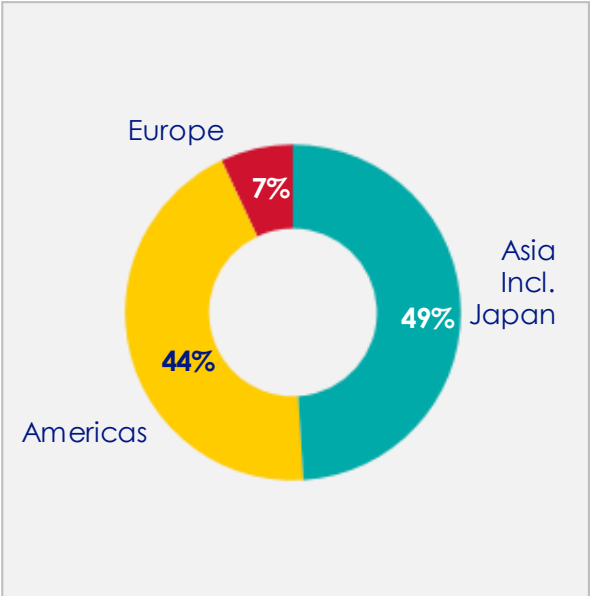
Faurecia



**FY17
€17 bn**

+

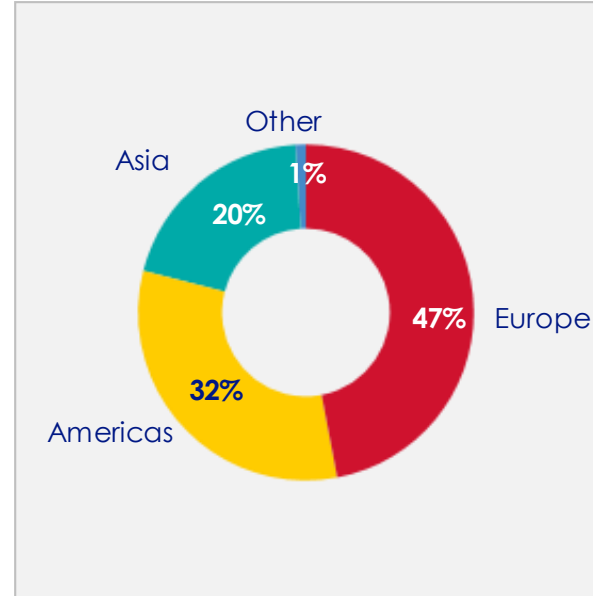
Clarion



**FY18 (ending March)
€1.4bn**

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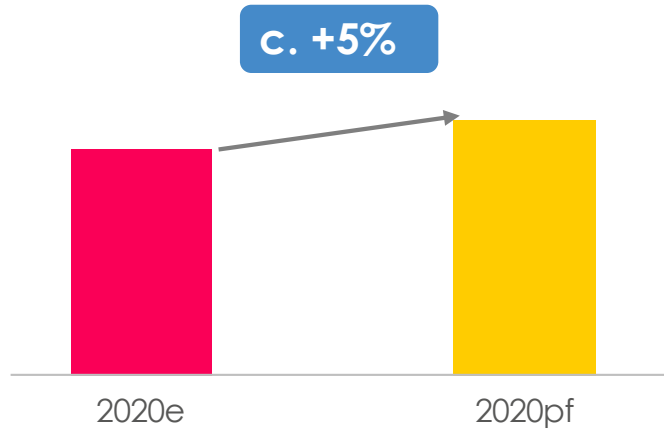
Faurecia post transaction



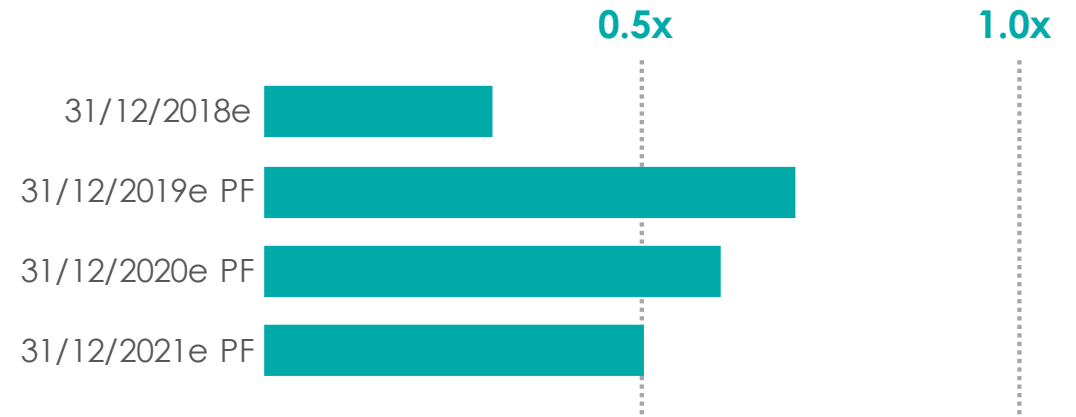
**FY 17 proforma
€18.4bn**

The transaction meets Faurecia acquisition criteria and creates value through significant synergies

EPS ACCRETIVE WITHIN 24 MONTHS



NET DEBT / EBITDA ALWAYS BELOW 1x



SIGNIFICANT SYNERGIES

At least €90m of run-rate synergies at EBIT level by 2022

Revenue synergies

- Capitalize on Clarion's network with Japanese OEMs
- Support from Faurecia with US and European OEMs

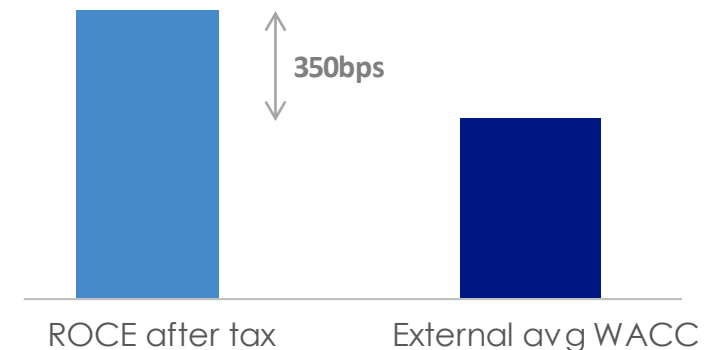
c. €40m EBIT by 2022

Industrial synergies

- Purchasing,
- Footprint optimization,
- Delisting,...

c. €50m EBIT by 2022

2022 ROCE > WACC



Transaction summary

- **All-cash transaction for equity value of €1.1bn for outstanding shares of Clarion or JP¥2,500 per share. This price represents a premium of:**
 - 10.5 % to the last closing price (October 25, 2018)
 - 31.2 % to the average of the last 20 trading days¹
- **Implied acquisition multiple of 5.7 x March 2018 EBITDA including run-rate synergies estimated at €90m by 2022**
- **Bridge financing fully secured (1 year with option to renew twice 6 months at our initiative)**
- **Refinancing on the bond market after the acquisition to maintain strong liquidity profile**
- **Hitachi has committed to tender all of their shares (63.8% of Clarion) to Faurecia**
- **Board approvals from Hitachi and Clarion**
- **Strong commitment from Hitachi and Clarion to ensure deal completion**

Note

¹ average from 26th September to 25th October 2018

Next steps

- Regulatory approvals to be launched in key countries
- Employee consultations to be undertaken
- Tender offer launched when appropriate merger control procedures have been implemented
- Followed by squeeze-out

Closing expected during Q1 2019

A unique value-creating opportunity creating a global leader in cockpit electronics systems

- **Acquisition of a leading company giving Faurecia critical size in cockpit electronics and software integration**
 - Valuable assets,
 - Excellent market reputation
 - High quality teams
- **Perfect alignment with Faurecia strategy and good timing**
- **Complementary technologies, customer portfolios and geographies**
- **Strong global electronic architecture expertise (ADAS and Cockpit Intelligence Platform) through business alliance with Hitachi Automotive Systems**
- **Value creation through high synergies**

Disclaimer

Additional information and where to find it

The tender offer described in this communication has not yet commenced and this communication is neither an offer to purchase nor a solicitation of an offer to sell shares of Clarion. At the time the tender offer is commenced, pursuant to the Japanese tender offer regulations, the bidder will publish a tender offer statement, and Clarion will publish an opinion statement, with respect to the tender offer. Clarion shareholders and other investors are strongly advised to read the tender offer materials and the opinion statement, as they may be amended from time to time, because they will contain important information which should be read carefully before any decision is made with respect to the tender offer. The tender offer materials, as well as the opinion statement, will be made available to all Clarion shareholders at no expense to them. English translations of all tender offer materials may also be obtained at <http://www.faurecia.com/en/newsroom>

Notice to U.S. shareholders of Clarion

The bidder, a company of the Faurecia group, is a French company and the target, Clarion, is a Japanese company. Information distributed in connection with the proposed tender offer is subject to Japanese disclosure requirements that are different from those of the United States. Financial statements and financial information included in the tender offer materials are prepared in accordance with Japanese accounting standards that may not be comparable to the financial statements or financial information of United States companies.

It may be difficult for you to enforce your rights and any claim you may have arising under the U.S. federal securities laws in respect of the tender offer, since the companies are located in France and Japan, respectively. You may not be able to sue the companies or their officers or directors in a French or Japanese court for violations of the U.S. securities laws. Finally, it may be difficult to compel the companies and their affiliates to subject themselves to a U.S. court's judgment.

You should be aware that, pursuant to certain exemptions to the U.S. tender offer regulations, the bidder or its affiliates may bid for or purchase the target's shares outside the United States otherwise than pursuant to the tender offer in the U.S., such as in open market or privately negotiated purchases, at any time during the pendency of the tender offer.

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